Bupa

Annual Report 2022

75 years of caring

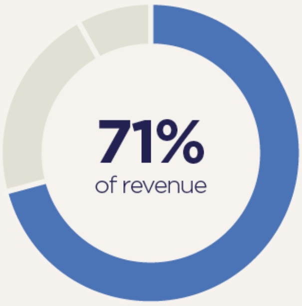
Introduction

We are an international healthcare company. Our global footprint has grown over 75 years from our origins in the UK to include businesses in Australia, Spain, Poland, Chile, Brazil, Mexico, Türkiye, the Middle East, the US, Hong Kong SAR, New Zealand and Ireland. We also have associate businesses in Saudi Arabia and India.

In this report

Business Model

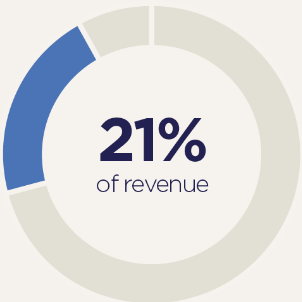
Health insurance



24.4m
customers

- Health insurance accounts for 71% of our revenue, with 24.4m customers.
- We have a strong domestic health insurance presence via our businesses in the UK, Australia, Spain, Chile, Hong Kong SAR, Türkiye, Brazil and Mexico, and our associate businesses in Saudi Arabia and India.
- We offer international private medical insurance (IPMI) through our Bupa Global businesses.
- We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong, Brazil and through Bupa Global.

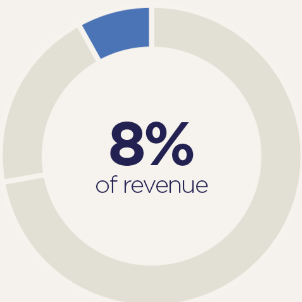
Health provision



19.2m
customers

- Health provision accounts for 21% of our total revenue, comprising 376 health clinics, 25 hospitals and 979 dental centres, serving 19.2m people globally.
- We operate health facilities in Spain, Chile, Poland, the UK, Brazil, Hong Kong SAR and Australia, and in our associate business in Saudi Arabia.
- We run hospitals in Spain, Mexico, Chile, Poland and UK.
- We have dental centres across the UK, Ireland, Australia, Spain, Chile, Poland, Brazil and Hong Kong SAR.

Aged care



20,200
residents

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

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 and health provision.

40%
of revenue

4.5m
Health insurance customers

2.7m
Health provision customers

5,100
Aged care residents in Australia

3,200
Aged care residents in New Zealand

See page 13

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; Bupa Chile, with health insurance and provision; Care Plus, a health insurer in Brazil; Bupa Mexico, with health insurance and provision; LUX MED, a private healthcare business in Poland; and Bupa Acıbadem Sigorta, a health insurer in Türkiye. We also have an IPMI business in Latin America.

33%
of revenue

5.1m
Health insurance customers

12.8m
Health provision customers

5,600
Aged care residents in Spain

See page 14

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, Bupa Global administers IPMI for individuals, small businesses and corporate customers.

27%
of revenue

3.0m
Health insurance customers

3.3m
Health provision customers

6,300
Aged care residents in the UK

See page 15

Other businesses

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

12.1m
Total customers[1]

See page 16

1. Total customers in "Other businesses" are predominantly health insurance customers.

Financial performance

£14.0bn

Revenue

+7% at CER, 2021: £13.1bn
+8% at AER, 2021: £12.9bn

£(427)m

Statutory loss before tax

-201% at AER, 2021: £423m

£966m

Net cash generated from operating activities

+5% at AER, 2021: £919m[1]

£575m

Underlying profit[2]

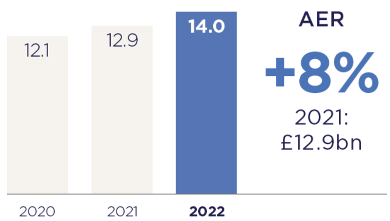
+43% at CER, 2021: £402m
+42% at AER, 2021: £405m

181%

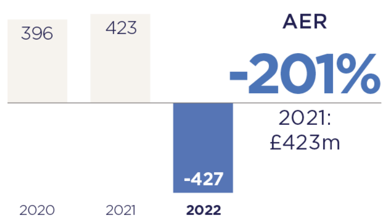
Solvency II capital coverage ratio[3]

2021: 179%

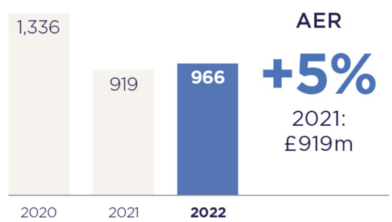
Revenue (£bn)



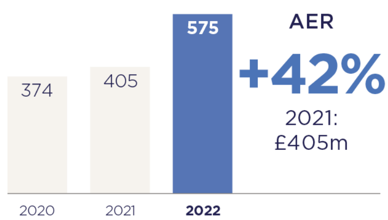
Statutory profit/(loss) before taxation (£m)



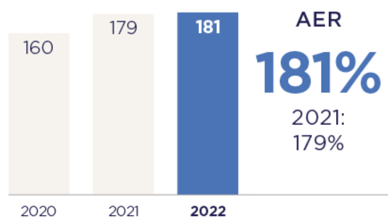
Net cash generated from operating activities[1] (£m)



Underlying profit[2] (£m)



Solvency II capital coverage ratio[3] (%)



1. 2021 has been restated for the implementation of the IFRS Interpretations Committee agenda decision on Demand Deposits with Restrictions on Use arising from a contract with a Third Party. See Note 1.5a for further detail.
2. Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory profit/loss before taxation can be found in the notes to the financial statements.
3. The 2022 Solvency II capital position, Solvency Capital Requirement (SCR) and coverage ratio are estimates and unaudited.

Highlights and recognitions

Celebrated our 75th anniversary

75 years of caring

16% insurance customer growth worldwide

16%

2 million new health provision customers globally

2 million

Implementing digital healthcare products – such as Blua – into 10 of our markets

11 countries and all three Market Units with customer listening app

Listen

Delivered over 6,000 customer improvements across all of our businesses worldwide, following feedback from 3 million customer feedback surveys

6,000

Hosted our first DataSummIT, with 54 presenters globally, and 5,600 Bupa people registered

Data SummIT

Over 300 companies and 83 cities and regions across Poland, Spain, Chile and Mexico participated in the emblematic project, Healthy Cities

Acquired Bupa's first hospital in Mexico, Bité Médica

Bité Médica

Launched our Healthy Planet, Healthy People campaign in line with our Net Zero 2040 ambition

2040

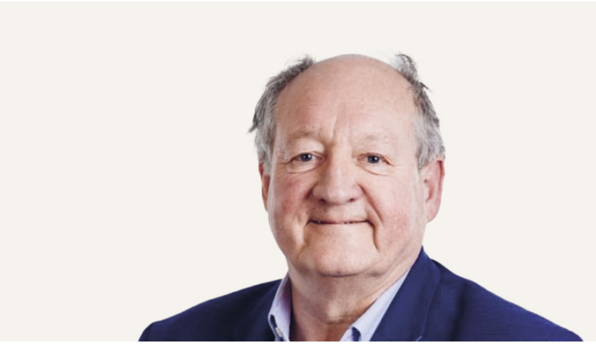
Became the Official Healthcare Partner to the five national Paralympics Associations in Spain, Poland, Chile, the UK and Australia

5 partnerships

Our LUX MED business provided over 320,000 free medical interventions to 180,000 Ukrainian refugees

GRUPA LUXMED

Chairman’s statement



During 2022 we witnessed some unpredictable events; war in Europe, widespread inflation and interest rate rises and political change in many countries. The context in which Bupa has operated this year has undoubtedly been challenging – and we should not forget that COVID-19 has continued to be a factor in a number of countries.

Against this backdrop, however, the Bupa Board and I are proud of how Bupa has navigated these events. We are pleased with underlying performance this year and how Bupa has performed in line with our expectations. Although the statutory loss is disappointing, as Inaki describes in his CEO Review, the impairments in some businesses relate to a complex set of largely macro-economic, sectoral and operational factors that management are navigating with the Board’s support. It’s particularly satisfying to see significant and meaningful progress being made with the 3x6 strategy that Iñaki and his leadership team launched in 2021, and this progress gives the Board confidence in the future.

In what has been Bupa’s 75th anniversary year, I want to acknowledge the hard work and commitment of our people in serving and caring for our customers, patients and residents – and this is demonstrated in the great progress made throughout the year. What has struck me already is the way the new 3x6 strategy is being received. People are hugely energised by the sense of ambition at the heart of it. What has been so impressive is that Bupa’s people across the world have continued to embrace the ethos of simultaneously “running” and “changing” Bupa.

As the 3x6 strategy is implemented, three particular highlights stand out to me.

As customers across the world manage the rising cost of living, it is critical that Bupa continues to deliver high-quality, accessible healthcare and value for money. Bupa's focus on continuous improvement is evident in the scale and breadth of the progress with customer improvements through the year across all of our businesses. This focus is key to Bupa achieving the ambition we have set of being the world’s most customer-centric healthcare company.

Our people are vital to delivering great customer service and care as well as implementing change and so we were delighted to see the highest ever levels of engagement from our people in Bupa’s global People Pulse survey. It is critical that we maintain and improve this engagement as Bupa goes through significant transformation, and the Board and I support the range of initiatives taken to enhance pay and health and wellbeing support to help our people.

We’re also realising the benefits of the strategy, with significant organic growth in customer numbers across several markets – both in health insurance and provision. This demonstrates how we are meeting rapidly increasing customer demand for healthcare, particularly for services which are delivered digitally.

The world is in an ongoing period of change as we emerge from the pandemic and the geopolitical instability caused by the war in Ukraine.

I wanted to highlight, in particular, the amazing work that our LUX MED team in Poland are doing to support refugees who have been fleeing the war in Ukraine. I was privileged to visit the team recently with Iñaki and some of the Chief Executive Committee and saw at first hand the amazing job LUX MED is doing. We’re clear that we will continue to fund this support for as long as needed.

In last year’s Chairman’s statement, I noted Bupa’s particular focus on sustainability in the new strategy. In 2022, we launched a new sustainability strategy through which Bupa will deliver the commitment to “make a better world” which we added to our purpose in 2021. Our approach to sustainability is focused on the intersection of human health and the health of the planet. This strategy has given us clear direction with ambitious sustainability goals.

We are confident that the prospects are good but we recognise that we continue to face risks and challenges. The ever-increasing public focus on health and wellbeing provides us with opportunities to meet changing customer needs. We’re making good progress on our ambitious strategy and I have every confidence that what the team are doing under Iñaki’s leadership will position Bupa as the “go to” place for healthcare across the world.

Our Strategic Report from pages 1-48 was reviewed and approved by the Board of Directors on 1 March 2023.

By order of the Board.

Roger Davis
Group Chairman

Group CEO's review

These results demonstrate positive underlying performance across the Group in a challenging economic environment. We are making good progress implementing the new 3x6 strategy and our focus on driving significant transformation around digitalisation and customer service improvements has led to good organic customer growth in several businesses. As well as being the first full year of implementation of the new strategy, 2022 was also a significant year for Bupa as we celebrated our 75th anniversary.

The increase in both our revenue and underlying profit as a result of strong customer demand demonstrates this progress, with strong insurance customer volume growth.

The large statutory loss arising from goodwill impairments is disappointing, however, and reflects different factors. Global inflation has risen sharply driven by the aftermath of the pandemic and the invasion of Ukraine. Global markets responded by increasing central bank rates leading to increasing and more volatile bond yields causing interest rates to rise sharply during the second half of 2022. This led to significant increases in the cost of capital of our businesses, impacting the carrying value.

In addition to this macro-economic impact, in UK Dental, operational challenges increased further during the second half of the year, in particular below target recruitment and retention of clinicians and increasing wage and energy costs, resulting in lower projected cash flows. A strategic review was initiated and new leadership was put in place. In Chile, the Isapre industry has been negatively impacted by judicialisation of premium pricing and regulatory action leading us to reassess our expectations of future cash flow from our Isapre business. In Australian aged care, we have reassessed our expectations of future cash flows to make an allowance for implementing the expected impact of mandatory care minutes for residents and future reform of government residential aged care funding.

Our underlying performance, together with the quality of growth we are achieving across multiple businesses, gives us confidence for the future. Our portfolio management approach is delivering results, particularly in recovering performance in Bupa Global.

We are pleased with the continued strong growth across health insurance in multiple countries, including Australia, Spain, UK, Poland, Brazil and Türkiye. We believe this demonstrates how our customers continue to see the value of our services, even in a cost-constrained environment. We are also working hard to meet customers' changing expectations of healthcare and we continued to make significant progress in our digital transformation journey with further implementation of our digital platform, Blua, across different markets.

Rising demand for healthcare and post-pandemic recovery are also reflected in the growth across our health provision businesses, as we served two million more customers than in 2021. In aged care, occupancy improved in Spain and the UK, while occupancy was down in Australia and New Zealand as these businesses continued to navigate challenges from COVID-19 impacts and workforce availability.

It is a challenging time for our employees due to the increased cost of living. We are focused on helping our customer-facing colleagues, in particular, and have provided support which has varied according to local markets. We've also just announced a broader package of health and wellbeing initiatives, Viva, to help our people worldwide and this will be rolled out across Bupa this year. Our thoughts are with everyone impacted by the tragic recent earthquakes in Türkiye and Syria. As the recovery efforts continue, our team in Türkiye has been working hard on a support package for those in need, including customers and colleagues. Through our business in Poland, we have been providing free healthcare support to Ukrainian refugees who have been forced to flee the war over the past year. We're clear that we will continue to fund this support for as long as needed.

Outlook

We are seeing continued strong demand for our products and services to meet changing customer needs, particularly digital access to healthcare. Through our 3x6 strategy, we are focused on expanding the availability of these services across all of our markets. We are encouraged by the positive overall performance across the Group and how our businesses are transforming while continuing to deliver for our customers. High inflation continues to increase costs for our businesses and for our customers, although we are encouraged by the customer growth we have seen. The recruitment and retention of healthcare workers remains an ongoing sector-wide challenge in multiple markets – impacting our health provision businesses, notably UK dental and some aged care businesses. In Chile, as noted on page 11 ongoing judicial and regulatory uncertainty continues to affect the Isapre industry creating a challenging operating environment for our Isapre business. We are confident in the future and see positive momentum behind the implementation of our strategy. There is much to do but we are well-positioned to meet rising demand for healthcare services across all our markets.

Iñaki Ereño
Group CEO

Progress on our 3x6 strategy

Progress against our ambition KPIs:

In 2021, we introduced the 3x6 strategy. Our main focus last year was driving progress against three headline elements of that strategy - all of which aim to ensure that Bupa will become the most customer-centric healthcare company in the world.

1. We have made progress in increasing the **customer care touchpoints** that we own (vs. a global goal of owning 40% of touchpoints) - driving more frequent interaction with customers and giving us more ways to improve their access to great quality healthcare.
2. We have meaningfully increased the percentage of our **customers who we interact with digitally** (vs. a global goal of 60%) - enabling us to serve customers how they want to be served, and to offer anytime and immediate access to Bupa.
3. We have improved NPS scores across most of our businesses (vs. a global goal of 80 NPS) - showing that our focus on implementing high volumes of customer experience improvements is delivering actual benefits to our customers.

This positions us well for 2023, when we plan to make significant further progress vs. our '40:60:80' targets.

Set out below are some examples from across our businesses which illustrate the progress made in 2022.

Examples of progress against our ambition KPIs

40%
Customer care touchpoints owned by Bupa

Double-digit growth

Bupa Arabia
+13 ppts

Good improvement

Bupa Mexico
+5 ppts

Bupa Global
+4 ppts

60%
Active digital customers

Double-digit digital customer growth rates

Bupa Chile
+28 ppts

Türkiye
+22 ppts

Bupa Arabia
+13 ppts

80
Net Promoter Score of 80

Around **82%**
Business Units have increased their scores, with particular NPS improvements in

HK Health Services
+15 pts

Australia Aged Care
+13 pts

UK Aged Care
+9 pts

Progress against our six strategic and enabling pillars:

In our 3x6 strategy, we established six key strategic and enabling pillars - areas of focus for our business-wide transformation activities.

While our transformation journey is not yet complete, our people have focused their energy on - and delivered at pace across - all six pillars. We have made measurable progress and have put in place business fundamentals that will allow us to go further and faster in 2023.

An overview of tangible progress against these pillars is set out below.

We also have several initiatives under way to improve our organisational capabilities to support delivery of our goals across each strategic and enabling pillar. These include:

1. Planning for each business to migrate at least 90% of systems to the Cloud; and
2. Implementing an Integrated Management System (IMS) to ensure standardisation and reinforce accountabilities across each of our businesses.

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

What we've already achieved

Customer

6,000+

Customer experience improvements[1] delivered across our Market Units in 2022

Growth

16%

Insurance customer growth across our markets vs. FY21

Transformation

10

Countries where we've launched Blua, or another digital health solution

Sustainability

1,086

Start-ups engaged with via our eco-Disruptive programme

Data

5,600

Bupa people signed up to the Data SummIT to develop data skills

Agile Culture

11

Countries and all three Market Units with customer listening app

1. A customer experience improvement is defined as an improvement that is 'value-added' or that results in an experience improvement which can be directly perceived by the customer. In contrast, value-enabling improvements which do not have a direct benefit to customers should not count (e.g. review of customer feedback, the launch of a new analytical tool or programme to encourage active customer listening).

Financial review

Overview

These results reflect continuing good organic growth across many of our insurance businesses and increased activity in health provision businesses to meet increasing customer demand.

This was offset by ongoing challenges in workforce availability across several markets, particularly in UK Dental. The impacts of COVID-19 have subsided in most of our markets but persisted in parts of our Asia Pacific Market Unit.

Revenue of £14.0bn was up 7% (2021: £13.1bn) at constant exchange rates (CER) with growth in all our business lines and underlying profit[1] before taxation of £575m was up 43% at CER (2021: £402m) as a result of strong customer demand and included a number of one-off exceptional trading items in our Market Units, which are broadly neutral at a Group level.

During 2022, global inflation rose sharply resulting in higher central bank interest rates, leading to increased cost of capital which reduces the valuation of business units for impairment testing. There were asset impairments across goodwill, other intangibles and tangible assets during the second half of the year totalling £1bn. The material Business Unit impairments were UK Dental (£646m), Bupa Chile (£161m), BVAC Australia (£103m) and UK Care Services (£90m). These were the result of macroeconomic, and in some cases, sectoral and operational factors which are further detailed below.

Statutory loss before taxation of £(427)m is a decline from a profit of £423m in 2021 (a 201% decline at AER).

Net cash generated from operating activities was £966m, up £47m on prior year (2021: £919m) primarily due to strong underlying trading performance of our insurance business.

Solvency II capital coverage ratio remains strong at 181% (2021: 179%) reflecting positive underlying performance with leverage (excluding IFRS 16 liabilities) improving to 18.6% (2021: 19.6%).

Financial highlights

£14.0bn
Revenue
+8% AER 2021: £12.9bn
+7% CER 2021: £13.1bn

£575m
Underlying profit[1]
+42% AER 2021: £405m
+43% CER 2021: £402m

£966m
Cash generated from operating activities
+5% AER 2021: £919m[2]

£(427)m
Statutory (Loss)/profit
-201% AER 2021: £423m

18.6%
Leverage (excl. IFRS 16)
+1.0 ppts AER 2021: 19.6%

26.3%
Leverage (incl. IFRS 16)
+0.6 ppts AER 2021: 26.9%

181%
Solvency II coverage ratio[3]
AER 2021: 179%

1. 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/loss before taxation can be found in the notes to the financial statements.
2. 2021 has been restated for the implementation of the IFRS Interpretations Committee agenda decision on Demand Deposits with Restrictions on Use arising from a contract with a Third Party. See Note 1.5 for further detail.
3. The 2022 Solvency II capital position, Solvency Capital Requirement (SCR) and coverage ratio are estimates and unaudited.

Financial review continued

Revenue (CER)

Revenue of £14.0bn was up 7% due to customer growth in health insurance, increased activity in our provision businesses and higher occupancy in most aged care businesses post-pandemic.

Revenue in health insurance was up 7% as customer numbers increased and, although we sought to manage costs for customers as much as possible, premiums rose to address global inflation. This was partially offset by cash returns to customers and premium increase deferrals in our Australian health insurance business where we delivered on our commitment to not benefit from COVID-19. Insurance customer growth of 8% represented nearly one million more lives (16% when including our associate businesses) driven by strong growth in the UK and continued growth in our Australian, Polish, Turkish, Spanish and Brazilian businesses.

In health provision, revenue grew by 8%, reflecting over two million additional customers as demand for health services increased and the impacts of COVID-19 largely subsided, but still remained in places. Dental revenue however was impacted by sector-wide clinician shortages across several of our markets and the divestment of some practices in New Zealand.

In aged care, revenue was up 4% as occupancy rates increased by 1.6 ppts driven by our Spanish and UK businesses as they continued to emerge from the pandemic. COVID-19 challenges remained in our Australian and New Zealand businesses, however, as localised restrictions and sector-wide staffing availability continued to impact our ability to welcome new residents and reduced occupancy rates in this region.

Underlying profit (CER)

Group underlying profit increased by 43% to £575m (FY 2021: £402m at CER).

Underlying profit includes one-off items that are related to trading but are exceptional in nature. There was £66m of additional profit in Asia Pacific which we have attributed to undistributed health insurance claims savings related to COVID-19. This is intended to be returned to customers in the future in line with our commitment to not benefit from the pandemic. In Europe and Latin America, profits were £40m higher as a result of applying higher CPI to rates in historical periods in line with a Public Private Partnership hospital contract in Spain. In our BGUK Market Unit, UK Dental has been impacted by higher Weighted Average Cost of Capital (WACC) rates and reduced profit expectations which has led to impairments of goodwill, customer intangibles, fixed assets and right of use leases. The tangible asset impairments are £117m and are included in underlying profit. The net impact of these across our Market Units was an £11m downside.

For our largest line of business, health insurance, underlying profit increased from good customer growth, alongside both premium increases and careful cost management, which broadly offset higher claims and operating costs caused by the inflationary environment.

As noted on page 11, in Chile, we continue to see the negative impacts of judicial and regulatory action affecting the entire Isapre insurance industry which have caused underlying losses to grow in our Isapre business, Isapre Cruz Blanca.

Profitability further increased in our health provision businesses, as COVID-19 restrictions reduced in 2022. However, we continue to see challenges in our dental business, particularly in the UK, driven by sector-wide pressures, including an ongoing shortage of available clinician hours.

Underlying losses in aged care increased year-on-year. In Spain, profits improved from higher customer volumes as the business emerged from the pandemic (closing occupancy 92.8% was up 5.9 ppts). However, this was more than offset by challenges in Australia and New Zealand which were impacted from temporary closures in the first half of 2022, resulting from COVID-19, along with workforce availability constraints, and in the UK, which faced higher staff and energy costs in a heightened inflationary environment.

Central expenses and net interest margin of £43m were lower (FY 2021: £103m at CER). This was driven by higher investment returns from increased interest rates, and reduced costs from the early redemption of the £250m subordinated bond and maturity of a £350m senior bond in 2021.

Statutory (loss)/profit

Statutory loss before taxation was £(427)m, a 201% decline at AER (FY 2021: £423m profit), driven by certain non-underlying items which contributed a £1,002m loss in 2022, compared with £18m profit in 2021.

The key drivers for non-underlying items in 2022 were the impairments of goodwill and intangible assets:

UK Dental (£529m), due to increased WACC rates and a deterioration of the underlying forecast cash flows of the business following below target recruitment and retention of clinicians, combined with increased wage and energy costs, during the second half of 2022.

Bupa Chile (£161m), driven by increased WACC rates and reductions in future cash flow forecasts reflective of the judicial and regulatory action affecting the Isapre industry summarised on page 11.

Bupa Villages and Aged Care Australia (£103m) due to increased WACC rates in the period and future cash flows affected by lower occupancy and higher future staff costs expected from implementing minimum mandatory care minutes for residents.

UK Care Services (£90m) due to an increase in WACC rates.

Also included was the amortisation of intangible assets in Bupa Villages and Aged Care Australia following the government announcement in 2021 to deregulate bed licences from 2024 (£34m) and the loss on return seeking assets, net of hedging of (£39m). Türkiye is considered a hyperinflationary economy, as a consequence the results and balances for the Group's Turkish operations being adjusted for changes in the general purchasing power of the Turkish Lira (£31m) and this is recognised in "realised and unrealised foreign exchange (losses)/gains".

Financial review continued

	2022 £m	2021 £m
Bupa Asia Pacific at CER	**302**	229
Europe and Latin America at CER	**233**	166
Bupa Global and UK at CER	**25**	60
Other businesses at CER	**58**	50
Underlying profit for reportable segments at CER	**618**	505
Central expenses and net interest margin at CER	**(43)**	(103)
Consolidated underlying profit before taxation at CER	**575**	402
Foreign exchange re-translation on 2021 results (CER/AER)	**–**	3
Consolidated underlying profit before taxation at AER	**575**	405
Impairment of intangible assets and goodwill arising on business combinations	**(888)**	(18)
Net (losses)/gains on disposal of businesses and transaction costs on business combinations	**(4)**	13
Net property revaluation (losses)/gains	**(5)**	16
Realised and unrealised foreign exchange (losses)/gains	**(12)**	5
Amortisation of bed licences	**(34)**	–
Other Market Unit non-underlying items	**(24)**	13
Group non-underlying items	**4**	(14)
(Losses)/gains on return-seeking-assets, net of hedging	**(39)**	3
Total non-underlying items	**(1,002)**	18
Statutory (loss)/profit before taxation at AER	**(427)**	423

Taxation

The Group's taxation expense for the year was £91m which represents an effective tax rate of (21)% (2021: 15%). This is mainly due to the net tax impact of one-off goodwill and fixed assets impairments and IAS 29 adjustments applied as a result of hyperinflation in Türkiye for which no tax deductions can be claimed. If these exceptional items were excluded from the Group's profit before taxation, the effective tax rate would be 30%, which is higher than the UK corporation tax rate of 19%. This is mainly due to profits arising in jurisdictions with a higher rate of corporate income tax. The 2021 effective tax rate was lower than the UK corporation tax rate mainly driven by a prior year credit of £43m following a favourable court decision in Spain.

Cash flow

Net cash generated from operating activities increased by £47m period on period, to £966m with strong business performance translating into higher revenues being received in the period.

Cash generation has in turn driven the increase in cash used in investing activities by £654m to £889m as that cash has been invested into financial assets on the balance sheet. Net cash used in financing activities is also stable, decreasing by £89m to £459m, with Group reducing debt balances in the period by £173m.

Funding

We manage our funding prudently to ensure a strong platform for continued growth. Bupa's policy is to maintain investment grade access to both the senior and subordinated bond markets. Fitch and Moody's reviewed Bupa's credit ratings during 2022 with Moody's changing the outlook for Bupa's ratings to stable from negative. Fitch held Bupa's ratings and outlook steady during the year.

We continue to hold a good level of Group liquidity. At 31 December 2022, our £900m Revolving Credit Facility was drawn by £70m (2021: £150m). Coverage of financial covenants within the facility remains strong.

We focus on managing our leverage in line with our credit rating objectives. Leverage excluding IFRS 16 leases at 31 December 2022 was 18.6% (FY 2021: 19.6%) and was 26.3% (FY 2022: 26.9%) when IFRS 16 lease liabilities are included.

Note on Chile

As referenced at the Half Year 2022, the Isapre insurance industry in Chile has been negatively impacted by judicial and regulatory action. Isapres are part of Chile's social security system and provide access to health insurance for individuals, among other things. Pricing for Isapre contracts is determined by reference to a base price, a risk factor table (which adjusts for age) and a "GES" price (a flat rate covering a list of diseases).

The Chilean Supreme Court has significantly shifted its interpretation to Isapre pricing in recent years, with the cumulative effect of restricting the previously permitted, and generally accepted, pricing/rate-setting approach. In December 2022, the Supreme Court issued a ruling which requires Isapres to use a statutory risk factor table with retrospective effect – meaning product coverage is not matched by the ability to increase rates to reflect the cost of such coverage. This ruling is complex and uncertain, and the relevant regulator has until May 2023 to implement it.

Financial review continued

Solvency

Our solvency coverage ratio of 181%[1] 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 2022, the estimated SCR of £2.7bn was £0.2bn higher and Own Funds of £4.9bn was £0.4bn higher when compared to 31 December 2021.

Our surplus capital was estimated to be £2.2bn, compared to £2.0bn at 31 December 2021, representing a solvency coverage ratio of 181%[1] (2021: 179%). Our business continued to generate capital through our underlying profitability. This capital generation was partially offset by capital expenditure, debt financing activities, asset impairments and the regulatory recognition of a material contingent liability in relation to Isapre Cruz Blanca in Chile, as detailed in Note 28.

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

1. The 2022 Solvency II capital coverage ratio is an estimate and unaudited.

Risk Sensitivities	Solvency II coverage ratio
Solvency coverage ratio[1]	181%
Property values -10%	170%
Loss ratio worsening by 2%	174%
Sterling depreciates by 20%	174%
Group Specific Parameter (GSP)[2] +0.2%	179%
Credit spreads +100bps (no credit transition)	180%
Interest rate -100bps	180%
Pension risk +10%	181%
Equity markets -20%	181%

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

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.

IFRS17 Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. The final standard is effective for annual periods beginning on or after 1 January 2023. We have completed our assessment of the adoption of the standard, including setting our accounting policies and estimating the impact on our balance sheet at transition. For a large majority of its business, the Group will apply the simplified Premium Allocation Approach and, together with the policy choices set out in the Group's Annual Report and Accounts, this means our revenue recognition is materially consistent with that used under IFRS 4. The Group's net assets at transition on 1 January 2022 are reduced by an estimated £55m. We will report on an IFRS17 basis at HY 23, which will include the opening 2023 statement of financial position.

Our Market Units

Asia Pacific

£5,638m

Revenue

+3% AER 2021: £5,498m
-1% CER 2021: £5,692m

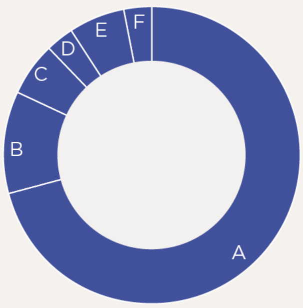
£302m[1]

Underlying profit

+36% AER 2021: £222m
+32% CER 2021: £229m

Customers

4.5m Health Insurance
2.7m Healthcare Provision
5,100 Aged care, Australia
3,200 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 declined marginally, which reflects the impact of £314m (AUD$558m) returned, through cash and premium increase deferrals, to Australian health insurance customers in line with our commitment to not benefit from COVID-19 (£67m (AUD$120m) in 2021 at CER). Excluding the undistributed COVID-19 claim savings, underlying profit increased due to improved gross margin in Australian Health Insurance and lower costs in Australian Health Services. Our businesses continued to experience impacts from COVID-19 as they emerged from the pandemic later compared to other Market Units. This led to declined performance in aged care, due to lower occupancy and increased workforce costs.

In Australia Health Insurance, when excluding the undistributed COVID-19 claims savings, performance was driven by customer growth, an enhanced portfolio mix and continued business transformation initiatives. The combined operating ratio (COR)[2] was 90%[3] (2021: 92%). Since the pandemic started, we have returned, or committed to return, £492m (AUD$875m) to customers, including in cash and premium increase deferrals. Recognising the importance of customer retention, we launched Bupa Life Rewards, a member loyalty programme. Our digital health platform, Blua, was expanded to our international health insurance customers, giving them 24/7 online access to consultations with general practitioners.

In Australian Health Services, revenue declined due to the divestment of our dental practices in New Zealand and clinician vacancies. This was partially offset by new business revenue and growth in medical assessment volumes as COVID-19 lockdown backlogs were cleared. Underlying profit improved, driven by lower operating costs and increased customer demand for optical and hearing services.

In Australian Villages and Aged Care, revenue and underlying performance declined. This was largely due to COVID-19 restrictions which contributed to workforce challenges and constrained admissions as well as the sale or closure of nine homes in 2021. Closing occupancy was 84% (2021: 87%). Higher labour, infection prevention and control costs also contributed to the decreases.

In New Zealand Villages and Aged Care, revenue was broadly in line with 2021 as new developments and government funding increases offset divestments and site closures. Underlying loss increased primarily due to the impact of COVID-19 on occupancy, as well as higher labour costs. As part of continued portfolio optimisation, we opened a new retirement village and adjacent care home and closed three care homes. Closing occupancy was 87% (2021: 88%).

In Hong Kong SAR, revenue increased due to strong COVID-19 vaccination clinic volumes and pricing. We provided more than 12,500 virtual consultations and opened seven new medical and dental centres. This was despite COVID-19 restrictions in place during the first half of the year and visitor entry restrictions remaining in place for the majority of the year. The impact of COVID-19 on insurance claims did however contribute to an underlying loss.

In November, we announced that Hisham El-Ansary, CEO for Asia Pacific, will step down at the end of March 2023 with an executive search process currently underway to find his replacement. Nick Stone, currently CFO for Asia Pacific, will become Acting CEO.

1. Underlying profit includes £66m of undistributed health insurance claims savings related to COVID-19. This is intended to be returned to Australian health insurance customers in line with our commitment to not benefit from COVID-19. Future health insurance underlying profit will be impacted by the cost of any amounts returned to customers at the point such a return is announced.
2. 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.
3. 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

£4,560m

Revenue

+14% AER 2021: £4,004m
+16% CER 2021: £3,935m

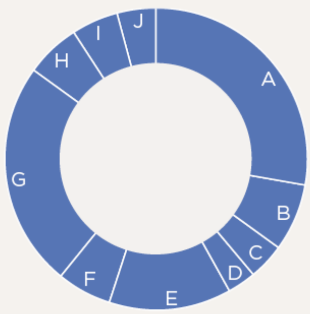
£233m

Underlying profit

+44% AER 2021: £162m
+40% CER 2021: £166m

Customers

5.1m Health Insurance
12.8m Healthcare Provision
5,600 Aged care



Revenue by business

A. Sanitas Seguros **28%**
B. Sanitas Hospitales & New Services **7%**
C. Sanitas Dental **4%**
D. Sanitas Mayores **3%**
E. LUX MED **13%**
F. Bupa Acıbadem Sigorta,Türkiye **6%**
G. Bupa Chile **24%**
H. Care Plus, Brazil **6%**
I. Bupa Global Latin America **5%**
J. Bupa Mexico **4%**

Revenue grew by 16% to £4,560m with underlying profit increasing by 40% to £233m at CER. This included £40m profit as a result of applying higher CPI to historical periods in line with a Public Private Partnership hospital contract in Spain. Excluding this, underlying profit growth was driven by organic customer growth in our Spanish health insurance business, Sanitas Seguros, and in our business in Poland, LUX MED, alongside improved occupancy within our aged care business in Spain, Sanitas Mayores.

Health insurance in Spain delivered good revenue growth with over 100,000 more lives insured. Underlying profit increased through both portfolio growth and price increases which offset some inflationary headwinds. We reached the milestone of two million customers in June 2022, with distribution agreements with bancassurance partners contributing to more than a third of sales. The COR for the full year was 89%[1] (2021: 88%).

Our dental business in Spain continued to deliver good customer growth leading to improved revenue and underlying profit. We opened four new dental centres and acquired one that was previously operating through a franchise model.

In our Hospitals and New Services business in Spain, revenue and underlying profit increased after applying the historical CPI catchup, noted above. We also opened a new laboratory and are building a new hospital in Madrid, which we expect to open in 2025.

In Sanitas Mayores, our aged care business in Spain, underlying profit increased due to improved occupancy as we continued to emerge from the pandemic (closing occupancy was 93%, up 6 ppts). In addition, a new version of our BluaU app to support access to home care services, was launched.

In Chile, while there was some revenue increase in our Isapre insurance business due to permitted price increases from 2021, losses increased as a result of the judicial and regulatory action affecting the industry, which has had a significant negative impact on pricing. The Isapre industry challenges are summarised in the Note on Chile on page 11. In health provision, revenue improved due to higher volumes and prices and increased activity in our Santiago hospital, however underlying profit was impacted by inflation. We also opened a new medical centre in Santiago.

In Poland, LUX MED delivered robust revenue and underlying profit growth mainly from new corporate subscriptions. Insurance revenue was ahead of prior year, but profit remained broadly flat due to higher claims. A new health insurance product with inpatient coverage was launched to around 20,000 new net members.

In Bupa Acıbadem Sigorta, our health insurance business in Türkiye, revenue increased due to both corporate and individual customer growth and pricing actions to counter high inflationary pressure. Underlying losses worsened from higher claims linked to increasing medical inflation.

Care Plus in Brazil delivered strong revenue and customer growth, however, underlying profit decreased as a result of higher claims volumes and inflation.

Bupa Mexico delivered good revenue growth through increased customer numbers and new products. Underlying profit, however, declined due to higher volumes of claims and inflation. We signed a ten year coinsurance and reinsurance deal with, our partner, HDI, which will provide access to over 7,000 agents to distribute products. We also acquired a new hospital in Mexico City.

Bupa Global Latin America generated an underlying profit by maintaining high customer retention alongside premium increases to offset higher claims inflation.

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

Our Market Units continued

Bupa Global and UK

£3,752m

Revenue

+10% AER 2021: £3,396m
+9% CER 2021: £3,432m

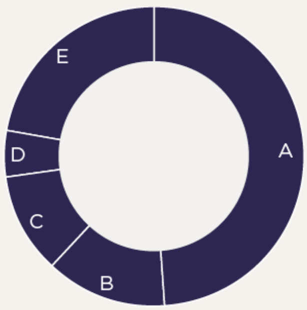
£25m

Underlying profit

-60% AER 2021: £62m
-58% CER 2021: £60m

Customers

3.0m Health Insurance
3.3m Healthcare Provision
6,300 Aged care



Revenue by business

A. Bupa UK Insurance **49%**
B. Bupa Dental Care **13%**
C. Bupa Care Services **11%**
D. Bupa Health Services **5%**
E. Bupa Global **22%**

Revenue was up 9% to £3,752m and underlying profit decreased by 58% to £25m at CER. Excluding £117m of impairments to right of use leases and fixed assets in our dental business, underlying profit increased driven by higher volumes in UK Insurance and improved performance in Bupa Global, our international health insurance business. Revenue growth in health provision and aged care was offset by heightened costs in an inflationary environment.

UK Insurance increased revenue and underlying profit through strong growth in customer volumes and premium increases required to offset inflationary pressures on claims and staff costs. We grew by over 275,000 net customers across medical insurance, health trusts, dental and cash plan, passing the milestone of three million lives covered. We continue to expand digital services with the launch of Blua, our new digital healthcare platform, which provides customers with easy 24/7 access to primary care services.

We launched new propositions, including 'Inclusive Health' for corporate customers, covering women's health, sexual health and neurodiversity. For our insurance customers, we launched a new specialist centre for prostate cancer within our Cromwell Hospital and increased the number of specialist centres for breast and bowel cancers.

In Bupa Global, revenue and underlying profit increased as a result of strong customer retention and new business sales, cost management and improved loss ratios due to pricing action. Across our regions, we continued to develop customer propositions, delivering product variants that respond to distinct local needs. We also implemented new claims adjudication and healthcare management systems to continue to help our customers access high-quality, good-value care.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, improved to 94%[1] (2021: 97%).

UK Dental's underlying losses increased due to sector-wide pressures, including an ongoing shortage of dentists, particularly for NHS work, increased staff costs and high inflation. With new leadership in place, a strategic review is underway to drive the turnaround and growth of this business. We added over 12,000 new customers to our new digital B2C subscription product, the Bupa Smile Plan.

UK Care Services delivered higher revenue due to the continued post-pandemic recovery of occupancy levels, combined with higher income from both private- and public-funded residents. This was largely offset by sector-wide staffing challenges, high energy costs and other inflationary pressures. We continued to drive transformation through digital innovation in our sites including the rollout of an electronic care planning system which is now in place across 10 Richmond Villages and 75 care homes. Closing occupancy rates increased to 87% (2021: 84%).

In Health Services, revenue increased from strong growth in health assessments, mental health and primary care services, and higher customer volumes in The Cromwell. We opened two new health clinics and reorganised our clinic network as we will end our franchise arrangement with Spire Healthcare in 2023. The Cromwell saw an increase in self-pay and international activity driven by complex cancer, transplant and cardiothoracic care.

1. Bupa Insurance Limited: Prepared under local GAAP.

Our Market Units continued

Other businesses

£7m

Revenue
+40% AER 2021: £5m
+17% CER 2021: £6m

£58m

Underlying profit
+29% AER 2021: £45m
+16% CER 2021: £50m

Customers
3.4m Bupa Arabia
8.4m Niva Bupa
0.3m Arabia Clinics

Underlying profit was up 16% to £58m driven by steady customer growth and favourable investment returns in Bupa Arabia alongside significant customer growth and improved loss ratios in Niva Bupa in India.

Customers

Our ambition is to be the most customer-centric healthcare company in the world. In 2022, we focused on three priorities:

1. **Enhancing our customer feedback programme (our NPS system), so we can hear more from our customers**
2. **Driving improvements in our customers' experience**
3. **Creating a truly customer-obsessed culture.**

These are just a few examples of the changes we ve made:

- **UK** insurance customers can now get an appointment within 48 hours for prostate cancer symptoms.
- In **Australia** we simplified communications relating to annual price increases to make sure customers get clear, personalised information, and feel supported to make decisions.
- In **Spain** patients can now track an ambulance in real time.
- We ve launched a digital back pain prevention programme for customers in **Poland.**
- Customers in **Hong Kong** can now chat with us and book appointments over WhatsApp.
- Each of our 5,100 care home residents in **Australia** has an electronic care record.
- We have set up residents committees in all **UK** care homes so residents can have a say in how their home is run.

We've broken our customer experience down into the moments that matter most to our customers – we call these 'micromoments'. At each micromoment, we listen to feedback from our customers to guide us in making changes to better meet their needs.

We ended 2022 with 157 micromoments in place, meaning we now have more opportunities than ever to hear customer feedback and make things better for our customers. In 2022, we sent over 25 million surveys and received nearly 3 million responses.

We have committed to making a minimum of 250 meaningful improvements to our customers' experience in each business each year. In 2022, we exceeded this target, making over 6,000 improvements globally, including 2,910 for insurance customers, 2,052 for hospitals, dental and clinics customers, and 1,115 for residents in our care homes.

Our customer-facing staff hear from our customers every day and act on their feedback. However, ensuring that all of our people listen to customers is at the heart of our strategy. We're enabling all Bupa people around the world to hear directly from customers, whatever their role, through our Customer Listening initiative. This year we expanded the programme and it's now live in 11 countries. As a result, our people listened to customer feedback calls 53,000 times in 2022 and submitted over 15,000 suggestions to improve the customer experience – contributing to our ongoing drive to be obsessed with our customers' experience, every step of the journey.

People and culture

We want Bupa to be a great place to work with the best, most diverse people. We know our people are vital in delivering our purpose and ambition for our customers. Supporting and engaging them leads to strong and sustainable performance, ultimately enabling us to execute our 3x6 strategy.

Culture

Our culture is shaped by our purpose and our values, supported by the Bupa Code, which sets out what we expect from our people and acts to support decision-making for individuals.

This year we refreshed and simplified the Bupa Code to reflect our streamlined values of brave, caring and responsible. Our values were reinforced in everything we did, including communications and through leadership role modelling.

Our ambition and strategy require us to be simultaneously stable (resilient, risk aware, customer focused, reliable and efficient) and dynamic (fast, nimble, adaptive and innovative). So, everyone at Bupa is encouraged to take responsible actions, care for our customers, people and the planet and embrace the innovation, change and challenge required to achieve our customer-centric strategy.

In 2022, we focused on a number of cultural initiatives to support our ambitions. We:

- Supported our people to help them manage cost of living challenges with a number of targeted initiatives including in the UK and Spain.
- Focused on employee communication and engagement through our twice yearly engagement survey and our global internal communications platform.
- Commenced rollout of a new learning platform which is accessible to all, to provide continuous, connected learning and skills development.
- Continued to invest in our leaders and future leaders through market leading talent programmes like Bupa Advance and eco Disruptive.
- Developed organisational skills and capabilities through the Data, Digital and Sustainability Academies.

People and culture continued

The Board monitored culture in a number of ways, including direct workforce engagement (see Leadership on pages 54-55 for more information) and regular people related items on Board agendas, including:

- Engagement results and sentiment captured from our whole workforce globally through our People Pulse surveys.
- Bi-annually considering the volume and themes received via our Speak Up whistleblowing process.
- Detailed overviews of leadership development, talent and succession, inclusion and diversity, and employee wellbeing.

Inclusion and Diversity

Inclusion and Diversity is an integral part of Bupa's culture and is core to our purpose and our values. Our 3x6 strategy calls out its importance: 'to have the best, most diverse people, and great place to work'. For more information visit Bupa.com.

We know that diversity in all its forms enables us to creatively solve challenges for our customers and societies. It is a key element in how we adapt and access talent pools to bring in different perspectives and expertise. It also helps us to create a culture of personalised care in helping our people to be healthier and happier working at Bupa.

Our 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 and equipment are provided.

This year we incorporated our Inclusion and Diversity strategy in our wellbeing and safety agenda, recognising how creating a culture of psychological safety supports physical and psychologically healthy and safe workplaces for our people.

We have a Global Inclusion and Diversity Framework against which each local market has designed initiatives. These are measured and updated to provide clear transparency of our progress and, above all, we ensure our people are at the centre of our strategy, with constant listening being a top priority to lead our decisions.

We refreshed our hiring and recruitment processes to ensure they are fair and robust. To attract the most diverse candidates and talent, we made changes to flexible working to support working parents and carers.

We celebrate inclusion and diversity across the whole organisation and are truly committed to ensure that Bupa reflects our customers, wider society and the communities in which we operate.

On both the CEC (Chief Executive Committee) and the Board, the gender balance this year has positively shifted, from 26% to 36% between 2022 and 2023. Although we have made positive change, our long-term ambition and plan remains to ensure balanced gender representation in our executive committee on an ongoing basis.

Women account for over two thirds of our workforce and, whilst we strive for further representation at our highest leadership levels, we are encouraged by the pipeline of female talent to support this change going forward. We recognise this is not a short-term fix but a process of long-term commitment.

The outcomes of our efforts remain to foster a culture that allows everyone to be their best. We want the 82,000[1] people who work at Bupa to reflect and represent the communities we serve, ensuring we create environments that attract and retain whilst expanding our talent pipeline to be more diverse, and to be transparent in the targets we are working towards and the progress we are making.

Recognition

We are making good progress and receiving external recognition for our work in a number of countries.

In Australia, Bupa was awarded bronze tier employer recognition in the 2022 LGBTQ Inclusion Awards. The award is provided through the Australian Workplace Equality Index (AWEI). More information can be found here. This is Bupa's first award through the AWEI and is testament to the work we're doing in Australia to make our workplace more inclusive for our LGBTQ community.

We are proud of this achievement as it reflects our supportive processes like our Transgender and Gender Diverse Standard, the advocacy and education our LGBTQ+ identifying people, allies and Pride Network carry out every day, and our celebration of days of significance.

Bupa Global & UK has been ranked 5th in the Inclusive Companies Top 50 UK Employers List 2022/23 and the Group was recognised as a 'Leader in Diversity' 2022 by the *Financial Times*.

1. Based on average number of employees during the year.

People and culture continued

Caring for our people

As a global healthcare company, wellbeing is central to everything we do, and a key component in driving a positive employee experience. Our global wellbeing strategy is Bupa's commitment to creating a culture of wellbeing across our global workforce, allowing our people to thrive and therefore provide the best care and expertise for our customers.

The wellbeing of our people remains a key priority, ensuring our people feel supported to take care of their wellbeing, and that leaders are equipped to support their team members. Our global wellbeing framework provides the foundation for this, embedded and driven locally through three strategic imperatives:

- **Leadership behaviours and capability:** Our people feel safe, cared for and have a sense of belonging working for Bupa. This is delivered by our managers consistently role modelling empathy, with inclusion, safety and wellbeing, and our values being at the heart of how they lead. We also provide tools to support our leaders to create physically and psychologically safe environments. This included our recently relaunched global Personal Energy programme, which educates and supports our people on the importance of self care and making time for the things that make them the best versions of themselves.
- **Organisation system and environment:** We ensure that our people feel listened to and empowered to do their best work at Bupa. By intently listening to our people via local listening projects, culture surveys, our Speak Up whistleblowing service and our global People Pulse survey, we understand and address the organisational factors which hinder our peoples health, safety, wellbeing and sense of belonging.
- **Sustainable support:** Our aspiration is that our people will feel healthier and happier because we are committed to providing medical benefits for 100% of our people with additional support across the physical, psychological, financial, social and environmental aspects of wellbeing, as well as improving inclusion and accessibility for everyone.

Providing medical benefits to 100% of our people globally

We know that to care for our customers, we must first look after our people.

Until recently, we provided medical benefits and health insurance to approximately 40% of our people around the world and, in 2022, we committed to providing healthcare benefits, plus a range of health and wellbeing support tools, to 100% of our workforce. We want all of our people to feel healthier because they work at Bupa, and so we have just launched a new initiative, Viva, to fulfil our commitment. This approach was endorsed in 2022 and all our people will have access to health benefit support and Bupa products and services by the end of 2023.

Viva
healthier
and happier

Importantly, we involved frontline colleagues in developing this offering, and with their input tested and refined the proposition, to ensure what we're offering will make a difference and be valued by our people. We believe this is ground-breaking for some of the industries in which we work, and role-models living our purpose for our people.

Listening and engaging with our people

In November 2022, we ran our global People Pulse survey, for all employees to have their say about what it is like working at Bupa. 57,519 people responded (79%), providing 59,254 comments. For the first time, we received a global result of 80, achieving our high-performing (top decile) external benchmark, which we have been aiming for since we began our current approach to employee listening in 2018. We saw improvements across all 14 survey questions, with six questions now on or above external benchmark. We also saw a positive shift in the comment sentiment, which is very encouraging. Through their global data, our engagement partners, Glint reported continued volatility and a downward trend in engagement levels, therefore, Bupa's results indicate that we are performing well compared to the external environment. While celebrating this success, we are keen to maintain momentum with engagement, and are committed to continually improving our people's experience of working here.

People and culture continued

Our people are also highly engaged through one single global internal communications platform. In 2022, we finished onboarding all employees globally, and saw 51,000 posts, 75,000 comments and over 475,000 post likes. This has quickly become the go-to platform for sharing customer stories, recognising our people, cascading and connecting on relevant information and building connections across the globe.

In 2022, we delivered our first major global engagement campaign through the platform, called the Bupa World Tour. Our people shared their diverse cultures, lifestyles, languages and even their favourite foods through a variety of activities. The campaign ran for six weeks and saw more than half a million page impressions. We also relaunched the Bupa Awards, asking our people to nominate their colleagues for outstanding work in three categories: brave, caring and responsible. We received over 6,000 nominations, which were then voted for by our people, resulting in ten winners around the world.

Iñaki Ereño, Group CEO, interviewed at the 2022 Bupa Awards in London.'

We also introduced additional ways for our Board members to connect directly with our people to hear their feedback. Designated Board members lead on workforce engagement activities for our Market Units, sharing insights back with the whole Board. More information is set out in the Leadership section on pages 54-55.

Developing our people

Senior Leadership Development

We continued to invest in developing our current and future senior leaders, through a combination of local programmes in each market, as well as bringing leaders together across Bupa to learn and develop together and strengthen global networks.

In 2022, we ran two internal global programmes: Bupa Advance continued for a second edition as a 100% virtual programme, with over 50 senior leaders from across the world participating in a 14-week learning journey, working in small groups, with input from external speakers and 1-2-1 coaches. We also ran a second edition of our eco-Disruptive programme, which took 105 of our future leaders on a four-month experience. They worked in agile ways on sustainability challenge areas with external start-ups, to build innovative and scalable market propositions. We also took the opportunity to work further with the previous alumni of both programmes, engaging them as mentors for participants as well as tracking the impact of their development.

Academies

In 2022, we launched two global academies.

Our Digital Academy is designed to upskill our technology teams across the globe, as well as providing basic digital and data literacy to people beyond the technology teams.

We also launched the Sustainability Academy that is summarised in the Sustainability and ESG section.

Both academies run a schedule of events and learning activities across the year. We also continued to invest in the development of our frontline and customer-facing teams with training that is locally designed and deployed.

Leadership forums

Another way we connected with our leaders to reinforce delivery of our strategy is through two leadership communities.

The Strategic Development Forum is made up of our CEC as well as 60 senior leaders across Bupa. This group meets quarterly (once per year face-to-face) to discuss current progress against our strategy and to work together on future priorities and focus areas. This forum creates a strong bond between leaders across the globe and fosters the learning and sharing of best practice initiatives.

The Global Leadership Team is a broader leadership forum, hosting our top 700 leaders globally, again meeting quarterly as a leadership exchange of information, including performance progress, expectations of leaders and development focus areas for leaders.

These two forums are uniting our leadership communities, as a collective and in their messaging and approach to leadership.

Sustainability and ESG

Sustainability and Environmental, Social and Governance (ESG) agenda

Overview of sustainability strategy

At Bupa, sustainability starts with our purpose: 'Helping people live longer, healthier, happier lives and making a better world'. This commitment has been shaped by what we have learned as a global healthcare company which has been looking after people’s health for 75 years.

It's become clear to us that, to look after people's health, we also need to look after the health of the planet; and this reflects the World Health Organization’s description of climate change as the single biggest health threat facing humanity. Put simply, climate change is a health crisis. As a healthcare company we have an important role to play in addressing the climate crisis, and a responsibility to act now.

In 2022, we launched our new sustainability strategy, which sets our ambition to play our part in tackling this challenge, and ‘making a better world’ for our colleagues, customers, communities and wider society.

Our sustainability strategy

Our sustainability strategy prioritises focus on the areas where we can drive the greatest impact for 'making a better world', the intersection of the health of humans and of the planet, because when we take care of the planet, we are caring for people’s health too.

Comprised of three leading pillars, ‘Mission Zero’, ‘Mission Accelerate’ and ‘Mission Regenerate’, we do this by:

1. Reducing the environmental impact of healthcare - Mission Zero
2. Accelerating innovative solutions to the biggest health-related sustainability challenges - Mission Accelerate
3. Supporting action to protect, restore and regenerate local environments for the benefit of our customers our people, our communities and wider society - Mission Regenerate.

The strategy has clear 2040 ambitions, but also nearer-term goals as we know that transformational change is required in the next decade. In 2022, our focus was on establishing our KPI measurement and reporting approach across all three pillars.

Although our sustainability strategy sets the priorities where we can drive the greatest impact, we recognise that broader ESG action is also needed. The three leading pillars are therefore underpinned by strong performance across broader ESG topics including inclusion & diversity, social impact and responsible business conduct. See more information about our sustainability strategy, and the materiality assessment that informs it, on Bupa.com and the Task Force on Climate-related Financial Disclosures (TCFD) table on page 101.

In 2022 we started our Sustainability Academy, beginning with upskilling our leadership including the Board and CEC, and priority functions on climate-related issues, to increase understanding of their impacts to Bupa, and the impacts on the environment and society from Bupa, as well as how Bupa can play its part to drive transformative change in climate and health. The Academy curriculum will be developed further through 2023.

See Bupa.com **here** for more information on our approach to sustainability.

Sustainability and ESG continued

Mission 2040

Our mission to build a healthier future for people and planet

Mission Zero

By 2040 we will provide healthcare solutions that deliver a healthy future for people and planet

- Being a net zero business and supporting others to do the same
- Pioneering the circular economy in healthcare
- Transforming our products and services to support the health of our customers and lower the environmental impact of our care

Net Zero

Our headline KPI
By 2040 we will be a Net Zero business to help deliver a healthy future for people and planet.

Mission Accelerate

By 2040 we will have used research, collaboration, and innovation to accelerate sustainable healthcare solutions

- Investing in and delivering innovations (including through eco-Disruptive)[1] that create a sustainable healthcare system for all
- Funding, curating and applying research into the links between health, healthcare and a healthy planet, and using data to help drive positive change across the healthcare industry
- Advocating for action on core issue areas to support the health of people and planet, enabling the delivery of more sustainable healthcare

500 start-ups

Our headline KPI
By 2025 we will engage 500 start-ups and other key innovation partners to deliver at least one scalable sustainable healthcare solution per year and share these insights with our partners.

Mission Regenerate

By 2040 we will play a leading role to improve people s health through the restoration and regeneration of nature

- Providing opportunities for people to enhance their physical and mental health through community-based programmes that restore and regenerate the health of the planet
- Developing and participating in partnerships to bring clinical expertise to drive human health benefits through conserving, restoring and regenerating natural ecosystems

1 million

Our headline KPI
By 2025 we will have supported one million people each year to improve their physical and mental health by scaling initiatives like our Healthy Cities programme that help restore and regenerate nature.

Our broader ESG action

Strong action on wider ESG topics, including inclusion and diversity, responsible business conduct, social impact, governance and transparency

1. https://www.bupa.com/sustainability/mission-accelerate/eco-disruptive-challenge

Sustainability and ESG continued

Sustainability governance

Progress against the sustainability strategy is reported monthly to the Sustainability Steering Committee, which comprises C-level executives responsible for reviewing the Group's sustainability and ESG agenda, including risks and opportunities. It oversees reporting, and finalises recommendations to the Group CEO, CEC, Board Sustainability Committee and Board. More details on our CEC, Board Sustainability Committee, and Board can be found on Bupa.com here and here. See Bupa.com here for more information on our sustainability governance structure. Additional information on sustainability and ESG governance can also be found in the Governance section on page 55 and in the TCFD Disclosures on page 101.

Our Missions

In this section we will cover the three Mission pillars of our sustainability strategy, as well as the broader ESG topics that provide foundational support to the strategy delivery for which we have key updates to share. Details contained within both the Responsible investment section and the Sustainable procurement section provide insight into some of our approaches to responsible business but also link with and contribute to the achievement of our Mission Zero ambitions. The Contribution to communities and Bupa Foundations sections not only detail how we are working towards our Mission Regenerate goals but also how we are creating wider social impact which is one of our broader ESG action topics.

Mission Zero

Mission Zero aims to transform Bupa to provide healthcare solutions that deliver a healthy future for people and planet by 2040. Here are some details on how we are working towards that goal.

We are committed to achieving our two major Mission Zero milestones: a net zero business in Scope 1 and 2 by 2030 and across all scopes by 2040. Visit Bupa.com here for more information on our net zero commitments, 1.5°C aligned Science Based Targets (SBTs) and interim target. For more information regarding our investment temperature alignment SBT, please see the Responsible investment section on page 32.

We have identified the focal areas that are central to the delivery of Mission Zero, which include decarbonisation of our own operations, our supply chain, and healthcare provision, as well as the digitalisation of our products and services and delivery of sustainable healthcare. Action will therefore be targeted towards these areas.

One of the key highlights from the past year involves the increased use of renewable energy across our business. In February 2022, we started the supply of renewable electricity to all our Australian care homes and our corporate offices in Melbourne and Sydney, for the next five years. This means that globally we now use 84% renewable electricity across our operations.[1]

1. Where actual data is not available, 2022 renewable electricity data is estimated based on, but not limited to previous consumption trends.

Sustainability and ESG continued

In 2022, we also began developing our global scope 1 and 2 decarbonisation roadmap, in line with our commitment to be net zero across those scopes by 2030 and our SBTs. This will allow us to identify our focus for action and where core investment is needed in new technologies and energy reduction solutions. This project will feed into the wider Climate Transition Plan (development due to commence in 2023) which will outline our approach for transitioning to a zero-carbon economy. In parallel, we have also built resource efficiency and decarbonisation plans into our three year business planning cycle, enabling Market Units to identify the investment needed to decarbonise in line with our target to reduce our scope 1 and 2 greenhouse gas (GHG) emissions across our global operations by at least 40% by 2025, and achieve our 2030 (scope 1 and 2) and 2034 (scope 3) SBTs.

We have mobilised a new Group Investment Fund (GIF) over 2022-2025. This enables the making of strategic investments to support the delivery of our sustainability strategy, such as investing in operational transformation, decarbonisation of our operations and value chain, and investing in programmes that focus on the interdependence between healthy lifestyles and healthy environments to develop resilience in individuals and the wider community (see Healthy Cities information on page 31).

We have also established new ways of working within the business to help accelerate the real-world actions and reporting of our decarbonisation transition. We've established new sustainable finance teams at Group and within our Market Units, with the aim of building our capability to apply a sustainability lens to all business decisions, and who as part of their remit now lead our scope 1 and 2 GHG emissions reporting.

In 2022, we also calculated our draft 2020 and 2021 scope 3 value chain GHG emissions in line with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. We have also assessed our progress against our investment temperature alignment SBT. These numbers are due to be finalised in 2023 and we aim to publish on Bupa.com in due course. Understanding our scope 3 GHG emissions allows us to monitor our progress against our SBTs and identify our priority action areas.

We have launched new working groups, both at a Market Unit and Group level, to bring together core functions from across the business to share knowledge, best practice and drive action. For example, our Scope 3 Strategy and Action working group was established to address material scope 3 emissions impacts.

To demonstrate this commitment and the progress that has been made so far, Bupa has been recognised as part of the UN-backed Race to Zero campaign membership, through the Health Care Without Harm 'Health Care Climate Challenge Awards', receiving several awards in 2022. More details can be found here.

Most of Bupa's GHG emissions are generated in our value chain (scope 3), and especially by our suppliers and our healthcare providers. That's why we have focused on engaging our biggest suppliers and healthcare providers on aligning with our scope 3 net zero target.

We have focused on strategic suppliers (i.e. very large suppliers or suppliers where there is multi-Market Unit spend) along with suppliers who contribute most greatly to our emissions. For more information regarding our approach to sustainable procurement, please see page 32.

We have also started engaging with our UK healthcare providers to support our net zero 2040 ambition through reductions in scope 3 emissions, focusing on our key strategic partners to start to co-develop a dashboard comparing the progress of hospital groups.

To find out more information on how we're reducing our impact on the environment, please visit the Mission Zero page on Bupa.com here.

2022 Group and UK operations GHG emissions footprint

In accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements of a large unquoted UK company, we are reporting our UK-based energy usage and GHG emissions. In addition, we are reporting the Group's energy consumption and GHG emissions compared to full year 2021, and 2019, our base year, to show progress against our interim scope 1 and 2 GHG emissions reduction target of 40% by 2025. We will publish our detailed full year 2022 GHG emissions report covering scope 1, 2 and selected scope 3 (category 3 - fuel and energy-related activities and category 6 - business travel) later in 2023 on Bupa.com following external limited assurance. Our full year 2022 GHG emissions report will reflect our most up-to-date GHG emissions position, including actual fourth quarter activity data which, in part, has been estimated based on, but not limited to previous consumption trends.

We adopt the operational control approach, meaning we account for 100% of emissions from business locations over which we have control. Under this approach, control is considered where we have the authority to introduce and implement operational policies. In accordance with the GHG Protocol's guidance on dual-reporting, we report scope 2 GHG emissions using both the location and market-based approach. Our GHG emissions reporting criteria can be found here and sets out the basis of preparation of our scope 1 and 2 and selected scope 3 (category 3 and category 6) GHG emissions.

Sustainability and ESG continued

Group	Unit	2022[3]	2021	2019	Inc/(Dec) % change vs. 2021	Inc/(Dec) % change vs. 2019
Total energy usage[1]	kWh	489,052,953	508,813,854	508,743,037	(4%)	(4%)
GHG emissions[2]						
Scope 1[5]	tCO_2e	46,798	49,115[4]	49,444	(5%)	(5%)
Scope 2[5]						
Market-based	tCO_2e	31,997	57,187[4]	72,061	(44%)	(56%)
Location-based	tCO_2e	99,359	106,655[4]	108,541	(7%)	(8%)
Total scope 1 and 2 (market-based)[5]	**tCO_2e**	**78,795**	**106,302[4]**	**121,505**	**(26%)**	**(35%)**
Total scope 1 and 2 (location-based)[5]	**tCO_2e**	**146,157**	**155,770[4]**	**157,985**	**(6%)**	**(7%)**
Scope 3						
Fuel and energy-related activities (category 3)	tCO_2e	31,014	32,067	28,939	(3%)	7%
Business travel (category 6)	tCO_2e	7,659	2,517	18,429	204%	(58%)
Total selected scope 3 (category 3 and 6)[5]	**tCO_2e**	**38,673**	**34,584[4]**	**47,368**	**12%**	**(18%)**
Total reported market-based emissions[5]	**tCO_2e**	**117,468**	**140,886[4]**	**168,873**	**(17%)**	**(30%)**
Total reported location-based emissions[5]	**tCO_2e**	**184,830**	**190,354[4]**	**205,353**	**(3%)**	**(10%)**
% of renewable electricity	%	84%	73%	54%	11 ppt	30 ppt
Energy intensity	kWh per customer	15.51	17.94	18.90	(14%)	(18%)
Market-based scope 1 and 2 GHG emissions intensity metrics[6]						
	tCO_2e / £m revenue	5.65	8.24	9.87	(31%)	(43%)
	tCO_2e / k customers	2.50	3.75	4.51	(33%)	(45%)
	tCO_2e / average employees	0.97	1.30	1.56	(25%)	(38%)
Location-based scope 1 and 2 GHG emissions intensity metrics[6]						
	tCO_2e / £m revenue	10.47	12.07	12.83	(13%)	(18%)
	tCO_2e / k customers	4.63	5.49	5.87	(16%)	(21%)
	tCO_2e / average employees	1.79	1.91	2.03	(5%)	(11%)

UK operations (SECR)	Unit	2022	2021	2019	Inc/(Dec) % change vs. 2021	Inc/(Dec) % change vs. 2019
Total energy usage[1]	kWh	148,862,220	162,694,528	163,830,698	(9%)	(9%)
GHG emissions[2]						
Scope 1	tCO_2e	16,637	19,392	20,408	(14%)	(18%)
Scope 2						
Market-based	tCO_2e	920	786	1,200	17%	(23%)
Location-based	tCO_2e	11,107	12,535	14,938	(11%)	(26%)
Total scope 1 and 2 (market-based)	**tCO_2e**	**17,557**	**20,178**	**21,608**	**(13%)**	**(19%)**
Total scope 1 and 2 (location-based)	**tCO_2e**	**27,744**	**31,927**	**35,346**	**(13%)**	**(22%)**
Scope 3						
Fuel and energy-related activities (category 3)	tCO_2e	6,728	7,813	5,897	(14%)	14%
Business travel (category 6)	tCO_2e	2,501	559	7,114	347%	(65%)
Total selected scope 3 (category 3 and 6)	**tCO_2e**	**9,229**	**8,372**	**13,011**	**10%**	**(29%)**
Total reported market-based emissions	**tCO_2e**	**26,786**	**28,550**	**34,619**	**(6%)**	**(23%)**
Total reported location-based emissions	**tCO_2e**	**36,973**	**40,299**	**48,357**	**(8%)**	**(24%)**
% of renewable electricity	%	95%	96%	94%	(1 ppt)	1 ppt
Energy intensity	kWh per customer	23.79	28.66	26.83	(17%)	(11%)
Market-based scope 1 and 2 GHG emissions intensity metrics[6]						
	tCO_2e / £m revenue	4.68	5.94	6.50	(21%)	(28%)
	tCO_2e / k customers	2.81	3.56	3.54	(21%)	(21%)
	tCO_2e / average employees	0.76	0.85	0.95	(8%)	(18%)
Location-based scope 1 and 2 GHG emissions intensity metrics[6]						
	tCO_2e / £m revenue	7.39	9.40	10.64	(21%)	(31%)
	tCO_2e / k customers	4.43	5.63	5.79	(21%)	(23%)
	tCO_2e / average employees	1.19	1.35	1.55	(9%)	(21%)

1. Total energy usage includes scope 1 and 2 consumption and car hire and private cars used for business purposes. Conversion factors issued by the UK Government's former BEIS department are applied to convert distance travelled data to kWh's. Actual consumption is captured from a variety of sources including meter readings, supplier reports and supplier invoices where actual or estimated consumption is provided. Where actual data is not available, consumption is estimated based on, but not limited, to previous consumption trends.
2. Scope 1 (direct) emissions are from the combustion of fuels as part of stationary sources e.g. natural gas and liquefied petroleum gas, and from combustion of fuels in company owned and leased controlled mobile combustion sources, e.g. company vehicles. Release of anaesthetic gases from medical procedures and refrigerant losses are also included. Scope 2 (indirect) emission sources are from purchased electricity and district heating and cooling. Our reported selected scope 3 (indirect) emissions are from i) category 3: well-to-tank and transmission and distribution (T&D) losses associated with scope 1 and scope 2 energy consumption and ii) category 6: business travel which includes air and train travel, taxis, car hire and employee vehicles (business mileage only). Other scope 3 'value chain' categories are being finalised and will be published in due course.
   A number of emission factor sets are used in the calculation of GHG emissions including BEIS, International Energy Agency (IEA) and the Australian Clean Energy Regulator (CER). For 2022, emission factors issued by IEA and CER (scope 2) are applied on a prospective basis.
3. Our 2022 Group GHG emissions (scope 1, 2 and selected scope 3 categories) will be subject to external limited assurance later in 2023.
4. Independent limited assurance provided by PricewaterhouseCoopers LLP for 2021 Group scope 1, 2 and total selected scope 3 (category 3 and 6).
5. Independent limited assurance provided by The Carbon Trust for 2019 Group scope 1, 2 and selected scope 3 (category 3 - T&D losses only and category 6). Data has been updated following external assurance mainly to reflect a number of divestments and acquisitions.
6. As reported in the Group's annual report - Group revenue (financial statements: Note 2.1), total average employees (financial statements: Note 2.3.1) and customer numbers (excluding our associate businesses). UK operations reflects BGUK revenue and customer numbers. Average employees includes BGUK and Group Functions.

Sustainability and ESG continued

Market-based GHG emissions performance

Group

In 2022, the Group's market-based scope 1 and 2 GHG emissions reduced by 26% (27,507 tCO_2e) to 78,795 tCO_2e (2021: 106,302 tCO_2e) mainly due to lower scope 2 GHG emissions (down 44%, 25,190 tCO_2e) following the implementation of a Power Purchase Agreement (PPA) in Australia from February 2022. This has resulted in the increased proportion of renewable electricity consumption by 11 percentage points to 84% (FY 2021: 73%). Scope 1 emissions are lower by 5% (2,317 tCO_2e) mainly reflecting the benefit of decarbonisation initiatives in BGUK and ELA together with higher average UK temperatures this year compared to last year. Our selected scope 3 emissions increased this year by 4,089 tCO_2e to 38,673 tCO_2e (2021: 34,584 tCO_2e), following the easing of COVID-19-related government travel restrictions. Scope 3 business travel emissions are down on 2019 by 58%.

UK operations

2022 market-based scope 1 and 2 GHG emissions decreased by 13% (2,621 tCO_2e) to 17,557 tCO_2e, (2021: 20,178 tCO_2e) as a result of a reduction in scope 1 emissions primarily due to decarbonisation initiatives and higher average UK temperatures this year compared to last year. The proportion of renewable electricity consumption in the UK remained broadly stable compared to last year (FY 2022: 95%; FY 2021: 96%). Selected scope 3 emissions increased by 857 tCO_2e to 9,229 tCO_2e (2021: 8,372 tCO_2e) mainly due to higher business travel emissions. Business travel emissions are 65% lower than 2019.

GHG emissions reduction and energy management activities

During 2022, we acted on a series of initiatives across our Market Units to support our net zero ambitions:

BGUK

- The implementation of IT server room temperature optimisation across all Business Units following trials in 2021, which involved increasing the temperature in the server rooms over a test period to reduce the amount of cooling required.
- Continuing the optimisation of the temperature settings via our Building Energy Management Systems (BEMS) within care services, clinics, and offices. The optimisation at our offices in Staines generated a 60% saving on gas consumption, equivalent to 52 tCO_2e for one site alone. The BMS optimisation will be rolled out to our offices in Manchester in early 2023.
- Changing the electricity supply to our office in London to 100% renewable from October 2022.
- Launching an electric vehicle salary sacrifice scheme across the UK, enabling UK-based permanent colleagues to have the option of leasing an electric vehicle.
- Installing electric vehicle charging points at our offices in Staines.

ELA

- Switching 12 sites onto renewable electricity contracts in Poland. This expansion means that around 50% of our electricity consumption in Poland is now from renewable sources compared with c.42% in 2021.
- Switching our Türkiye head office onto renewable electricity.
- Expanding the solar panel installations in our Spanish care homes, and in our La Moraleja hospital in Madrid.

APAC

- As also referenced on page 24, implementing a PPA in Australia which started the supply of renewable electricity to all our Australian care homes and our corporate offices in Melbourne and Sydney.

Sustainable products & services

As referenced on page 7, our 3x6 strategy includes three ambition KPIs - one of which is for 60% of customers to actively interact with Bupa on our digital platforms. As such, we are strengthening our digital health capabilities to reduce emissions while continuing to deliver customer-centric, high-quality healthcare. Our ambition is to provide customers in all our geographies access to a digital health solution that delivers primary and specialist virtual care, virtual health coaching and prevention, and virtual services for chronic conditions. Typically, digital interactions - whether for healthcare delivery or managing a health insurance policy - are associated with lower emissions by reducing emissions intensive activities within physical health provision. Digital healthcare also reduces the need for customer travel to and from a health treatment.

Educating our customers about the environmental impact of their choices is also key so they can make informed decisions. We are enhancing how we do this - for example, in Spain, our business has launched a carbon calculator which shows customers the amount of GHG emissions saved by opting for a digital consultation or downloading a digital medical report rather than in-person appointment or printed report. In 2022, around 771,000 digital consultations took place using the Blua app, which has the potential to avoid up to 8,000 tCO_2e from the prevention of unnecessary patient travel.

In addition, our health services business in Hong Kong SAR was the first provider in the territory to offer virtual consultations and remote drug delivery – with over 11,000 virtual consultations delivered in 2022. Digihealth Point was also launched to support chronic care management with a dedicated team of healthcare professionals charged to enhance patient health outcomes via a 'Prediction, Prevention and Treatment' approach.

Sustainability and ESG continued

Sustainable healthcare

In 2022, we began to embed sustainability within our clinical community. We use the term sustainable healthcare to describe a system that meets the health needs of the present, without compromising the health of future generations – delivering high-quality care in an affordable way, while minimising the impact on the environment.

There are a significant number of opportunities to reduce the environmental impact of care that we fund and deliver, and in 2022 we identified six initiatives to help provide direction and consistency across our businesses around sustainable healthcare. These are:

1. Reducing emissions associated with anaesthetic gases;
2. Reducing waste associated with unnecessary PPE;
3. Reducing medicines waste due to sub optimal prescribing and compliance;
4. Reducing our environmental footprint related to sustenance (i.e. feeding patients and customers);
5. Measuring the environmental benefits associated with optimising care pathways; and
6. Increasing the proportion of digital interactions/appointments instead of face to face.

It is our expectation that these practical initiatives will inspire, drive engagement and raise the profile of sustainable healthcare across Bupa, at the same time as generating thought leadership and demonstrating the progress towards – and authenticity of – our sustainability ambitions.

The six initiatives were identified with our Business Units in mind, with the following criteria applied during the identification process:

- Measurable – initiatives should generate robust data around health and environment.
- Material – initiatives should have a material and scalable impact in respect of our strategy.
- Marketable – initiatives should support our external sustainability advocacy ambitions.
- Manageable – initiatives should be simple to implement and build on existing initiatives.

The six initiatives will be accompanied by implementation toolkits, that include evidence, insights and example case studies, to facilitate the initiation of these projects within our clinical settings, with the aim that all six initiatives will be implemented across different business units during 2023.

Mission Accelerate

Mission Accelerate aims to engage at least 500 start-ups and other key innovation partners to deliver at least one scalable sustainable healthcare solution per year and share these insights with our partners. Here are some details on how we are working towards that goal.

eco-Disruptive

eco-Disruptive, our global talent and innovation programme, is a key component of Mission Accelerate. In 2022, we ran the programme across: Australia, Bolivia, Dominican Republic, Ecuador, Hong Kong SAR, Mexico, Panama, Spain and the UK. For more information, please visit Bupa.com here. In 2022, a total of 1,086 start-ups were engaged.

Additionally in 2022, in line with our ambition to deliver scalable sustainable healthcare solutions, the winner of the 2021 edition (Circoolar) rolled out a pilot in 10 Spanish dental clinics to provide sustainable dental uniforms. Following a successful pilot we are planning to extend the use of sustainable uniforms to the other 190 clinics in 2023.

Australian based start-up, Cassava Bags, the 2022 eco-Disruptive winner.

Advocacy and coalitions

Through our climate and health advocacy and work with coalitions we are collaborating with organisations across the healthcare sector and wider private sector to accelerate the transition towards a net zero future.

In 2022, we joined forces with international NGO Forum for the Future and leading healthcare businesses Haleon, Reckitt and Walgreens Boots Alliance to mobilise and equip the private sector to accelerate the integrated transformation of our health and climate systems, towards outcomes that deliver benefits for both people and planet.

Sustainability and ESG continued

We joined the Sustainable Healthcare Coalition, a public-private healthcare collaboration, established to drive sustainable healthcare and business transformation.

We also joined the climate and health conversations at Climate Week NYC and COP27 in Egypt, taking part in events with our partners. As founding members of the Climate and Health Coalition, we launched updated guidance for the private sector to deliver integrated climate and health strategies. More information can be found here.

In addition, we joined Health Care Without Harm, who we're collaborating with as members of the UN-backed campaign Race to Zero, for a conversation with the UN Climate Champions and the World Health Organization about how we build resilient and net zero climate health systems.

We took part in the Ride for their Lives campaign again, organising a collaborative bike ride in the UK with partners across the healthcare sector. This global initiative (see more detail here) is mobilising the healthcare community to advocate for climate action and raise awareness of the link between human and planetary health.

Bupa employees participating in 'Ride for their Lives 2022'.

Mission Regenerate

Mission Regenerate aims to support one million people each year by 2025 to improve their physical and mental health by scaling initiatives like our Healthy Cities programme that help restore and regenerate nature. Here are some details on how we are working towards that goal.

Contribution to communities

In 2022, we invested £10.5m in our communities helping to support healthy people and a healthy planet. This includes financial donations to charities, funding to the Bupa Foundations in Australia, Spain and the UK, as well as volunteering hours and in-kind support, measured using the Business for Societal Impact methodology.

ELA

- Our 'Huellas de Cambio' programme (Footprints of Change) continued in schools in Ecuador, Panama, Peru and the Dominican Republic to inspire and enable 2,000 young people, their families, and communities, to take care of their health and the planet.
- We continued working with Chile's largest aged care NGO, Fundación Las Rosas, to enable training and a medical volunteer programme for doctors to attend in-home consultations to review care and mental health needs.
- Details on the medical care provided by LUX MED's healthcare facilities to Ukrainian refugees can be found on page 35.

APAC

- We engaged thousands of people to support their health and wellbeing and planted more than 16,000 native trees in New Zealand and Hong Kong.
- We increased our volunteering efforts and supported disaster relief programmes, including flood relief in Australia.

Sustainability and ESG continued

BGUK

- We ran our #1MillionMinutes campaign, during which our people donated over 1.2 million minutes to support community initiatives including foodbanks, litter-picking, beach cleans and gardening in local parks. We made donations to Trees for Cities to plant trees for healthier air in schools and to support UNICEF's relief efforts in Ukraine.
- We continued to support the social mobility charity, Career Ready, with employees volunteering as mentors for students. We provided 39 paid internships and ran workplace visits and career insight sessions. We continued to help fund Career Ready's work so that more students could benefit from internships and mentoring.
- As part of the community activation for COP27, our team in Egypt supported the non-profit organisation, VeryNile, to remove 10 tonnes of plastic waste from the Nile.

Bupa volunteer participating in the VeryNile initiative in Egypt during COP27.

Our Foundations

Sanitas Foundation

For more than a decade the Sanitas flagship programme 'Inclusive Sport' has promoted sports between people with and without disabilities, including working with the Alliance for Inclusive Sports training teachers in schools and supporting disabled students to take part in physical education classes.

In 2022, the Foundation supported the first senior-level Spanish Inclusive Championships of table tennis, badminton and triathlon. It also expanded its MIR (medico interno residente) prize, which recognises the best Resident Internal Physician, with the first EIR (enfermeria interno residente) award for the best Nursing student in Spain. Finally, it launched a new project to support vulnerable people by offering psychological, dental and maternal child health services.

Bupa Foundation in the UK and Ireland

The Foundation invested over £1m focusing on practical projects which support people's wellbeing.

The Wellbeing for Educators programme provided more than 1,600 people who work in schools and charities with free wellbeing workshops delivered by Bupa coaches. 71% of attendees have tried adopting a more positive attitude in daily life and work as a result.

Bupa employees volunteered their time to lead Bupa Foundation Community Committees in Leeds, Brighton, London, Staines, Dublin and Salford. We supported 67 charities with over £400,000 in grants. Projects supported included the Single Homeless Project's gardening therapy in London, Get Out More outdoor activities programme in Bradford and Dentaid's mobile dental care clinics for vulnerable and homeless people.

Bupa Foundation in Australia and New Zealand

The Foundation continued its focus on building mentally healthy and resilient communities and addressing the health impacts of climate change.

Together with partners Kids Helpline, UNICEF Australia, Conservation Volunteers Australia and Trees that Count New Zealand, we engaged more than 62,000 people, supporting them to care for their health and the health of the planet.

The Foundation Community Grants programme awarded £147,000 to 28 local initiatives providing funding to support communities across Australia and New Zealand. Projects included yoga for emergency response workers and military veterans, and support for athletes who are blind or have a disability to participate in community events.

Sustainability and ESG continued

Sanitas leaders gathered at Healthy Cities event.

Healthy Cities

For the past seven years, the Healthy Cities programme has run across our business in Spain, and more recently across other countries in our Europe and Latin America Market Unit. It mobilises our people, corporate and individual customers and communities to take part in activities that are good for their health. In turn, Bupa invests in restoring and regenerating urban environments, working in partnership with organisations to help make cities healthier places for people to live and thrive in.

The 2022 edition of Healthy Cities achieved:

- Over 300 companies and 83 cities and regions involved across Poland, Spain, Chile and Mexico.
- Five billion steps taken by participants.
- Regeneration of ten urban environments across Poland, Spain, Chile and Mexico.
- Over 88,000 trees planted.
- Partnerships with WWF, the Spanish Heart Foundation, the Spanish, Chilean and Polish Olympic and Paralympic Committees, Warsaw School of Economics, the Polish State Forest, the Catholic University of Chile, and Pymo and Promesa in Mexico.

Work is now under way to not only continue delivering the regeneration projects, but also to scale up the programme globally.

Paralympics Partnerships

We became the Official Healthcare Partner to ParalympicsGB and Paralympics Australia in 2022, joining our existing partnerships with Paralympians in Spain, Poland and Chile.

These partnerships will support athletes on their journey to Paris 2024 and beyond, while also promoting greater inclusivity in healthcare and society for people with disabilities.

Official Healthcare Partner

Iñaki Ereño, Group CEO, and Carlos Jaureguizar, Bupa Global & UK CEO, at the launch of the Paralympics GB partnership with Paralympians Aaron Phipps and Natalie Jones.

Sustainability and ESG continued

Broader ESG action

While our sustainability strategy focuses our action on the three Mission pillars outlined above, we recognise the importance of strong foundational performance on wider ESG topics to underpin this focused action. The specific ESG topics covered in the section below are: (i) responsible investment; (ii) sustainable procurement; (iii) gender pay gap; (iv) business ethics and (v) an overview of our sustainability and ESG disclosures.

Responsible investment

We believe ESG factors present both risks to the long-term performance of our financial investments, and opportunities to improve the impact of the investments on society and the environment. We aim to invest in a responsible manner which is aligned with our purpose, strategy and climate ambitions. 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 our sustainability strategy and ESG factors are incorporated in all investment decision-making and prohibit investments in certain sectors (including coal, tar sands, tobacco and controversial weapons)[1], and also place exposure limits on the sectors and countries most at risk from climate change. We have set targets, including a 1.5°C by 2040 temperature alignment target validated by the Science Based Target initiative (SBTi), to reduce the GHG emissions of our investments, and we are taking action to achieve emissions reduction while helping to finance the transition to a low carbon economy.

We are 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). For more information please see our Responsible Investment page on Bupa.com here.

1. If revenues generated from these activities exceed 5% of total revenues for the company.

Sustainable procurement

As mentioned in the Mission Zero section, most of our GHG emissions are in our value chain. That's why in 2022 we have focused on establishing our procurement sustainability programme to work with our suppliers to drive down our scope 3 emissions and innovate lower carbon products and services. The following was delivered in 2022.

1. A global approach for procurement, which includes:

- Agreed targets and ambitions to support Mission Zero.
- Enhanced ESG risk assessment for new/changed service.
- Inclusion of ESG due diligence in supplier onboarding.
- A strategic and collaborative approach, across all procurement categories, to meeting our procurement targets.

We have begun supplier engagement to understand their: (i) sustainability strategy ambitions; (ii) key targets (carbon, waste, water); (iii) external target setting (SBTi) and (iv) Inclusion and Diversity approach, and to test Bupa's supply chain maturity regarding net zero and ESG.

This information helped develop focused objectives for 2023, enabling education for less mature suppliers, and collaboration with the more mature suppliers. By embracing both approaches, Bupa will successfully progress against our targets, but most importantly, influence our supply chain to continually improve - in line with Bupa's sustainability strategy ambitions.

2. A refined Responsible Supply Chain Statement which outlines the minimum standards that we expect from our suppliers across a range of ESG and Responsible Business Conduct metrics.

In 2022, we further refined the requirements needed to deliver our sustainability commitments – a robust programme of ESG focus, enhancement and change. This ensures that our supply chain is aware of our updated expectations to allow us to work together successfully.

The changes within the statement include:

- Required commitment from the supplier to support Bupa's sustainability ambitions
- An increased focus on all ESG topics
- Encouraging annual carbon emissions reporting and production of a Carbon Reduction Plan from the supply chain
- A focus on innovation and collaboration with suppliers.

Gender pay gap

The gender pay gap is used across various regions to identify 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. While the regulations vary slightly by location, the overall approach is broadly the same.

With most of our workforce in each location being made up of women, aggregate pay gaps can be misleading, masking the reality of pay levels at different levels and in different roles. This year we have reviewed the multi-year trends in the gender pay gap for each location, however, for many reasons, direct comparisons between locations are not possible due to societal structures; business models, union arrangements, and reporting methodologies. More granular analyses has been conducted locally, providing a more useful assessment for addressing areas of opportunity and defining key actions.

In general, our provision businesses continue to see higher female representation, therefore seeing a significant imbalance with the proportion of male employees in our lower pay quartiles, thus impacting our Gender Pay Gap. However, we have seen an encouraging reduction in the gap across our health services and provision businesses globally (including admin and customer service).

In our insurance and corporate roles, our overall gender balance has remained consistent to previous years with fewer females in the higher pay quartiles and few males

Sustainability and ESG continued

in the lower. This gender imbalance at all levels of our organisation is a key factor in our gender pay gap.

Across all markets reporting, the aggregate pay gap has changed little over the last three years.

- APAC: There are three reporting entities in Australia: Health Insurance (HI), Health Services (HS); and Bupa Villages and Aged Care (BVAC). Of the three reports, HS and BVAC have reduced the gap. HS have reduced by 2.5% to 41.7% but are well above industry comparison of 4.4%. BVAC have reduced by 0.3% to 2% but remain below industry comparison of 3.3%. HI have an increase of 2% to 21.1% but remain below industry comparison of 21.7%.
- ELA: In Chile, we report three categories: administration and customer service, management and clinical. In administration and customer service, and management, the overall gap has declined.[1] Women in our provision business make up over 60% of our total workforce in Chile (and approximately 80% of the provision business) making gender representation a significant factor in the overall results for this category of employee. In Spain, we report across four businesses: insurance, dental, care homes, and hospitals. Across all four businesses reporting, the aggregate pay gap has changed little over the last three years, with only the hospitals business showing change. Compensation in Spain, for most of our people, is covered by collective agreement and is therefore gender neutral by design. Differentiation in pay is largely created through length of service as well as the achievement of additional qualifications.
- BGUK: With 12 entities required to report their gender pay gap, Bupa has aggregated the smaller entities (including those not required to report) into two broad groups (Provision and Insurance). The current median pay gap in our provision business is 10.4% and our insurance and corporate category median gap has increased since 2018 from 16.3% to 19.5%, both against a national average of 14.9%.

We are taking a range of steps to improve gender diversity across Bupa and to reduce our gender pay gap. Some of our initiatives will deliver benefit in the short to medium term, whereas others will require long-term effort to drive improvement. Some actions taken include the launch of reverse mentoring and sponsorship programmes, setting diversity targets to drive local leadership accountability, and implementing gender balanced recruitment panels and candidate shortlisting for all senior roles. We have also launched our Global Women's Leadership Network - Dora Livock - to support women to advance to leadership positions across the organisation.

For more details regarding our commitment to improving female representation and our work on inclusive practices, please see our UK Gender Pay Gap Report found here.

1. Final 2022 figures for ELA are not yet available for reporting.

Business ethics

The high standards of ethical behaviour we expect from our people are outlined in the Bupa Code. Alongside our values, the Code acts as a moral compass for everyone that works at Bupa. It gives us a simple decision-making framework to help us do the right thing by our people, customers, residents and patients. It also displays our commitment to being a responsible business. In 2022, we reviewed and updated the Bupa Code, rolling the refreshed version out globally across our businesses and integrating it into local policies and codes, mandatory training, people processes, including inductions, performance and reward, and internal communications. Mandatory training is required to be undertaken by all our people, including contractors, covering ethics issues such as Anti-Bribery and Corruption, Information Security, Health and Safety and Risk Management. More information about the Bupa Code can be found here.

One aspect of our approach to business ethics is illustrated by our controls against financial crime. We take active steps to ensure that our business, people and customers are not victims of financial crime. We strive to limit the impact of fraud, whether committed against Bupa, our customers or the wider communities we serve. The Bupa Code is directly relevant to financial crime risk management at Bupa. The Code is underpinned by Bupa's Enterprise Policy on financial crime, applicable across the Group, which articulates our approach to preventing money laundering, bribery and corruption, breaches of economic sanctions, tax evasion offences and fraud. The Policy is supplemented by mandatory controls (such as due diligence, training and awareness and Know Your Customer), oversight and assurance testing, detailed guidance on expectations and specialist resources, acting as subject matter experts. The Bupa Enterprise Risk Committee oversees the management of all risk types across Bupa, including financial crime risk and other risks relating to business ethics. More information on our approach to financial crime at Bupa can be found here.

Speak Up is Bupa's whistleblowing service and can be used by anyone who has a concern either about Bupa or individuals/organisations providing goods or services to Bupa. It ensures people can raise genuine concerns about wrongdoing, misconduct or risk of harm in confidence and anonymously, if preferred. We take concerns seriously and the people who raise them can be confident that they'll be heard, protected and supported. More information on Bupa Speak Up is available here.

As noted on the previous page, we conduct ESG due diligence when onboarding our suppliers and during the procurement life cycle in accordance with our framework and governance. We expect our suppliers to abide by Bupa policies, fully comply with all applicable laws and regulations and conduct themselves in line with the highest ethical standards. Bupa's Responsible Supply Chain Statement is available here.

Sustainability and ESG continued

Sustainability and ESG disclosures overview

Disclosure	Description	Country
The Bupa Code	The high standards we expect from our people are outlined in the Bupa Code. The Bupa Code acts as a moral compass for everyone that works at Bupa. 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 are trained in and 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 manage Bupa's cash and investments is published here.	Enterprise-wide
Responsible Supply Chain Statement	Bupa works closely with its suppliers and is committed to ensuring a responsible supply chain. Please find our Responsible Supply Chain statement here.	Enterprise-wide
Speak Up	Speak Up is Bupa's whistleblowing service and can be used by anyone who has a concern either about Bupa or individuals/organisations providing goods or services to Bupa. It ensures that people can raise genuine concerns about wrongdoing, misconduct or risk of harm in confidence and anonymously, if preferred. 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 UK operations in the UK. The 2022 report can be read here.	UK
Modern Slavery Statement	Bupa is committed to combating 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

Task Force on Climate-related Financial Disclosures (TCFD)

We know that to be a viable business built for the future economy, we need to be equipped to identify and act on the climate risks and opportunities within our business. We are demonstrating our climate goals through our science-based targets, our ambition to become a net zero business by 2040; implementing our wider sustainability strategy (see page 22 for more details on the strategy); and transforming our business to embed sustainability into all decision-making. Our TCFD disclosures can be found as an appendix on page 101. We will continue to develop the detail of our TCFD disclosures as we complete further analysis and strengthen our approach.

Sustainability and ESG continued

Ukraine

When war broke out in Ukraine on 24 February 2022, LUX MED, Bupa's private healthcare business in Poland, was swift to act.

Within 24 hours, all of LUX MED's healthcare facilities across Poland were providing refugees with both emergency and ongoing medical care – all free of charge.

Across Poland, our network of 270 medical centres and 14 hospitals were open to people arriving from Ukraine. We then added dedicated health facilities at refugee centres and provided materials and equipment to hospitals in Ukraine. Within days, our teams were treating over 1,000 people a day.

Since February 2022, LUX MED has provided 320,000 separate health interventions to 180,000 refugees and employed 240 healthcare workers.

To ensure help was provided where it was most urgently needed, LUX MED opened a Medical Centre for Refugees in the Marriott Hotel in the centre of Warsaw, which saw thousands of refugees flooding in from Ukraine. A second was set up at the Ptak Warsaw Expo, where refugees could find shelter and stay for a period. We have been offering emergency medical services at the Ukrainian border, with paramedics, doctors and equipment. All cost of this humanitarian aid has been absorbed by Bupa. We've also made financial donations to UNICEF and through the LUX MED Foundation to support humanitarian efforts.

We're committed to these facilities being in place for as long as is needed so that Ukrainian people can access free healthcare and so that medically trained Ukrainians have facilities to practise in.

We continue to offer support for our people through our Healthy Minds service. We have also created a recruitment page for Ukrainian refugees who might want to work for Bupa in the UK, particularly technologists.

In addition to complying with applicable sanctions, Bupa also adopted a policy of terminating any existing relationships with businesses in Russia, or Russian-controlled entities globally, as quickly as possible, and we will not renew existing contracts with these businesses.




Bupa Chief Executive Committee, Chairman Roger Davis and LUX MED healthcare workers at LUX MED's Medical Centre for Refugees in Warsaw.

Section 172 statement

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 Bupa's success 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.

More detail on how we engage with our key stakeholder groups or where to find more information is set out below.

Customers

Our ambition is to be the world's most customer-centric healthcare company and our three ambition KPIs all relate to our customers, putting them at the heart of everything we do and making them our most important stakeholder group.

The Customers section on page 17 sets out the priorities that we have focused on in 2022 and provides examples of the improvements we have made to our customers' experience in different parts of Bupa. Our customers include individuals, companies and governments.

Direct customer feedback is an important tool to help us improve their experience and our leaders in all areas of the business are encouraged to use our Customer Listening app to gain insights on the issues that customers raise and to provide feedback to the businesses across Bupa on how customer experiences could be improved.

The Board has received regular updates during 2022 on the progress against the three ambition KPIs and the project to drive customer experience improvements.

People

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. Our Global People Framework sets out the priorities that we focus on, taking into account both the external employment context and the needs of our people, and is shared with the Board annually for its review and endorsement.

Our employee engagement results are shared and discussed with the Board twice a year. Three Non-Executive Directors have been designated to engage with our people in the UK, Australia and Spain - our three largest markets - and they participate in a series of events in those markets throughout the year. These are usually in the form of site visits, sessions with People teams, town hall meetings with employees and smaller group events where open dialogue and Q&A is encouraged. Their findings are regularly reported back to the Board. More information can be found in the Leadership section on page 54.

Section 172 statement continued

People issues are flowed up to the Board through regular reports from the Group CEO, and as part of updates to the Board from Bupa's businesses. In 2022, these covered workforce challenges, talent and leadership updates, and actions taken in support of these areas. The Chief Sustainability and People Officer provides updates during the year on progress against the Global People Framework, including talent and succession, leadership development, inclusion and diversity, gender pay gap and incentives. The Board also receives reports on issues raised through Bupa's Speak Up internal confidential whistleblowing service. See the Leadership section on page 54 for more information and the table of strategic decisions taken by the Board in this section 172 statement.

People issues also flow through to the Risk Committee with regular reports on people-related risks from the Chief Risk Officer and the Chief Sustainability and People Officer.

Regulators

Bupa operates in highly regulated environments across our health insurance, provision and aged care businesses. We are subject to financial services regulatory regimes in our insurance businesses and care quality regulators in our provision and aged care businesses. In some cases, our regulators are independent of governments, and in other situations our activities are directly regulated by national or local governments.

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. These objectives clearly align with our strategy and customer-centric ambition. 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 executive 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 series of debt securities in issue through Bupa's subsidiary company, Bupa Finance plc, which is therefore required to operate in accordance with the relevant UK Listing Rules and the Disclosure Guidance and Transparency Rules, and with the 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 current and prospective bondholders during the year, 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 also in our sustainability and wider ESG activities.

Association Members

As a private company limited by guarantee, Bupa does not have shareholders and the governance and many of the oversight activities performed by shareholders are instead performed by the AMs. 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 of the Board (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.

Section 172 statement continued

AMs are selected based on recent, and relevant experience in their field, their capacity to make a contribution, and experience in the key markets in which Bupa operates, and a substantial majority of them are independent of Bupa. 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 at our half year and full year results, briefing sessions on the business with updates on strategic progress 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 for further discussions as requested. AMs are interested in many aspects of the business that affect stakeholders – from strategy and performance to our products and services, how we support our people, the standard of care provided to customers and our approach to sustainability.

Details of the new Strategic Performance Plan (SPP) were shared with all AMs in advance of an updated Directors' Remuneration Policy (DRP) being submitted to AMs at the 2022 AGM for an advisory vote, in line with best practice corporate governance for listed companies. The Chairman (who is also a member of the Remuneration Committee), the Group Chief Sustainability and People Officer and the Director of Performance and Reward held a session with interested AMs to discuss the key design features of the SPP and answer any queries the AMs had in advance of the 2022 AGM. The Chair of the Remuneration Committee was unable to attend the session due to illness. The resolution to approve the DRP was comfortably passed at the AGM.

AM briefings during the year were hosted by the Chairman and presented by the Group CEO and Group CFO. The briefings covered:

- The Group's financial results for Full Year 2021 and Half Year 2022
- Our sustainability and ESG agenda and new sustainability strategy
- Our LUX MED business in Poland and the actions taken to support Ukrainian refugees entering Poland.

Suppliers and partners

Our suppliers and partners represent our brand and are critical to delivering a high-quality service to our customers.

Our Responsible Supply Chain Statement, available here, sets out our expectations of our suppliers and our commitments to them. The Statement was updated in 2022 to include our desire to work with suppliers who share our commitment to our sustainability targets and to work with them to innovate and find solutions to the sustainability challenges around healthcare.

We are committed to:

- Treating our suppliers fairly
- Paying suppliers on time (as per contracted terms)
- Selecting suppliers without prejudice
- Supporting improvements in social, environmental and ethical practices
- Using research, collaboration and innovation to accelerate sustainable healthcare solutions
- Maintaining a supply chain that reflects and aligns with our own standards of responsible business conduct
- Actively encouraging innovation.

We also have a Group-wide Suppliers Enterprise 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 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.

We also regularly engage with healthcare professionals and NGOs and work with other commercial and non-profit organisations to make a positive impact on specific health issues.

Our sustainability strategy is founded on responsible business conduct with a key focus on responsible supply chain management, including combating modern slavery. Our latest Modern Slavery Statement is described on page 34.

Communities and the environment

In 2022, the Board approved the new sustainability strategy and a revised sustainability enterprise risk policy to set out our ambitions in this area and to ensure that sustainability risks and opportunities, including climate change risks, are considered in day-to-day decision-making.

For further information see the Sustainability and ESG section on page 22 and the report of the Board Sustainability Committee on page 79. The Board's decision to adopt a sustainability strategy is described in more detail in the strategic decisions table below.

Section 172 statement continued

High standards of business conduct

Bupa has a robust system of governance and risk management in place and operates a 'three lines' 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 public listed companies. This includes applying the UK Corporate Governance Code 2018 (the Code) to set high corporate 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, privacy, and wellbeing, health and safety. Further information on our principal risks and approach to risk management is on page 42.

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 strategy is founded on responsible business conduct management, to take a more proactive approach to ensuring that Bupa conducts its activities in a responsible way. More details can be found in the Sustainability and ESG section under Business ethics on page 33.

The Governance section commencing on page 50 describes the role of the Board, the Directors, Bupa's system of governance, including the 'three lines model'; how we have complied with the Code during the year; and the role and activities of each Committee of the Board. It also specifically sets out how the Board and Committees oversee sustainability and ESG matters.

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 51.

Supporting our people

People

Issue	Action and progress	Further information
Our people are the driving force behind our business and we need to take care of them so that they can enjoy longer, healthier, happier lives. We have seen increasing pressure on the capacity and resilience of our workforce from the COVID-19 pandemic, cost of living crisis and the level of change that we are asking them to undertake to achieve our 3x6 strategy. There is also increasing pressure on public health services, making the accessibility and affordability of healthcare an important issue for our people.	**Action** The Board regularly receives updates on issues relating to Bupa's people, with the Risk Committee closely monitoring workforce risks. We have recognised the impact of the rising cost of living, particularly on our frontline people, by endorsing appropriate actions taken by local management in different parts of Bupa. This has included bringing forward pay increases by several months and providing one-off payments to help ease the cost of living. The Board agreed with the Group CEO that 100% of our people globally should receive healthcare benefits, bringing a degree of consistency across businesses in terms of support available while also reflecting local market differences. The Board considered proposals from each Market Unit on what would provide the most value to their employees and agreed to significantly increase investment in healthcare benefits for employees with the majority of the investment being used to support our frontline staff. A new programme called Viva was launched in January 2023 across Bupa to implement this decision. The designated non-executive directors involved in workforce engagement activities have seen first hand the positive reaction to these changes. **Long-term impact** The Board believes that the investment in healthcare benefits for all employees globally will make a real difference to the long-term health of our people and differentiates Bupa from competitors, giving us an advantage in attracting and retaining employees.	**People and culture section on page 18** **Leadership on page 51**

Section 172 statement continued

Sustainability strategy
Communities and the environment

Issue	Action and progress	Further information
Sustainability is a pillar of our 3x6 strategy and the Board wanted to establish a cohesive framework to clearly identify the actions Bupa can take to have the greatest impact in delivering the 'making a better world' part of our purpose. Our customers, our people, regulators and wider society increasingly expect large organisations to address sustainability and climate change issues. These issues present both risks and opportunities to the long-term viability of our business.	**Action** The Board Sustainability Committee led the development of the sustainability strategy which was approved by the Board in early 2022 and launched in Q4 2022. We had already publicly committed to become a net zero business by 2040 and this forms part of the 'Mission Zero' pillar of the new sustainability strategy. Following approval of the sustainability strategy, the Committee oversaw the development of the initial priorities to focus on. Actions taken during the year include: launching the Sustainability Academy to equip our people with the skills and information they need to ensure that we run Bupa in a sustainable way; and running our second eco-Disruptive programme. In addition, Bupa expanded its work in promoting inclusivity by becoming the official health partner for the national Paralympics Associations in Australia and the UK, in addition to existing partnerships in Spain, Poland and Chile. **Stakeholder considerations** An external consultancy was engaged to carry out a materiality assessment to help prioritise Bupa's investment in actions that will have the greatest positive impact and are most relevant for a healthcare organisation. Potential areas of opportunity were then tested with management and customers in Australia, Spain and the UK. The key outcome was the importance of linking human health and the health of the planet. **Long-term impact** Taking action to mitigate climate change and related environmental issues through our sustainability strategy will help to secure our business for the future and help our customers, people and communities stay healthy. The Board and Board Sustainability Committee will monitor the achievement of each of the three Missions in the sustainability strategy and can measure their achievement through KPIs. See the Sustainability and ESG section on page 22 for the headline KPI for each pillar of the sustainability strategy.	**Sustainability and ESG section on page 22** **Board Sustainability Committee report on page 79**

Rollout of Blua
Customers

Issue	Action and progress	Further information
The transformation pillar of our 3x6 strategy is our route to growth and delivering digital health solutions is an important growth channel.	**Action** When the 3x6 strategy was agreed in 2021, the Board identified Blua, our digital health solution pioneered in Spain, as a solution that could be rapidly deployed across our markets to benefit more of our customers and help drive Bupa's transformation. Blua or another digital health solution has been launched in ten countries so far and is driving meaningful progress towards achieving the 40% and 60% ambition KPIs. The Board has overseen the rollout of Blua, receiving updates during the year. **Stakeholder considerations** Customers' 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 while also receiving value for money. This includes accessing healthcare services digitally where appropriate. Blua aims to meet this need and keep Bupa competitive. The speed of delivery of this service is being balanced with the need to maintain appropriate controls and governance, particularly around our customers' data so that trust in our products and data security remains high. **Long-term impact** Blua aims to deliver access to primary and specialist virtual care, virtual health coaching and prevention services, and homecare and remote monitoring, particularly for chronic conditions. This should make access to healthcare quicker and more personalised for our customers while also delivering efficiencies for Bupa in the long-term.	**Strategy section on page 7**

Section 172 statement continued

Chile
Customers, regulators, bond investors

Issue	Action and progress	Further information
One of Bupa's businesses in Chile, Isapre Cruz Blanca S.A. (Cruz Blanca), has been negatively impacted by judicial and regulatory action. The Isapre sector is unique to Chile in that, despite being privately-owned companies, they form part of the wider social security system through which Chilean citizens can chose public or private health insurance. There has been a shift in recent years which has severely limited Cruz Blanca's ability to properly price to cover risk, medical inflation, and medical coverage.	**Action** During the year, the Board has been closely monitoring political, legal and regulatory developments in Chile. In line with Bupa's subsidiary governance policy, the Board has also received updates from the board of Bupa Chile (the parent company of Cruz Blanca). The Board also received briefings on the Chilean constitutional referendum and recent Supreme Court decisions. The Risk Committee has also been monitoring the related "stroke of pen" risk. The potential impact of the judicial decisions and regulatory interventions on Bupa's balance sheet is material and a significant contingent liability position has been disclosed in the Group's Consolidated Financial Statements for 2022. The Audit Committee has closely scrutinised management's approach to assessing this contingent liability to ensure that it was appropriate. **Stakeholder considerations** We seek to keep the rating agencies up to date with material developments which may impact the Group's results and performance and will continue to do so as the situation evolves. The Board has also been considering the impacts for customers, providers, employees, local regulatory relationships, and the Group's and the local brand and reputation as part of its Group-level oversight of Bupa Chile's developing strategy. **Long-term impact** The Board continues to monitor the long-term viability of Cruz Blanca and has considered a broad range of potential adverse outcomes from the Chile Supreme Court judgment described on page 11 in its assessment of the Company's and the Group's longer-term viability, as described on page 98.	**Financial Review on page 9** **Audit Committee Report on page 67**

Response to the war in Ukraine
People, communities and the environment, customers

Issue	Action and progress	Further information
The war in Ukraine broke out in February 2022, driving millions of refugees to neighbouring countries, including Poland. The refugees were in need of healthcare facilities and continuing support. The Group had to consider its commercial response to Russia's unlawful invasion of Ukraine.	**Action** LUX MED, our Polish business, acted swiftly following the outbreak of war in Ukraine by providing free emergency and ongoing medical care in partnership with the Polish authorities. LUX MED has also employed many Ukrainian healthcare workers fleeing the conflict, enabling them to continue their work. The Board wholly supports the actions taken and Bupa is funding this support for as long as needed. The Chairman, Group CEO and other executives visited Poland during the year to see this work first-hand and were impressed with the speed at which services had been provided and the dedication of our people to support those fleeing the conflict. Shortly after the invasion, the Board also decided that, in addition to complying with applicable sanctions, Bupa would end any existing relationships as soon as possible, and would not renew existing contracts with businesses in Russia or Russian-controlled entities globally. The Risk Committee has also received reports on the Group's compliance with sanctions imposed on doing business with Russia or Russian nationals. **Stakeholder considerations** The Board and LUX MED management felt that this was the right thing to do in a humanitarian crisis and in line with Bupa's purpose and values. The ongoing costs and focus of our services have been managed alongside our teams continuing to support our existing customers in Poland without compromising the service we provide. This demonstrates the flexibility Bupa has to invest where it is most needed as it is not under pressure to continually fund dividends to external shareholders. Despite the impact on customers in Russia and employees of Russian-controlled entities, many of whom may not support the war, the Board concluded that Bupa's purpose, values and reputation would be best served by ceasing to do business with Russia. **Long-term impact** Bupa intends to continue to support LUX MED to fund medical care for Ukrainian refugees for as long as it is needed.	**Sustainability and ESG section on page 35**

Risk

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

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

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 in our People section on page 34.

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.

We manage our risks using a 'three lines' model, as set out in our Board approved risk management framework. This is set out in greater detail on page 63.

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
- 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.

Progress in 2022

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 focus on managing the impacts of the pandemic and the ongoing economic uncertainty, we have ensured that we also remain focused 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 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 prevailing high inflation and challenging economic environment.
- Reviewing our climate change risk profile and the risks associated with our new sustainability strategy.
- Reviewing and enhancing our credit rating, foreign exchange and risk appetite and approving insurance risk appetite statements.
- 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; the primary focus in this year was on high inflation and a challenging economic environment.
- Reviewing the progress in embedding our integrated risk management system.
- Oversight and approval of the development of the Group Recovery and Resolution Plan.
- 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 and increased threats in the external environment.
- Continuing to improve our wider information technology and IT operational resilience controls.

Risk continued

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.

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. • The properties are subject to external valuations at least tri-annually and management valuations in intervening years.	• 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, of claims experience being materially adversely different to expectations and that provisions made for claims prove to be insufficient in light of later events and claims experience.	• 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 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. • We have reviewed and updated our insurance risk appetite.
Currency	Risk arising from changes in the level or volatility of currency exchange rates impacting on cash flows and assets held in currencies other than sterling, and on the financial statements.	As the net assets of businesses outside the UK grow, there will be a corresponding increase in currency risk in relation to translation into sterling. There is transaction risk relating to policies for which premiums and claims are in different currencies.	• Currency translation risk is, where possible, significantly mitigated through a hedging programme to a Board-approved level of risk. • We limit currency risk exposure through asset liability matching in local currencies. • We have reviewed and updated our currency risk appetite.
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. • The counterparty risk exposure in respect of reinsurance is not material at a Group level.	• 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.

Risk continued

Risk	Description	Comment and outlook	Mitigating actions
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.

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 challenging economic environment and the launch of our new strategy.

Risk	Description	Comment and outlook	Mitigating actions
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 a 'ethical' dimension, e.g. executive and/or low pay, Inclusion and Diversity, treatment of suppliers, governance, responsible investment. Adverse comments and unfavourable media coverage can impact Bupa's reputation. • Our reputation can also be impacted by adverse operational issues such as cyber attacks.	• In order to ensure issues in one business or Market Unit do not spread and impact the trust in our brand in another, contagion risk remains prominent in our operational and reputational risk management agenda with a focus on resolving and learning from issues faced. • With the launch of our new sustainability strategy we have increased our focus on management of sustainability and ESG risks.
Strategic workforce risks	Risks associated with the resilience of our own people, including 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.	• Our front-line staff, in particular our clinical staff, have been under significant pressure throughout the crisis and there is a risk of staff fatigue and burnout. • In many markets we continue to see strategic challenges associated with workforce availability, exacerbated by cost of living challenges, which may impact our ability to deliver services.	• Considerable work has been done to address the people risks associated with COVID-19 and to utilise learnings to enhance our readiness for future pandemics . This has been led by the People Function with the support of all functions and businesses. • Workforce availability remains a key area of focus for senior management with a range of activities under way in each market to address challenges.

Risk continued

Risk	Description	Comment and outlook	Mitigating actions
Technology innovation and resilience including information security	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/ behaviors 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 looked towards digital offerings during the pandemic and where these were available, they were well received. This has also helped demonstrate value in digital insurance offerings in a period where people could not claim for physical procedures.	• Operational resilience capabilities were tested around the Group during the crisis and generally found to be performing well. • We significantly increased our digital offerings for customers during the pandemic and this will continue to remain an area of focus in the future.
Economic conditions and affordability	The risk that depressed economic conditions further exacerbate existing challenges around affordability for customers with reduced spending power which could impact the profitability or viability of the business.	• The macroeconomic environment is challenging in most markets and was compounded by COVID-19. It is uncertain how severe the impacts will be and how long they will last but any reduction in consumer or government spending may impact our businesses. In many markets we are seeing heightened inflationary pressures. • Weakened economic environments are also likely to compound the existing affordability challenges in health insurance as premiums rise, driven by high medical and wage inflation.	• We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges and affordability constraints.
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 strategy is focused on addressing customer expectations as they change. • All Market Units have a range of transformation activities underway.	• Transformation and strategy execution are a key focus of senior management. • Appropriate governance structures are in place to monitor the transformation activities underway. • We have extensive governance mechanisms in place with regards to future acquisition, including conducting post-acquisition reviews and implementing learnings into future acquisitions.
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 was 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.	• We have heightened our supplier monitoring, management and communications to help minimise disruption. • For key product lines, we have built up Bupa owned or controlled stocks to minimise supply chain delays and avoid supply shortages.
Data	The risks associated with the ownership, use and governance of data which could impact on the delivery of the Group Strategy.	• Data is fundamental to the delivery of the Group strategy and will continue to remain a key area of focus for some time	• We have a range of initiatives and programmes in place across the Group focused on the use and governance of data.

Risk continued

There are further risks which do not feature on the list of most significant risks currently facing Bupa but which always remain a priority for management given our business model. 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 continue to monitor the markets to ensure that we appropriately fund the Group.

Financial risks associated with climate change

We have integrated climate risk management into our existing Group-wide Risk Management Framework ('RMF'), which sets out how we identify, assess, manage and report on risks. We will continue to ensure that climate-related risks are considered appropriately throughout our governance arrangements, including the policy framework and management committees' responsibilities. We also continue to reflect on changes in regulatory expectations (e.g, from the Prudential Regulation Authority, 'PRA') while embedding climate risk management through the RMF.

As a result the financial risks from climate change do not appear in our principal risks above but the table below does show how the key themes are impacted.

Risk drivers	Relevant principal risk and potential impact	Short term[1]	Medium term	Long term	Mitigating actions
Transition: Policy & Legal Changes in laws and regulation to stimulate transition to low carbon economy	**Changes in government and regulatory policy** We must continue to prepare for, and then comply with, emerging regulations (primarily driven through our insurance business but becoming increasingly relevant for all businesses globally). As such, there is a risk of fines, penalties, and litigation in the event of regulatory non-compliance, which could also result in reputational damage.	✓	✓	✓	• Our Horizon Scanning process continues to identify relevant legislative and regulatory changes across a broad spectrum of topics, including consideration of ESG-related (including climate change) developments. • The Sustainability Disclosure Working Group (a Group-level, cross-functional working group) continues to develop Bupa's approach to sustainability-related disclosures e.g. TCFD.
Transition: Reputation Changes in customer sentiment, and increased scrutiny from stakeholders (e.g. activists).	**Social licence to operate** Stakeholder expectations on all ESG-related areas, including climate change, are increasing. As such, there is a risk of reputational damage and loss of trust in our brand – across the Group – occurring as a result of not taking appropriate action to meet those expectations, not meeting commitments, or by greenwashing.	✓	✓	✓	• The sustainability strategy launched during COP 27, focused on building a healthier future for people and planet. • Engagement in partnerships with various networks and coalitions to help drive systemic, sustainable change in healthcare through collaboration and innovation (e.g., the Climate and Health Coalition).

1. Short term (1-3 years). Medium term (3-5 years). Long term (5+ years).

Risk continued

Risk drivers	Relevant principal risk and potential impact	Short term[1]	Medium term	Long term	Mitigating actions
Transition: Market Changes in behaviour of customers, investors, and the prices of financial assets and commodities	**Property** Increased severity, frequency, and variability in weather patterns may result in decreases in property valuations, and additional costs and capital required to adapt to weather events and insure our premises (e.g, care homes and retirement villages, hospitals in aged care and health provision businesses, respectively) are as resilient as possible.		✓	✓	• We continue to perform a range of climate-related stress testing to explore possible impacts to property valuations (which are not currently believed to be material to our business). • Geographical spread of properties helps to diversify exposure. • We are working with a specialist consultancy to develop facilities-related decarbonisation plan for 2023 and beyond.
	Credit spreads and counterparty default Our investment portfolio is exposed to potential adverse valuation impacts driven by both transition and physical risk exposures in the companies in which we invest.		✓	✓	• We are reducing the emissions profile of our investment portfolio in line with our net zero ambition, using climate scenario analysis to inform our understanding of exposures in the portfolio.
	Economic conditions and affordability Our customers (corporate and/or personal) will likely be affected by climate change, which could negatively impact their financial resources. This could result in lower revenues for Bupa (e.g, due to increased lapses of insurance policies).		✓	✓	• We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges.
Physical: Acute Increasing severity of extreme weather events (e.g. heatwave, flooding)	**Operational** Climate change may increasingly cause operational disruption, which could compromise Bupa's ability to deliver products and services safely to customers, patients, and residents; the health and safety of Bupa's people could also be impacted.	✓	✓	✓	• The operational resilience framework takes into account extreme weather events. • The Climate-related Guidance Working Group has published its Care Home Heatwave Guide in 2022. This guide represents the first of a collaborative, cross functional, global effort to distil the real-world experiences and expertise of our teams in our MUs into central guidance, to share best practice internationally.
Physical: Chronic Gradual, long-term changes in precipitation (e.g. rain), temperature, and sea-level rise	**Insurance** Changes in global temperatures and weather patterns will affect the healthcare needs of our customers and may lead to increased claims costs or shifts in the treatments required. Our insurance business aside, this could also impact our health provision and aged care businesses (e.g., the elderly population may be more susceptible to increased heat).			✓	• We know that people will be more unwell in a world that experiences increased climate change. The short-tailed nature of our products allows us to respond through pricing, although this can be limited by pricing controls in some markets. The affordability impacts from price increases would need to be carefully considered. • To develop our understanding of the potential impacts arising from the relationship between planetary and human health (in terms of both risks and opportunities), Bupa will be performing an exploratory climate-related health impact scenario in 2023.

1. Short term (1-3 years). Medium term (3-5 years). Long term (5+ years).

Risk continued

We have incorporated the financial risks from climate change into our wider stress testing programme. The results of our scenario analysis carried out to date suggest that our strategy is resilient to the financial risks from climate change. We continue to evolve and mature our climate scenario analysis along with our disclosure approach and scan for developments and improvements in scenario methodology and data.

The following section sets out some of the key highlights from tests performed to date.

Climate Biennial Exploratory Scenario (CBES) scenarios - Bupa has utilised two scenarios from the PRA's CBES (although Bupa was not formally invited to participate) to help explore the possible impacts to the Group balance sheet from climate change over a 30-year horizon: 'Late Action': a ~2°C, disorderly transition scenario, achieving net zero by 2050 (comparable to the Network for Greening the Finance System (NGFS) Disorderly scenario); and 'No Additional Action', a 4.1°C scenario with high physical risk due to a lack of transition (comparable to the NGFS Hot House World and the Representative Scenario Pathway (RCP) 8.5 scenarios). We have tailored some of the provided property valuation shock parameters to ensure relevance for our specialist property portfolio (e.g. care homes, retirement villages, and hospitals) based on the impacts of increased physical risk (e.g. floods), across multiple territories, using publicly available third-party data sources where available, and additional internal judgements. The scenarios also include a shock for property adaptation costs and increased insurance premiums across the entire property portfolio, as well as an assessment of the impacts on our investment portfolio and the value of Bupa's debt.

Other scenarios - Our 2022 Stress and Scenario Testing programme helped us to better understand localised climate change risks as well as a range of potential impacts which could be driven by climate change (although not exclusively) over the following 12-month period. For example: Global scenarios; impacts of increased inflation on insurance claims and expenses across all businesses (possibly a potential outcome of an energy price shock and/or carbon pricing). Local (i.e. Business Unit) scenarios: impacts of strategic workforce risks (including workforce shortages, increased attrition, and higher staff costs), supply chain disruption risk, and regulatory changes.

In 2023, new analysis will be piloted to help provide insights into how climate change could affect the prevalence and severity of certain health conditions, and how this might impact the frequency and average costs of health insurance claims (and therefore profitability). The analysis could help us understand how Bupa's health insurance offering might need to adapt to meet changing customer needs and identify new opportunities.

In this section

Chairman's governance statement

Implementing and overseeing the new strategy

Strong governance is key to Bupa's performance and our ability to grow safely. The Board and its Committees are closely monitoring management's implementation of the 3x6 strategy and are pleased with the progress made to date, particularly against a challenging backdrop of the current global macro-economic environment.

The strategy requires Bupa to change at pace and it is important to ensure that this is achieved without compromising our risk management and control environment. The Risk Committee is closely monitoring this. The Remuneration Committee has ensured that remuneration performance measures reflect our strategic objectives and good risk management.

The Board has responded quickly to the challenges the business is facing such as managing the difficult operating environment for the Isapre business in Chile, and supporting LUX MED in its healthcare support to Ukrainian refugees in Poland.

Supporting our people and customers

We are a customer-centric business and our people are key to us providing a high standard of service and care to our customers. As well as implementing our strategy to start achieving our customer-focused ambition KPIs, the Board has endorsed further proposals from our Australian Health Insurance business to return COVID-19 related savings in cash to customers.

We have responded to the cost of living crisis through actions to support our employees which were targeted to the local situation in each market. We also launched Viva, a new employee health and wellbeing programme that will provide healthcare benefits to 100% of Bupa's employees globally by the end of 2023.

Sustainability

Sustainability is a key pillar of our 3x6 strategy and our new sustainability strategy began to be developed in 2021 to drive its achievement. The sustainability strategy was reviewed by the Board Sustainability Committee and approved by the Board in the first half of 2022. I am extremely proud that Bupa is taking a lead in this area, focusing on the intersection of human and planetary health. This embodies our extended purpose of 'living longer, healthier, happier lives and making a better world'.

Board changes

We said farewell to Clare Thompson during the year and I would like to thank her for her exceptional contribution to the Bupa Board over the past seven years, both as Audit Committee Chair and as Senior Independent Director. Paul Evans became Senior Independent Director and Audit Committee Chair on 1 May 2022, following Clare's retirement from the Board.

Recruitment was well under way for two additional Non-Executive Directors (NEDs) at the date of last year's Annual Report and I am delighted that this resulted in the appointments of Gunjan Bhow and Sally Clark to the Board as NEDs in April and July 2022 respectively. These appointments are in addition to that of Pia Heidenmark Cook who also joined the Board as a NED in April 2022 as explained in last year's Annual Report. Pia and Gunjan bring a wealth of fantastic experience in sustainability and digital transformation respectively and Sally brings additional financial services, people development and risk management expertise. We are very much looking forward to working with them over the coming years. This recruitment activity has ensured that the Board has the right skill set to appropriately challenge and oversee management's delivery of the strategy.

The composition of each Committee of the Board has been reviewed and refreshed during the year to appoint Pia, Gunjan and Sally to the Committees that will best utilise their skill sets and to provide greater flexibility by increasing the size of some of the Committees.

We are also in the process of identifying an additional NED and a successor to Caroline Silver as Chair of the Risk Committee as she will complete her second three-year term as a NED later in 2023. See the Nomination & Governance Committee's report on page 76 for more information.

Focus for 2023

In 2023, the Board will continue to oversee the implementation of the 3x6 strategy, ensuring that management adapt it to navigate the risks and opportunities presented by the current macro-economic environment. Board succession will also be a focus, in particular identifying our new Risk Committee Chair.

Roger Davis
Chairman

Leadership

Bupa's governance framework and the role of the Board

The Board is responsible for the long-term success and sustainability of Bupa for the benefit of its customers 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.

We choose to apply the UK Corporate Governance Code 2018 (the Code) as we aim, where appropriate, to operate to the same governance standards as are required of UK listed companies. The table on pages 65-66 signposts the location of descriptions of how we have applied the principles of the Code during the year.

Bupa's system of governance is designed to enable the Board to lead within a governance framework of prudent and effective controls which enables risks to be assessed and managed using a 'three lines' 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. As a private company limited by guarantee, Bupa does not have shareholders and the governance and many of the oversight activities performed by shareholders are instead performed by the AMs.

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 here 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 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, Iñaki Ereño, is responsible for the day-to-day leadership and management of the business, 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 our strategy, except for those matters reserved for the Board or specifically delegated by the Board to its Committees, executive committees or subsidiary company boards. He is supported in this by the senior executives that make up the CEC.

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 59.

The Senior Independent Director

Paul Evans was appointed as Senior Independent Director (SID) from 1 May 2022, following Clare Thompson's retirement from the Board. His role is to serve as a conduit for Directors and AMs 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.

Non-Executive Directors

Our 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 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 meet the independence criteria in the Code.

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 here on bupa.com and at Bupa's registered office. These are also available for inspection by the AMs before and during the AGM. During the year, frequent meetings of the NEDs were held without management present.

The 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).

Leadership continued

Board diversity, skills and succession planning

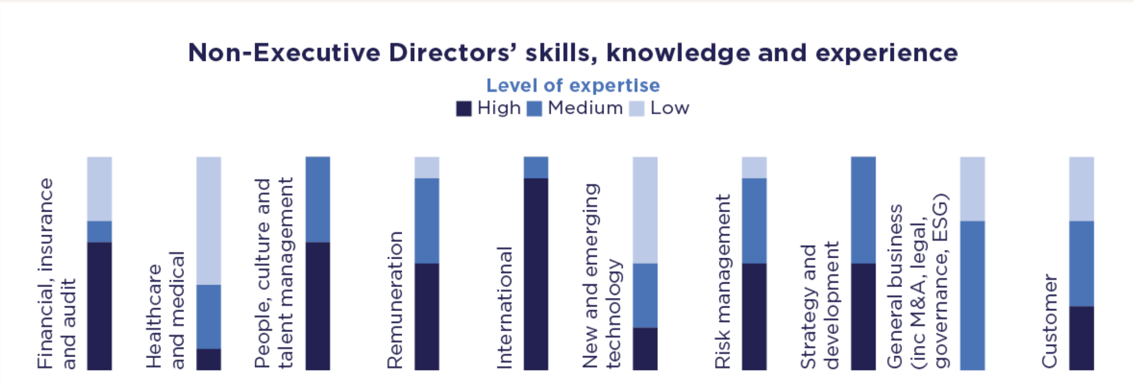
Succession plans are regularly reviewed by the Board and the Nomination & Governance Committee, and we plan a phased replacement of NEDs who are coming to the end of their tenure. This approach is designed to ensure continuity on the Board and to maintain an appropriate balance of skills and experience 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.

Bupa's Board Diversity Policy is available here 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. Currently, 33% of the Board, and 27% of the CEC, are women. As at 31 December 2022, 46% (2021: 47%) of the direct reports of the CEC were women compared to 76% of Bupa's workforce as a whole. Gunjan Bhow's appointment to the Board has provided some ethnic and geographical diversity to the Board as well as digital expertise, which had previously been identified as a key gap in the Board's skill set.

We note that Bupa's Chairman, CEO, CFO and SID are all currently men, which falls short of the diversity standards being introduced for UK listed companies, and intend to address this in succession planning and future recruitment for these roles.

Board skills



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. During the year, the Board participated in several development sessions on environmental and sustainability matters, providing the Board with valuable reference points in an increasingly important area which lies at the heart of Bupa's strategy. Further knowledge-building sessions were arranged during the year on areas including future clinical developments, data and digital health capabilities and business transformation. Briefings on technical issues related to the matters within their respective remits are also held by the Board's Committees, as needed.

Leadership continued

Key activities in 2022

Oversight of implementation of the 3x6 strategy

The Board is closely monitoring management's progress on implementing the 3x6 strategy approved last year and has moved from an annual strategy day to receiving detailed updates on different pillars of the strategy at each scheduled Board meeting.These cover progress on both the key elements of the current strategy, as well as planning ahead for the next stage of Bupa's development from 2025 onwards, including the balance between healthcare funding and healthcare provision activities. The Board is pleased with the progress made on the strategy to date as detailed in the Strategic Report, demonstrated by our improving underlying profit and progress towards achieving the target KPIs under the 3x6 strategy, particularly against a challenging backdrop of the current global macro-economic environment. The Strategic Report gives more detail on the progress of our strategy during the year.

Oversight of our strategy includes reviewing the performance of underperforming businesses and ensuring that management are taking actions to improve their performance and, where necessary, to turn them around. Bupa Global has performed strongly in 2022 as part of our focused portfolio management approach. Sanitas Mayores, our aged care business in Spain, also delivered good results as it emerged from the pandemic, and is sharing its expertise with other aged care businesses in the Group. We believe we have the right strategies in place to turn around our UK dental and Australian aged care businesses. The Board is particularly focused on addressing workforce pressures in these Business Units. The Audit Committee has reviewed the relevant accounting judgements that arise as a result of the performance of these businesses in detail and more information can be found in its report on page 67. The Risk Committee has also closely monitored the risks to the execution and achievement of our strategy and ensuring that change happens within a suitable control framework. More detail can be found in its report on page 73.

Supporting our customers

During the year, the Board, and a specially constituted committee of the Board, endorsed a series of proposals from our Australian Health Insurance business as part of Bupa's commitment to not profit from COVID-19 and return related savings to customers, through a combination of deferral of premium increases and returns of cash to eligible customers. The total value of this support for customers during 2022 was AUD$536m. The total level of financial assistance to Australian Health Insurance customers since the pandemic started now totals over AUD$875m.

The Board is proud of our colleagues in Poland for the support they are providing to Ukrainian refugees. This will continue to be funded for as long as needed.

Supporting our people

Our people are the driving force behind our business so we need to take care of them so that they can also enjoy longer, healthier, happier lives. The Board receives regular updates on people-related matters, including the results of our People Pulse surveys, wellbeing, health and safety updates, and talent and succession planning.

Iñaki Ereño is passionate about looking after our people and has been the driving force behind the project to provide, for the first time in our history, healthcare benefits to all of Bupa's employees globally by the end of 2023, to support their health and wellbeing. This initiative, called Viva, is fully supported by the Board and really demonstrates our purpose in action. More detail can be found in the Section 172 statement on page 36 and the People and Culture section on page 18.

The Risk Committee has closely monitored current workforce risks, such as the ability to recruit and retain sufficient staff with the right skill sets and capacity and resilience pressures on our workforce, and provided regular updates to the Board on this. These issues have also been monitored through People updates to the Board from the Chief Sustainability and People Officer.

The cost of living has increased disproportionately around the world in recent months, creating a cost of living crisis for many people, including within our workforce. The Board has endorsed local responses suitable to the situation in each of our markets. Actions taken included bringing forward pay increases by several months and providing one-off payments to help ease the cost of living.

Sustainability

In 2021, we identified sustainability as a core pillar of our 3x6 strategy and set our ambition to become a net zero business by 2040 as we want Bupa to have a positive impact on the world. Since then, we have been developing a detailed sustainability strategy to set out how we aim to achieve the 'making a better world' part of our purpose. On the recommendation of the Board Sustainability Committee, the Board approved our sustainability strategy in early 2022. The sustainability strategy focuses on the intersection of human and planetary health as this is the area where we believe that Bupa, as a healthcare organisation, can have the greatest impact. The Board believes that the strategy sets out ambitious objectives which will create measurable business value and brand differentiation, while also safeguarding Bupa's long-term viability.

Leadership continued

In July 2022, the Board reviewed management's plans to implement the sustainability strategy and the initial priorities. This included driving actions to meet Bupa's target to reduce its global Scope 1 and 2 greenhouse gas emissions footprint by 40% from our 2019 baseline. The Board also considered progress on external assurance over the Group's Scope 1, 2 and limited Scope 3 greenhouse gas emissions data for 2021, and it approved a report containing these disclosures on the recommendation of the Audit Committee in December 2022. A new Sustainability Enterprise Risk Policy was also approved by the Board in late 2022 on the recommendation of the Board Sustainability Committee.

More details of the sustainability strategy can be found in the Sustainability and ESG section on page 22, the Board Sustainability Committee's report on page 79 and the Section 172 statement on page 36.

Chilean Isapre business

One of Bupa's businesses in Chile, Isapre Cruz Blanca, has been negatively impacted by judicial and regulatory action. There has been a shift in recent years which has severely limited the Isapre industry's ability to properly price to cover risk, medical inflation, and medical coverage.

The most recent development was the decision of the Chilean Supreme Court described on page 11. The potential future impact on Bupa's balance sheet of this decision could be material. The Board has been watching events in Chile closely and considering our future strategy for the Isapre business, and continues to monitor the long-term viability of our Isapre business. More detail regarding the financial implications is set out in the Financial Review on page 9 and the Audit Committee report on page 67.

Other activities

Other activities of the Board during the year include considering and approving the first iteration of Group-wide Recovery and Resolution Plans for submission to the PRA. These are plans that the PRA requires insurance groups to put in place at both an insurance entity level and at holding company level to set out potential actions the Company and/or the regulator could take to maintain or recover the Group's solvency in an extreme stress scenario or, if necessary, the steps that could be taken to wind down the Group in an orderly fashion. The Risk Committee considered the draft plans in detail ahead of recommending them to the Board. These plans will continue to be developed based on feedback from the PRA and changes to the business over time and are there to ensure that our customers are protected as much as possible in the event that the Group faced an extreme stress scenario.

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.

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
- Regularly considering the level of, and themes arising from, reports received through our Speak Up whistleblowing process
- Leadership development, talent and succession, inclusion and diversity, and employee wellbeing.

The Board has also received specific updates on culture and initiatives helping drive change in Bupa's culture to more agile ways of working to deliver on the 3x6 strategy. In 2023, the Board will receive regular updates on 'Changemaker', a global initiative which is being established to create more capacity for Bupa to both run and change. More information on some of these initiatives can be found in the People and Culture section on page 18.

Listening to and engaging our people

Listening to the views of our people and engaging with them on matters important to them is key to our culture and values. The results of our People Pulse surveys are considered by the Board and have led to a number of initiatives, including the introduction of Viva, described under Supporting our people above. The results of People Pulse surveys carried out during the year, and Viva are described in more detail in the People and Culture section on page 20.

We want our people to see the Board as accessible and approachable. With the travel restrictions in place during the COVID-19 pandemic having been largely relaxed, we have resumed our programme of arranging site visits for Directors to different parts of the Group. 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.

Leadership continued

This year, a group of our NEDs visited our Australian business where, as well as meeting with executives to gain deeper insights into the business, they attended a number of customer-facing sites, including a dental clinic, aged care facility and a hospital where they were able to talk to frontline staff. As already referenced, the Chairman and Group CEO visited our Polish colleagues to see first hand their efforts to provide healthcare support for Ukrainian refugees.

In December 2021, the Nomination & Governance Committee agreed an enhanced approach to engaging with the workforce and selected 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. A programme of events for 2022 was developed for each Director and the designated Directors have provided quarterly updates to the Board on their activities during the year. We believe that this approach is working well and there has been strong alignment of the insights reported through these processes with reports to the Board from other channels.

In the UK, the Chairman held a roadshow, visiting a dental practice and a number of care homes and has committed to attending regular employee drop-in sessions in 2023 on a variety of diversity and inclusion issues. Employees had welcomed the opportunity to find out more about the Board, the Chairman and Bupa's response to the crisis in Ukraine. Staff appeared highly engaged and provided feedback on improvements to technology and use of data that would further enhance their working practices and performance and that the increasing digitalisation of the care services business in line with the Group's strategy was enhancing engagement.

Matías Rodríguez Inciarte has discussed employee retention issues, the People Pulse results for Spain and other parts of the ELA Market Unit, and Speak Up with local management. He visited the Spanish dental business, a Spanish care home and spent time with managers responsible for customer relationships. Feedback was very positive with the continued impact of COVID-19 being felt in the care homes and work/life balance considered an issue by some staff. However, local management were aware of this and considering what action could be taken.

Mike Hawker holds regular meetings with the Australian People team and met with staff from the Australian Health Insurance business to discuss their background, working culture and the impact of recent changes in the business. Mike also visited an optical/auditory store and a dental clinic in Australia and care homes in New Zealand. Feedback on Bupa's culture and the local leadership team was very positive with improvement requests relating to technology, data and pace of change.

The Board has found this feedback extremely useful and has provided feedback to local management teams where relevant.

Senior succession and talent review

During the year, the Board considered talent reviews of senior executives in the BGUK and ELA Market Units in addition to its regular review of senior talent below CEC level and succession plans for each CEC member. The reviews considered the quality of our senior leadership talent pool to deliver the Group's strategy and transformation. It also takes diversity and inclusion into account with 43% of identified future leaders being female.

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. A sustainability and ESG governance and oversight framework is in place to ensure that there is sufficient oversight of these areas at both senior management and Board level and that management have clearly defined accountabilities to ensure that sustainability remains a priority for the organisation and is factored into decision-making every day.

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 budget 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.

During the year, the Board approved Bupa's new sustainability strategy and Enterprise Sustainability Policy on the recommendation of the Board Sustainability Committee (see the Board Sustainability Committee report on page 79 for more information) and our current Modern Slavery Statement (see page 34) and received briefings on a number of sustainability and ESG-related matters as follows:

- Sustainability strategy updates, including updates on the level of the Group's energy usage from renewable sources, and advocacy and partnership initiatives developed in advance of COP 27, which representatives of Bupa attended

Leadership continued

- Culture and employee engagement updates, including the results of our People Pulse surveys (see page 20)
- Employee wellbeing, health and safety
- Employee engagement updates from our designated NEDs (see page 55).

More information relating to the Board's oversight of climate-related risks and opportunities can be found in the TCFD table on page 101.

Board Sustainability Committee oversight

The Board Sustainability Committee assisted the Board in articulating and developing Bupa's sustainability strategy and oversees sustainability actions and initiatives across Bupa, in line with Bupa's purpose, values, corporate strategy and sustainability strategy. The Committee's remit covers monitoring our net zero targets, 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 report on page 79.

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.

During the year, the Risk Committee considered climate risk and stress tested a scenario based on the financial risks posed to the Group by climate change, including transition risk arising from the significant structural changes to the economy needed to achieve net zero emissions, and physical risks associated with higher global temperatures and changes to climate and weather. More information can be found in the Risk Committee report on page 73.

More information relating to the scenario analysis carried out to date and our plans to evolve this approach can be found in the TCFD table on page 101.

The Audit Committee, as requested by the Board or the Board Sustainability Committee, reviews the Group's strategically material external statements and disclosures in relation to sustainability and ESG matters and oversees any external assurance over such disclosures. During the year the Audit and Board Sustainability Committees held a Directors' development session on ESG assurance and held a joint meeting to consider Bupa's first Greenhouse Gas Emissions Report for 2021, covering Scope 1, 2 and selected Scope 3 categories and the external limited assurance carried out by PwC on that report. See each Committee's report for more information on this.

Management's role

The Group CEO is responsible for ensuring climate-related risks and opportunities are fully integrated into the Company's long-term business strategy. The Group Chief Risk Officer (CRO) oversees the risk functions that are fundamental to the governance of climate risks and opportunities. In addition, our CFO oversees further core governance that ensures that climate risks and progress against our Science-Based Targets initiative validated science-based targets are built into our reporting and business planning, including through our Responsible Investment and Sustainable Finance teams. Our Chief Sustainability and People Officer is responsible for overseeing sustainability governance and strategy and for leading a team that coordinates these activities across our Market Units. Responsible business conduct governance and strategy is also coordinated across Market Units and Functions and sits within the Chief Legal Officer's remit.

The CEC comprises the Group CEO, Group CFO, Market Unit CEOs and Functional Directors. Their remit includes being accountable for the executive leadership and execution of Bupa's sustainability strategy and wider ESG agenda.

The Chief Sustainability and People Officer chairs the Sustainability Steering Committee (SSC), which oversees Bupa's global agenda and reports to the CEC as necessary. The Group CFO, Chief Medical Officer (CMO), CRO, sustainability leads and core representatives from Bupa's Market Units are members of the SSC. The SSC is accountable to the CEC for driving Bupa's sustainability strategy delivery. It reviews the Group's Sustainability and ESG performance, including risks and opportunities, oversees reporting, and finalises recommendations to the Group CEO, CEC, Board Sustainability Committee and the Board.

More information relating to management's role, including the CEC and SSC, in assessing and managing climate-related risks and opportunities can be found in the TCFD table on page 101.

For more information on our sustainability and ESG activities, see the Sustainability and ESG section on page 22.

Board and Committee performance

This year, an externally facilitated review of the Board and Committees was carried out by an independent external evaluator, Boardroom Review Limited (Boardroom Review), who also carried out the previous externally facilitated review in 2019. The evaluation involved observation by Dr Tracy Long of meetings of the Board and each of its Committees, and interviews with each Director and some members of the senior management team, including the Group Company Secretary. An initial meeting to discuss the findings was held with Roger Davis prior to the report being circulated to the rest of the Board and discussed at a Board meeting in February 2023.

Leadership continued

Taking account of the findings in the report, the Board concluded that the Board and Committees had operated effectively during the year. In particular, it was found that the Board was being well led and informed by the Chairman, the Executive Directors and senior Non-Executive Directors, and the Board had good diversity of tenure and experience. Meetings of the Board and its Committees are collegial but with the ability to speak openly and to challenge. There was considered to be a shared strategic perspective among Board members and good insights were being provided in relation to key performance issues and stakeholder matters. Significant attention was being paid, in parallel, to risk and control matters, and the corporate culture was considered to be a strength.

The principal actions flowing from the evaluation, which were agreed by the Board, are summarised in the table below, and the reports of each Committee set out their respective principal actions arising from their consideration of the evaluation report as it related to the working of each Committee. Progress against these actions will be reported on in the 2023 Annual Report and Accounts.

Roger Davis led the evaluation of each Director's performance in 2022 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. In particular, the NEDs who joined Bupa during the year are already demonstrating the value they have added to the Board through their different skills, backgrounds and experience.

Following his appointment as Senior Independent Director, Paul Evans led the assessment of Roger Davis's performance as Chairman during the year and the Board agreed that Roger continues to provide strong leadership and direction to the Board, maintaining the Board's focus on implementing the 3x6 strategy and managing external challenges.

Agreed actions from 2022 Board evaluation

Topic	Agreed action	By
Governance	Develop the succession process for the Group Chairman	Board/Nomination & Governance Committee
Governance	Further enhance the level of engagement with, and oversight of, the Group by the AMs	Board/Nomination & Governance Committee
Strategy	Consult with an external expert analyst to gain an additional external perspective on the Group's strengths and weaknesses	Board
Cyber-security	Re-energise the Group's approach to cyber-security and develop and test a revised Group approach to responding to cyber-security incidents	Board/Risk Committee
Inclusion and Diversity	Take steps to increase diversity in the CEC and general manager succession pipeline and among the senior Board roles	Board/Remuneration Committee/ Nomination & Governance Committee

Leadership continued

Progress against actions from the 2021 Board evaluation

The Board reviewed progress against the 2021 evaluation actions during the year.

Topic	Agreed action	Progress made
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. When site visits can resume, we aim to enable the Directors to meet representatives of the local workforce.	Methods to measure the Group's culture have been further developed with regular Board agenda items on People-related matters. The new approach to the Board's engagement with Bupa's workforce is a key part of this. The new approach has been implemented with the designated Directors undertaking a programme of engagement activities throughout the year. This approach is working well so far and will be continued in 2023. More detail on this and other site visits that Directors have made this year is set out under the People heading above. **See the Our people and culture section on page 18 for additional information.**
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 develop further their thinking on what the Group should look like in 2025 and onwards and enhance its analysis of external factors that could impact the direction of the strategy or the business's ability to deliver the strategy.	The Board has continued to work with management to develop the vision for Bupa in 2025 and beyond including considering external perspectives on the future of healthcare and business transformation. **See the Strategy section on pages 7-8 for more information.**
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.	Talent and succession plans for ELA, BGUK and the CEC and below have been considered by the Board during the year and the Board's mentoring programme for senior executives has continued. The new Strategic Performance Plan (SPP) was approved by the Remuneration Committee and the Board in early 2022 and a revised remuneration policy was approved by Association Members at the 2022 AGM. See the Directors' remuneration report on page 82 for details of how the SPP has been implemented during the year.

Board of Directors

Appointed:
2015 and as Chairman in 2019

N Re

Roger Davis Chairman

Roger brings an international mindset and extensive business experience gained through his wide-ranging executive career in financial services, 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 his appointment as an executive director and Head of UK Banking. Roger also brings previous non-executive and chairman experience through his former appointment as chairman of Sainsbury's Bank and a non-executive director of Experian plc where he also chaired the remuneration committee.

External appointments

Chairman of Global RadioData Communications and Future for Heroes and non-executive director of ABM Communications Limited.

Appointed:
2021

Su

Iñaki Ereño Group Chief Executive Officer

Iñaki joined Bupa in 2005 and gained a deep knowledge of the business, prior to being appointed as Group Chief Executive Officer (Group CEO), through his previous roles as CEO of Sanitas and of the ELA Market Unit. This puts Iñaki in a strong position to drive Bupa to achieve its ambition to be the world's most customer-centric healthcare company. Previously, he held senior positions at the Telefonica Group and Carrefour as well as founding an online start-up. Iñaki has a degree in Law and an MBA from IESE Business School. Iñaki is passionate about sustainability and the need for Bupa to take proactive steps to help build a healthy planet for healthy people.

External appointments

None

Appointed:
2021

James Lenton Group Chief Financial Officer

James brings significant experience in financing, capital allocation and business transformation, including steering organisations through periods of substantial change. His previous roles include chief financial officer of Hammerson plc, a FTSE 250 owner and manager of properties with a European portfolio and chief financial officer of AIG's European Group. Earlier in his career, James 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.

External appointments

None

Appointed:
2018

A N Ri

Paul Evans Senior Independent Director

Paul provides health insurance expertise to the Board from his various senior roles at AXA, culminating in being group chief executive officer of AXA's global Life, Savings and Health businesses. He is also a chartered accountant and spent 13 years at PricewaterhouseCoopers LLP. This, together with his current non-executive roles, enables Paul to provide challenge to management and has given him considerable experience of strategy, risk management and solvency issues. Paul is also currently a non-executive director of Bupa's UK regulated insurance subsidiaries and a member of the CEO Advisory Oversight Committee (AOC) of the BGUK Market Unit. This deepens Paul's knowledge of the business and increases the level of Board oversight of this business. Paul is also a former chairman of the Association of British Insurers.

External appointments

Chairman of Allianz Holdings plc and the board of trustees of Youth@Heart. Non-executive director of Swiss Re Europe SA and Swiss Re International SE.

Board of Directors continued

Appointed:
2022

Ri

Gunjan Bhow Non-Executive Director

Gunjan's significant experience of digital transformation of global organisations adds an important skill set to the Board. He has led customer-centric, data-driven digital innovation and transformation of companies in the healthcare, media, retail, and e-commerce sectors in multiple geographies. Most recently, Gunjan served as the Global Chief Digital Officer at Walgreens Boots Alliance, leading the development of healthcare business at a large global organisation operating in 25 countries. Prior to that, Gunjan led The Walt Disney Company's digital transformation, bringing it closer to the consumer by leading initiatives around data, artificial intelligence, e-commerce, and digital marketing. In addition, Gunjan led the growth of Amazon Prime by growing and launching new businesses such as Prime Video, Amazon Studios, and Amazon Fire TV. Gunjan also serves as a non-executive director on various boards in the UK and USA to help grow their organisations' capabilities related to customer, data, and digital.

External appointments

Non-executive director on the board of BBC Commercial Limited and on the boards of several US-based organisations: The Child Mind Institute, Recreational Equipment, Inc, Wideopenwest, Inc and One Call Care Management, Inc.

Appointed:
2022

A Ri Re

Sally Clark Non-Executive Director

Sally brings 30 years of experience in internal audit and risk management in financial services from her roles at JPMorgan and RBS and, most recently, as Chief Internal Auditor at Barclays, which helps to ensure that the Board continues to have strong financial services experience. At Barclays, she was also the executive sponsor of its wellbeing agenda.

Sally has non-executive experience in financial services from her current role at Citigroup Global Markets Limited and from her previous role at Metro Bank plc. She also brings a regulatory technology perspective from her non-executive roles at Acin and KORE.

Sally is a fellow of the Institute of Leadership and Management, and an executive coach and leadership adviser. She was previously Deputy President and a Council Member of the Chartered Institute of Internal Auditors.

Non-executive director and chair of the audit committee at Citigroup Global Markets Limited, non-executive director of Acin Limited and KORE Limited. On the advisory board of Career Masterclass (a platform to accelerate career growth for Black, Asian and ethnically diverse professionals).

Appointed:
2019

A Re Su

Michael Hawker AM Non-Executive Director

Mike possesses 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, Westpac Banking Corporation and Aviva plc) roles in Europe, Asia and Australia. He is also a non-executive director and deputy chairman of Bupa's Australia and New Zealand business and is a member of its audit, remuneration and risk committees. This gives Mike in-depth knowledge of the business in Australia and New Zealand.

Non-executive director of the ASX100 listed companies Westpac Banking Corporation, Vicinity Centres Limited and lead independent director of Washington H Soul Pattinson and Company Ltd. Non-Executive Director of Allianz Australia. 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.

Board of Directors continued

External appointments

Appointed:
2022

N Su

Pia Heidenmark Cook Non-Executive Director

Pia has considerable corporate ESG and sustainability expertise, as well as innovation and transformation experience from over 25 years leading sustainability strategies in large corporates, as well as managing large multinational teams. She was at Ingka Group (Ikea) for 13 years where she was Head of Sustainability, Retail & Expansion, and then Chief Sustainability Officer with responsibility for leading and driving sustainability across Ingka Group. She was previously vice president of corporate social responsibility at Rezidor Hotel Group and co-chair of The Retailers' Environmental Action Programme and has MScs in Environmental Management and International Business Administration and Economics.

Non-executive director and member of the board, as well as audit and nominating and corporate governance committees of Origin Materials Inc (in the US) and Max Burgers AB (in Sweden). Senior Adviser at Teneo (ESG and Sustainability team). Member of the Advisory Board and senior adviser to the CEO of The DO (Germany). Member of the Advisory Board of the Boards Impact Forum, the Nordic chapter of the Climate Governance Initiative, in collaboration with the World Economic Forum. Member of the advisory board of Decathlon SA.

Appointed:
2019

Re Su

Cath Keers Non-Executive Director

Cath brings valuable 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 her current role as chief marketing officer of Sage Group plc. Previously, Cath 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 plc, Liverpool Victoria Friendly Society Limited and Telefonica Europe. She was also a non-executive director and chair of the remuneration committee of Funding Circle Holdings plc, Home Retail Group plc and Liverpool Victoria Friendly Society Limited. She was also a member of the remuneration committee while a non-executive director of The Sage Group plc.

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

Matías brings significant experience of Spanish financial services, risk management and government to the Board. He is currently chairman of Sanitas S.A. de Seguros, Bupa's Spanish health insurance business, and a member of its audit and risk committees, and chair of the ELA Market Unit Advisory Oversight Committee, both of which give the Board greater non-executive insights into these businesses. His early career included roles in the Spanish civil service and as a Minister in the Spanish Government. Matías then held several executive roles at Banco Santander S.A., including executive vice president and chief financial officer, and vice chairman and head of risk management.

Chairman of Union de Creditos Inmobiliarios, S.A., E.F.C., a non-executive director of Financiera El Corte Ingles E.F.C., S.A., both credit institutions, and an independent director of Financiera Ponferrada S.A. 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

Melvin has substantial international research, clinical and management experience from his career in gastroenterology and as a hospital chief executive. He has been responsible for transformation of healthcare systems in various roles and countries. He was previously the director of health, wellbeing, and biotech of NEOM, a proposed new, futuristic city in Saudi Arabia. In his current roles as a senior international adviser to Saudi Arabia, he has been focusing on the design and transformation of a public healthcare system at country level. Melvin's previous roles include chief medical officer and chief executive of Radboud University Medical Center in the Netherlands and chief executive of Karolinska University Hospital in Sweden. Furthermore, he was the chairman of the Supervisory Board of Stockholm Care AB and member of the Supervisory Board for TIAS School for Business and Society. These have given Melvin valuable experience of clinical risk management, development of healthcare strategies in various countries and effecting cultural change.

External appointments

Senior international adviser for the Health Holding Company of the Ministry of Health.

Appointed:
2017

A Re Ri

Caroline Silver Non-Executive Director

Caroline has over 30 years of experience in international investment banking, most recently as managing director and partner of Moelis & Company. A chartered accountant, she previously held senior corporate finance and M&A roles at Morgan Stanley and Merrill Lynch as well as non-executive roles in several listed companies across a variety of industries. Caroline brings a wealth of international experience, especially within financial markets, and brings 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. Advisory partner at Moelis & Company. Non-executive director and member of the audit committee at Tesco plc and trustee of The V&A Foundation. Caroline will join Barratt Developments plc as non-executive director and chair-designate from 1 June 2023.

Committee key

- ● Committee Chair
- A Audit
- N Nomination & Governance
- Re Remuneration
- Ri Risk
- Su Board Sustainability

Bupa's system of governance

Our Board governance structure

As a private company limited by guarantee, Bupa does not have shareholders. The governance and many of the oversight activities performed by a company's shareholders are instead performed by the AMs, who exercise their voting rights at general meetings of the Company. For more information, see the Section 172 statement on page 36.

The Board is ultimately responsible for establishing and monitoring Bupa's system of governance, risk management and internal control, and setting associated policies for implementation by management. 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. The Board retains ultimate responsibility for risk management; however, detailed oversight is designated to the Audit Committee and the Risk Committee in line with their terms of reference. See their reports on pages 67 and 73 respectively for more information on their role and activities during the year.

Risk Management Framework

Our system of governance includes a Risk Management Framework (RMF) implemented using a 'three lines' approach, which is overseen by the Board and its Committees. In addition, the External Auditor provides further assurance to the Audit Committee and the Board in relation to the Group's financial statements.

The RMF seeks to ensure that:

- Appropriate governance arrangements are in place.
- There are clear and established risk appetites in key areas of risk and opportunity within which the business operates.
- Risk management processes are in place to identify, assess, monitor, manage and report risks.
- Effective controls are implemented and monitored to reduce risk exposure.
- Documentation is maintained for key processes, key controls and responsibilities.
- Risk management information is used to make effective decisions across the business.

This includes identifying emerging risks and climate-related risks and understanding their potential consequences.

Three lines model

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. During 2022, we began a process to enhance first-line accountability through the establishment of the Group-wide Integrated Management System (IMS) referenced on page 8. This aims to link policies and procedures, underlying processes and staff roles in a way that drives standardisation and reinforces accountabilities.

To help our people understand their responsibilities, we have the Bupa Code (which was refreshed during 2022 – see more information on page 34), 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. Enterprise Risk Policy owners in the first line of defence carry out continuous monitoring of compliance with our Enterprise Risk Policies and their assessment is challenged by the second line (risk, compliance and clinical governance) and third line (internal audit).

Second-line assurance – Risk, compliance and clinical governance

The CRO leads the Risk 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 Function operates across the Group and each Market Unit has a chief risk officer. In 2022, the Clinical Governance Function moved from the leadership of the CMO to report to the Group CRO to better align with the Group strategy and the links between our insurance and provision businesses.

The Risk Function is responsible for the consolidation of risks across Bupa and reporting them to management through the management-level 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 independent oversight and challenge of risk governance and risk management practices conducted by the first line, and forms an independent view on the quality and sufficiency of the business's risk management activities and internal control environment. It 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.

Details of the principal and other significant risks to the Group and our progress in building a strong risk management culture are set out in the Risk section on page 42.

Bupa's system of governance continued

Third-line assurance – Group Internal Audit

The Chief Audit Officer (CAO) leads the Group Internal Audit (GIA) Function and provides independent assurance to the Audit Committee by examining, evaluating and reporting on the adequacy and effectiveness of Bupa's governance, risk management and internal control processes in relation to Bupa's objectives and risk appetite. The CAO reports to the Audit Committee, which has responsibility for approving their appointment (and removal), and secondarily reports to the Group CEO on day-to-day operations.

An Internal Audit Charter is in place which sets 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 2022 and is available here on bupa.com.

GIA undertakes risk-based assurance work in accordance with an assurance plan approved and monitored by the Audit Committee. GIA's assurance plan is aligned with the planned work of the Group Risk Function to enable collaboration and coordination and improve coverage and efficiency of assurance activities where appropriate.

In 2022, global cross-geographic and functional practice groups continued to operate to coordinate and support the implementation of assurance work and to share information about audit outcomes, insights and actions. Global audits were carried out in relation to risk management of third parties with access to Bupa data, clinical governance, and payment compliance industry data security standards. A number of key risk themes were also reviewed across each audit including the extent to which:

- The three lines and risk culture are embedded and contributing towards an effective system of risk management and internal control.
- Data is used to drive decisions and handled appropriately.
- Employee responsibilities are clear and understood, and key people risks are appropriately recognised and addressed.
- 'Change activity' is governed, managed and executed effectively, enabling Bupa to achieve its strategic intentions.
- Information security risks are adequately controlled.

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, including the CEC, to ensure that GIA's work is adequately informed, supported and communicated.

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 FS Code. Quality assurance and improvement feedback is also gathered via stakeholder and employee engagement surveys.

During 2022 an external quality assessment of GIA was undertaken by an external assessor and its findings were discussed at a meeting of the Audit Committee in January 2023. See the Audit Committee report on page 67 for more information.

GIA's assurance plan for 2023 is aligned with Bupa's strategy and areas of key risk arising from the nature and breadth of Bupa's businesses within the context of the current macroeconomic environment. Key areas of focus of the 2023 assurance plan include: key components of the Group's strategic framework and transformation plans, information technology and data, risk management and control (including implementation of the IMS), workforce management, legal and regulatory compliance, clinical governance, and sustainability.

Further details of the activities of the Audit Committee in relation to GIA are set out in the Audit Committee report on page 71.

Integrated reporting

An integrated report, which provides an overview and assessment of the Group's systems of risk management and internal control in 2022, combining inputs from each of Bupa's three lines, was presented to a joint meeting of the Audit and Risk Committees in February 2023. 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 and third parties 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 actions 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.

Bupa's system of governance continued

External Auditor

External audit provides independent assurance to the Company concerning the audited financial information in this Annual Report and Accounts. PricewaterhouseCoopers LLP (PwC) is our current 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 in place to follow the Ethical Standard issued by the Financial Reporting Council (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 Performance and Finance Transformation Director, Group CFO or Chair of the Audit Committee.

Information on the Audit Committee's interaction with the External Auditor during the year can be found in the Audit Committee report on page 71.

Complying with the UK Corporate Governance Code 2018

Strong corporate governance practices are critical to manage the business well, enabling the Board to make timely, informed decisions and ensuring the right type, quality and volume of information reaches the Board and Committees and is communicated by the Board to the business. Voluntarily applying the Code helps us to achieve this.

Throughout 2022, we applied the Principles and complied with all the provisions in the Code, to the extent they are applicable to a company without shares. This table indicates where stakeholders can assess how the Company has applied the principles of the Code and where key content can be found in this report. We also choose to follow the FRC's Guidance on Board Effectiveness 2018. The full text of the Code is available on frc.org.uk.

Board Leadership and company purpose

The Board's role is described in Leadership on page 51.

How the Board oversees Bupa's purpose, values and strategy is set out in Leadership on page 51.

The Board's oversight of culture is described in Our people on page 54.

Our Risk Management Framework is described in Bupa's system of governance on page 63.

Our assessment of internal control is on page 66 and our going concern and long-term viability statements are on page 98.

How we engage with stakeholders and our Section 172 statement are on page 36.

Our people sets out workforce practices in relation to Speak Up (whistleblowing) on page 54, ESG and Sustainability sets out the Bupa Code on page 34 and how the Board engages with our workforce is set out in People and Culture on page 18.

Division of responsibilities

The Chairman's role and independence is described in Leadership on page 51.

Balance of the Board and separation of the roles of Chairman and Group CEO are set out in Leadership on page 51.

The role of the NEDs and the SID are described in Leadership on page 51.

The time commitment and performance of the NEDs is described in the Nomination & Governance Committee report on page 76.

The Group Company Secretary's role is described in Leadership on page 51.

Bupa's system of governance continued

Composition, succession and evaluation

The Nomination & Governance Committee is responsible for overseeing Board succession plans and recruitment. The Committee's role and activities during the year are set out in its report on page 76.

The skills, knowledge and experience of the Board are regularly assessed by the Nomination & Governance Committee as set out in its report on page 76.

The results of the externally facilitated evaluation of the Board and Committees carried out for 2022 is set out on pages 56 - 57, together with an update on the agreed actions arising from the internal evaluation carried out in 2021.

Audit, risk and internal control

The roles of our Group Internal Audit Function and our External Auditor are set out in Bupa's system of governance on page 63.

The Audit Committee oversees Group Internal Audit and the External Auditor; assesses the integrity of financial and narrative statements and whether they are fair, balanced and understandable; and considers significant issues and judgements relating to our financial results. Its report is on page 67.

The Board sets the Group's risk appetite on the recommendation of the Risk Committee. The Group's principal risks are described in Risk on page 42.

The Risk Committee's oversight of risk management and internal controls is set out in its report on page 73.

The Board's statement on principal and emerging risks is in Bupa's system of governance on page 66.

Remuneration

The Remuneration Committee recommends and oversees the implementation of Bupa's Remuneration Policy. Its role and activities are described in the Directors' remuneration report on page 82.

This part of the Code is adhered to, to the extent possible for a company without shares. Long-term incentives for executives mirror the requirements for a company with shares in respect of performance criteria, malus and clawback provisions.

Effectiveness of risk management and internal control systems

In line with the Principles set out in the Code, the Board completed an annual review of the Group's systems of risk management and internal controls in 2022, covering the Group's material controls, including financial, operational and compliance, and the impact of the volatile economic situation on the control environment. This review took into consideration the work of the Audit and Risk Committees during the year, including reports provided to those Committees from the first, second and third lines. 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 2022. The Board 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.

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 42. The Risk Management Framework is described on page 63 above, 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 73 explains its activities in relation to emerging risks during the year.

Audit Committee report

Paul Evans
Audit Committee Chair

The Committee's role and governance

The principal functions of the Committee are 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 here on bupa.com.

The Committee comprises five independent NEDs, all of whom are considered to have recent and relevant financial experience gained through their executive and non-executive careers. Two of the Committee members are chartered accountants. There are cross-memberships between the Committee, the Risk Committee, Remuneration Committee and the Sustainability Committee to oversee risk management and internal control, to ensure an integrated approach to risk management and assurance between Group Risk and GIA, to provide input on the quality of the Group's financial results to aid remuneration decisions and to facilitate assurance over the reporting of data on greenhouse gas emissions. See the Directors' biographies on page 59 for more information on each Committee member's qualifications and experience. The Group CEO, Group CFO, Group Performance and Finance Transformation Director, CAO, CRO and lead partner of the External Auditor are routinely invited to attend Committee meetings. The Committee meets at least annually with each of the External Auditor, CAO and Chief Actuary in the absence of management.

I was appointed Chair of the Committee from 1 May 2022 following Clare Thompson's retirement from the Board on 30 April 2022. I would like to thank her for her strong leadership of the Committee over the last seven years.

Key activities in 2022

Impairments

The increased global uncertainty, specific developments in certain geographies and the increasing cost of capital during the second half of 2022 have increased the sensitivity of past investments to impairment, over which the Committee exercises its judgement in undertaking goodwill and other asset impairments. Management recognised material impairments across a number of cash-generating units (CGUs) as at 31 December 2022.

Management provided the Committee with increased analysis across relevant market conditions, the key judgements and assumptions underpinning future cash flow models and enhanced sensitivity analysis.

This information was subject to enhanced scrutiny by the Committee at both the half year 2022, where indicators of potential impairment were identified (and public disclosure was made of the risks and uncertainties which could over time lead to impairments being required), and ahead of approval of the 2022 Annual Report. At the half year 2022, the Committee concluded that no impairments were required; however, the cost of capital increased and specific challenges in certain businesses developed during the second half of the year, resulting in asset impairments for a number of CGUs. Where impairments were identified for UK Care Services, Bupa Dental Care UK, Bupa Chile and BVAC Australia, the Committee considered the appropriateness of the quantum of those impairments and also the related disclosure within the Financial Statements.

Insurance claims reserving

Management chose to cease accruals for the Deferred Claims Liability (DCL) provision from Q4 2022 as COVID-19 is no longer causing significant disruption to the availability of services. The DCL will not be recognised in 2023 following the implementation of IFRS 17 Insurance Contracts from 1 January 2023.

The Committee considered the Group Chief Actuary's report on 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 and agreed that the Group's overall level of insurance reserves remained appropriate.

Audit Committee report continued

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) comes into effect for Bupa's 2023 financial year. During the year the Committee reviewed the Group's final IFRS 17 technical accounting policies, material policy application judgements, transition adjustments to the Group's 2022 opening reserves under IFRS 17 and the disclosures in the Annual Report regarding the effect of that transition.

IT general controls

We reported last year on the remediation programme under way to uplift information security and IT general controls. This is an ongoing process in a fast-evolving area and remains an area of interest to the Committee.

Group Reporting Controls Environment

The Committee considered a review of the Group's IFRS consolidation and wider production process for the Annual Report and Accounts, considering the risks across the end-to-end process and the associated first line key control and governance processes which were in place to support the production of timely, complete, and accurate disclosures. The Committee was satisfied with management's self-assessment that the control environment concerning Group reporting was effective. For future assessments, the Committee requested that additional strategic perspectives be considered in order to pre-empt potential risks to the process and to identify potential mitigants for such risks.

Assurance over our 2021 GHG Emissions Report

During the year, the Board Sustainability Committee asked the Committee to oversee the internal and external assurance over Bupa's Scope 1, 2 and selected Scope 3 GHG emissions footprint (GHG Emissions Footprint). Having a complete and accurate baseline GHG Emissions Footprint is important to measure progress in achieving Bupa's net zero ambition, and having this data externally assured gives the data additional credibility, and provides reassurance to external stakeholders that they can trust the data we publish. The baseline year is 2019.

In June 2022, the Committee approved the engagement of PwC to carry out limited assurance over the Group's GHG Emissions Footprint for 2021 in view of their ability to carry out high-quality assurance and ability to cover Bupa's complex geographical presence and mix of business lines. The Committee also received updates on the progress of internal and external assurance activities covering processes and controls, and the completeness of the GHG Emissions Footprint.

In November 2022, the Committee met jointly with the Board Sustainability Committee to consider Bupa's draft 2021 GHG Emissions Report and PwC's limited assurance report. The Committee also reviewed and challenged the materiality level and level of management discretion proposed in a draft GHG emissions recalculation policy at which baseline emissions data would be recalculated to account for significant events such as large acquisitions or divestments. This policy had been developed in line with the GHG Protocol published by the World Resources Institute and the World Business Council for Sustainable Development.

The final 2021 GHG Emissions Report and PwC's limited assurance report were reviewed by the Committee in December 2022 and the Committee recommended the 2021 GHG Emissions Report to the Board for approval.

Audit Committee report continued

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. During 2022 global economic uncertainty, including increases in inflation, has led to increases in central bank interest rates and volatility in bond yields. This increased the sensitivity of past investments to impairment, over which the Committee exercises its judgement in undertaking goodwill and other asset impairments. A number of impairments have been recognised as at 31 December 2022 and therefore further judgement has been required in relation to the quantum and disclosure of those impairments.	The Committee critically reviewed and discussed management's reports outlining the key assumptions within impairment assessments for Bupa's most sensitive CGUs and challenged the results in the light of business performance and the more volatile external environment. The impacts of increased discount rates, global inflationary pressures, and certain industry specific pressures on Bupa's CGUs, along with the impact of the pandemic on future cash flows where this has become clearer, have been key areas of focus within management's analysis and judgements. The Committee considered the appropriateness of impairments recognised in the Bupa Dental Care UK, BVAC Australia, Bupa Care Services and Bupa Chile CGUs, along with the disclosure regarding the wider impairment testing undertaken on these specific impairments. The Committee also received a report from the External Auditor of its views on the assessments performed by management. The Committee is satisfied that the assumptions applied were reasonable, the impairments recognised were materially accurate and the carrying value of goodwill and other intangible assets as at the reporting date were 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 and the key assumptions underpinning the deferred claims provision in Australia, 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.
Property valuations Bupa has a significant portfolio of care homes, hospital and office properties which are revalued to fair value on a periodic basis, with external valuations undertaken at least triennially. Bupa also has a portfolio of investment properties, primarily retirement villages in New Zealand. 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 Australia, New Zealand and UK properties, and also Directors' valuations performed in other Business 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.

Audit Committee report continued

Key issue	Committee response
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. This judgement has heightened during the year as a result of increased volatility across these key assumptions.	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 Committee also took into consideration the External Auditor's report to the Committee on the assumptions used in the valuation of the pension liabilities. The Committee concluded that management's IAS 19 valuation exercise was sufficiently robust and prudent, with appropriate disclosure made within the financial statements.
Provisions and contingent liabilities The Group has circumstances arising over the ordinary course of business, including losses which might arise from litigation, disputes, interpretation of tax law or local regulator interactions. Judgement is exercised in determining whether the circumstances should give rise to the recognition of provisions or contingent liabilities. In the case of material contingent liabilities further judgement is required in arriving at appropriate disclosure of such matters. A material contingent liability has been disclosed in relation to a Chilean subsidiary, Isapre Cruz Blanca.	The Committee considered potential material contingent liabilities across the Bupa Group through their review of the key accounting and tax judgements presented by management. In relation to Isapre Cruz Blanca the Committee were provided with extensive additional information and analysis by management. The Committee considered and challenged management's technical accounting assessment of the IAS 37 provision criteria, in particular the judgement that a reliable estimate could not be formed, and therefore no provision recognised, as at 31 December 2022. In addition, the Committee considered the disclosure made within the financial statements for appropriateness and completeness. The Committee also reviewed reporting from the External Auditor regarding the IAS 37 accounting judgements and Bupa's contingent liability disclosures. The Committee concluded that both management's assessment that no provision could be reliably estimated as at 31 December 2022 and the related contingent liability disclosure were appropriate.

Fair, balanced and understandable

In assessing whether the 2022 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 2022 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 2022 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 2022 half year results and 2022 Annual Report. This included analysis of the impact of a number of stress scenarios on the Group's base plan for the period 2023-2025 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 was expected to remain a going concern.

Restoring trust in audit and corporate governance reforms

The Committee is overseeing management's response to the reforms proposed by the UK Government's former Department for Business, Energy and Industrial Strategy (BEIS) and the Financial Reporting Council (FRC) on restoring trust in audit and corporate governance (the Reforms). The Reforms could impose additional responsibilities on companies and audit committees in relation to corporate reporting, internal controls and external audit requirements. The exact scope and nature of many of the requirements is still uncertain, with further detailed proposals yet to be published for consultation. The Committee has also agreed that an Audit and Assurance Policy should be developed as this is consistent with the wider objective of the Reforms to build trust and credibility by improving the quality of corporate reporting. This Policy will cover both financial and non-financial reporting, including our wider ESG reporting.

Audit Committee report continued

The Committee and the Risk Committee annually assess Bupa's system of risk management and internal control and report their findings to the Board. See page 66 for the Board's conclusion on the Group's risk management and internal control environment during 2022. However, we are considering whether our internal control system could be further strengthened in response to aspects of the Reforms which may not be mandatory for Bupa but with which we may choose to comply. The Committee has asked management to ensure that the IMS is utilised as much as possible in any activity to strengthen our internal controls (see the Risk Committee report on page 73 for more details of the IMS).

The FRC's new Draft Minimum Standard for Audit Committees is being reviewed and the Committee will consider appropriate changes to its terms of reference when the final standard is published.

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 64, and information on the Group's RMF can be found in the Bupa's system of governance section on page 63. During 2022, the Committee interaction with GIA included:

- Reviewing regular reports from the CAO covering GIA's progress towards completing its 2022 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 – all of which help the Committee to monitor the effectiveness of risk management and control 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
- Reviewing and approving GIA's risk-based 2023 Global Assurance Plan and budget (2023 Plan). The Committee is satisfied that GIA has the appropriate resources and ways of working to achieve its 2023 Plan.

GIA's effectiveness is assessed internally each year, with an external quality assessment at least every five years. In 2022 the Committee commissioned an external quality assessment of GIA to assess its effectiveness and compliance with the Global Institute of Internal Auditors' international standards (the Standards) and the FS Code. The external assessor presented the results to the Committee in January 2023. They reported that GIA met a high level of conformance with the Standards and the FS Code. The Committee agreed with the external assessor that GIA is an effective, innovative, well-respected and valued function that focuses its work in the right areas of the business, and delivers high-quality assurance outcomes. The Committee clarified areas for ongoing future development which are in line with GIA's strategy, including: embedding data-led analytics assurance capabilities, executing its digital strategy, and further evolving principles-based assurance methodology. The Committee noted the recommended enhancements and that GIA had plans in place to implement these during 2023.

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. I 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 PwC in conducting the audit of the 2021 Annual Report which was its first year of engagement as External Auditor. The assessment was carried out using questionnaires sent to Committee members, standing attendees and the chairs of the audit committees of the Group's major insurance subsidiaries. Overall, the Committee agreed that the audit had been effective and of good quality with PwC providing good challenge to management on accounting policies and key issues and judgements. However, the audit had been delivered later than planned, leading to a delay in announcement of the Group's 2021 Full Year Results. The Committee acknowledged that the first audit was more complex than usual for a variety of reasons. However, the Committee felt that this outcome could have been avoided if there had been greater visibility of the progress of the audit during the process. PwC acknowledged the complications that arose during its first audit of Bupa and had met with management to agree what steps could be taken for the 2022 audit to avoid a recurrence of this situation.

In the interest of safeguarding the independence of the External Auditor, Bupa complies with the relevant regulatory requirements and the FRC's Ethical Standard for auditors, relating to the provision of non-audit services by the External Auditor. The Committee monitors compliance with Bupa's Non-Audit Services Policy and all non-audit service engagements entered into with PwC in 2022 were approved in compliance with the requirements of this policy. This included the engagement to provide limited assurance over Bupa's 2021 GHG Emissions Report being approved by the Committee due to its value.

Audit Committee report continued

The Committee holds regular meetings with the lead audit partner of the External Auditor without management present to ensure that they had the opportunity to raise any concerns, particularly in relation to the Annual Report and the Solvency and Financial Condition Report, and to assist the Committee in ensuring that the External Auditor remains independent and objective. I held regular meetings with the lead audit partner throughout the year. The Committee approved the external audit plan and audit fee for the audit of the 2022 Annual Report. For information on the fees paid to PwC for non-audit services provided during the year see Note 2.3.3 on page 140.

The Committee has recommended to the Board that PwC be re-appointed as the Group's External Auditor at the 2023 AGM. 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 65.

Liaison with other Board Committees

The Committee works closely with the Risk Committee and has held joint meetings to receive updates on the control environment in our businesses in Türkiye, Chile and Poland, and an update on the IMS programme. A joint meeting was also held in early 2023 to consider an integrated assurance report giving the opinions of all three lines on the Group's control environment in relation to the 2022 financial year. As noted above, a joint meeting was held with the Board Sustainability Committee in late 2022 to review the Group's draft 2021 GHG Emissions Report and the limited external assurance over this report.

In early 2023, I attended a meeting of the Remuneration Committee to provide a view on the quality of Bupa's earnings in 2022 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.

Subsidiary governance

The chairs of each of Bupa's major insurance subsidiary audit committees are invited to attend a meeting of the Committee each year and provide a written update annually. The Market Unit heads of internal audit join the subsidiary audit committee chairs when they present to the Committee. This provides valuable insights to the Committee and to the subsidiary audit committee chairs on the issues that are material in each context. I also attend a meeting of each of the major insurance subsidiary audit committees each year and meet with the subsidiary's internal audit director. The minutes of the meetings of the major insurance subsidiary audit committees are also made available to the Committee.

Committee effectiveness review

Dr Tracy Long, of Boardroom Review, observed a meeting of the Committee in late 2022 and discussed the operation of the Committee in her individual interviews with the Committee members. The evaluation report indicated that the Committee was working well, noting in particular its good use of time and quality of discussions. The report has assisted in identifying priorities for 2023, in particular the increased focus on sustainability reporting and on collaboration with the Board Sustainability Committee.

The 2021 internal review of the Committee's effectiveness concluded that the Committee was operating effectively. During the year, the Committee reviewed progress against the recommendations from the 2021 review and was satisfied that they were being addressed. Details of the Committee's interactions with the audit committees of Bupa's major insurance subsidiaries, the Group's reporting controls environment, and the alignment of Bupa's assurance functions are provided above.

Focus for 2023

During 2023, the Committee will focus on preparations for how we address the UK Government's former BEIS and FRC requirements on restoring trust in audit and corporate governance, Bupa's first external reporting under IFRS 17 and on enhancing the quality of the Group's sustainability disclosures.

Paul Evans
Audit Committee Chair

Risk Committee report

Caroline Silver
Risk Committee Chair

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 which are available here on bupa.com. A detailed description of the principal risks to Bupa's business is set out in the Risk section on page 42, and the Group's approach to, and implementation of, risk management systems and controls is set out in the System of governance section on page 63.

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. Paul Evans, Sally Clark and I bring additional technical experience from our extensive backgrounds in the accountancy, internal audit, insurance and financial services sectors, and Paul is also a Non-Executive Director on the boards of Bupa's UK insurance business. Matías Rodríguez Inciarte has similar experience and is also a Non-Executive Director of the Group's Spanish insurance business. Through Matías and Paul, the Committee therefore has direct insight into two of 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. Gunjan Bhow joined the Committee during the year and the Committee has benefited from his experience in risks related to digital transformation and data. 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. I am also a member of the Remuneration Committee and am therefore able to assist with ensuring that risk management and culture are a factor in remuneration decisions.

Key activities in 2022

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 that appropriate mitigating actions are taken by management. The Group's risk profile has been heightened in 2022 due to the impact of current global economic conditions, in particular: high inflation, workforce pressures, and the situation in Chile affecting the Isapre sector (as summarised on page 11). See the Risk section on page 42 for details of the principal risks to the Group.

Risks to the 3x6 strategy

The Committee has closely monitored the risks to the execution and achievement of our 3x6 strategy to ensure that change happens within a suitable control framework. Areas of focus during 2022 have included:

- the risk that short-term challenges and goals reduce the focus on, and investment in, transformation and building the business of the future
- the risk of not changing or not taking opportunities
- potential capability gaps in certain key strategic areas
- the actual and potential future impact of high inflation on the achievement of strategic and performance objectives
- failing to achieve our sustainability strategy

Certain risk elements are also driving some specific strategic performance challenges, most notably increased workforce pressures, information security, and regulatory or 'stroke of pen' risk in many of our major markets. Regulatory and judicial risks have crystallised in Chile, as discussed below.

People risks

People are the driving force of our business and so the current global challenges around skills shortages, wage inflation, market uncertainty and the impact of the rising cost of living (both generally and on mental health and wellbeing specifically) have heightened our people risks and impacted our ability to attract and retain employees. Bupa is committed to retaining and developing our people. The Committee is satisfied that management's actions, such as setting new global pay principles, committing to providing healthcare to all employees globally, and recruitment and training initiatives (particularly in our aged care services and dental businesses), are mitigating these risks to an acceptable level.

Chile judicial and regulatory risks

The Committee has monitored judicial, regulatory and political risks relating to our Isapre businesses in Chile throughout the year and management's response to mitigate these risks. These risks increased during the year following the change of government in Chile, with further political uncertainty, and were further heightened following the Supreme Court ruling in December 2022. See page 11 for more information.

Risk Committee report continued

Information security, technology and privacy risks

Information security, technology and privacy risks are always high on the Committee's agenda as inadequate controls over these risks, or a failure of such controls, could significantly undermine our customers' trust in us. In response to a heightened level of information security incidents within the healthcare sector around the world, management continues to take action to further strengthen controls in certain areas, including the Group's cyber-attack response capabilities, and has reported to the Committee on this. The Committee has also discussed the risks of moving systems and data to cloud providers, noting that a safe migration to the cloud could enhance Bupa's operational resilience.

Clinical risk

During 2022, the Committee has increased its focus on clinical risk and clinical governance and has overseen the strengthening of clinical governance across the Group. As part of this, the Clinical Governance Function has moved from the leadership of the CMO to the CRO. The Committee has considered the impact of regulatory changes and the challenges in the recruitment and retention of a high-quality clinical workforce, particularly in Australia, and also received updates from management on the progress made in evidencing the quality of clinical services received by the Group's insurance customers from third party providers.

Sustainability, environment and climate change risks

The Committee considered the key risks and related mitigants associated with Bupa's sustainability strategy. These include failing to achieve the sustainability strategy, diluting our sustainability ambitions over time and not keeping pace with our peers or the rising expectations of our key stakeholders. The Committee discussed the need for a high level of credibility underpinning the information and statements published on Bupa's sustainability activities in order to avoid an adverse impact on Bupa's reputation. The Committee has also considered the risks to achieving Bupa's carbon-neutral targets arising from the current economic environment, which could drive up the costs of achieving those targets. In relation to climate change, the Committee reviewed an assessment of the key risks to the Group and the results of a further climate change scenario stress test.

Recovery and Resolution Plans

The PRA requires internationally active insurance groups to put in place Recovery and Resolution Plans at holding company level to set out potential actions the Company could take to maintain or recover the Group's solvency in an extreme stress scenario that threatens the Group's ongoing viability (Recovery Plan) or, if necessary, the steps that the Group could take to resolve itself in a crisis in an orderly fashion (Resolution Plan). These Plans aim to protect customers as much as possible in the event that the Company were to face an extreme stress scenario.

The Risk Committee considered the draft Plans in detail ahead of recommending them to the Board for approval and submission to the PRA. Management held regular meetings with the PRA to discuss the key judgements involved in preparing the Plans. Throughout the process, the Committee:

- challenged management on the feasibility of the recovery options presented within the suggested timescale
- reviewed the governance process around the drafting of the Plans
- reviewed the early warning indicators and recovery triggers
- reviewed the governance process that would be followed to oversee the implementation of the Plans.

These Plans will continue to be developed based on feedback from the PRA and changes to the business over time.

Emerging risks

The Committee regularly monitors emerging risks and specifically considered clinical emerging risk areas that could impact achievement of the Group's 3x6 strategy. These included the impact of evolving digital technologies, the use of artificial intelligence in medicine and genomics. The Committee discussed with management how the legal, regulatory and ethical issues associated with each of these risks would be addressed. The Committee has monitored the potential risks to the business from rising inflation and has considered the actions management are taking to mitigate its impact.

Consideration of other emerging risks has focused on those that would be a threat to, or would indicate a weakness in, our business model. Emerging risks have been taken into account by management when developing the Group's strategic objectives, including through identifying mitigating actions, and also to enable the Group to take advantage of the opportunities these risks may also present. They cover themes including:

- Increasing customer, staff and societal expectations
- Advances in technology
- Increasing standards of regulation
- Geopolitical uncertainty and deglobalisation
- Rapidly advancing medical treatments and technologies, including personalised therapies
- Climate change.

While the emerging risks we considered apply to our insurance, provision and aged care businesses, they could manifest in a different way in each business, requiring a different response. The Committee will continue to monitor all emerging risks periodically throughout the year.

Risk Committee report continued

Integrated Management System

Building on the progress made over recent years to strengthen Bupa's risk management and assurance practices, management have initiated the Group-wide deployment of the IMS system, described on page 8. The Committee received a presentation on the IMS in July 2022 and is continuing to monitor its progress. The Audit Committee is also considering how the IMS operating system could be utilised in Bupa's response to the UK Government's former BEIS and FRC reforms on restoring trust in audit and corporate governance, including the use of governance, risk and compliance systems.

Liaison with other Committees

The Committee works closely with the Audit Committee and there is considerable overlap between the membership of the two Committees. The Committees held joint meetings in 2022 to receive updates on the control environment in a number of our businesses, and an update on the IMS programme. A joint meeting was also held in early 2023 to consider an integrated assurance report giving the opinions of all three lines on the Group's risk management and internal control environment in relation to the 2022 financial year. The conclusions of this assessment are set out in the Audit Committee report on page 67.

In early 2023, I asked members of the Committee for their views on whether any Group-wide adjustments should be made to discretionary remuneration in respect of risk matters arising during 2022. I then attended a meeting of the Remuneration Committee to give the Committee's view, to aid the Remuneration Committee's decision on whether any risk-related adjustments should be applied to 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, although I indicated that the Committee would be monitoring the risk environment in Australia closely going forward.

Other

In addition, the Committee has carried out other business as required under its Terms of Reference including: reviewing and recommending the Group's annual Own Risk and Solvency Assessment (ORSA) to the Board for approval, including the results of a worldwide stress and scenario test based on an inflation-driven economic scenario; reviewing the Group's insurance coverage; considering risk assessments in contemplation of commencing business in new territories for the Group; and reviewing the modelling of economic capital as part of the Group's annual ORSA process. A number of risk appetite statements have been reviewed to ensure that they remain appropriate in the current environment and the Group-wide Enterprise Risk Policies are reviewed on a cyclical basis at least every two years by the appropriate Board committee.

Subsidiary governance

The chairs of each of Bupa's major insurance subsidiary board risk committees are invited to attend a meeting of the Committee each year and to provide written updates periodically. This provides valuable insights both to the Committee and to the subsidiary board risk committee chairs on the issues that are material in each context and facilitates Group oversight of local risks and appropriate escalation of risks to the Committee. I also attend a meeting of each of the major insurance subsidiary board risk committees each year and meet with the relevant chief risk officer. The minutes of the meetings of the major insurance subsidiary board risk committees are also made available to the Committee.

Committee effectiveness review

Dr Tracy Long, of Boardroom Review, observed a meeting of the Committee in late 2022 and discussed the operation of the Committee in her individual interviews with the Committee members. The evaluation report indicated that the Committee was working well, in particular due to its clarity of role and attention to the priorities. The report has assisted in identifying priorities for 2023, in particular the intended focus on information security risks.

The 2021 internal review of the Committee's effectiveness concluded that the Committee was operating effectively. The Committee identified a number of areas to focus on in 2022 as a result of discussion of the 2021 internal review as follows:

- 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.

The Committee is satisfied that these areas have received sufficient oversight during the year as disclosed above.

Focus for 2023

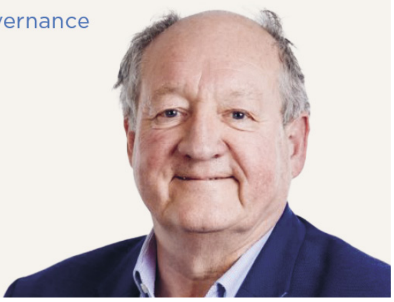
In 2023, the Committee will focus on:

- People risks
- Information security, IT and operational resilience risks, including the potential crossover with reputational risk and contagion risk
- Clinical governance and reporting
- Third-party risks
- Further refining the Group's Recovery and Resolution Plans
- Maintaining oversight of the implementation of the IMS project across the Group.

Caroline Silver
Risk Committee Chair

Nomination & Governance Committee report

Roger Davis
Nomination & Governance Committee Chair



The Committee's role and governance

The Committee is responsible for reviewing the size, structure and composition of the Board and ensuring an orderly succession process for Directors. It also keeps Bupa's corporate governance arrangements under review. It leads the process for appointments to the Board and 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 Board Diversity Policy, available here on bupa.com, is taken into account when considering Board succession plans and recruiting for new Directors. Succession planning for the senior management team is done by the Board as a whole.

The Committee makes recommendations to the Board to ensure that, where appropriate, Bupa's corporate governance arrangements are consistent with best practice. The Committee also leads the process for the selection and appointment of AMs, approves the appointment of non-executive directors to subsidiary boards and approves the appointment of independent members of Market Unit advisory oversight committees. A full description of the Committee's role is set out in its Terms of Reference here 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 five times during the year and agreed other matters by written resolution.

Key activities in 2022

Non-Executive Director recruitment

As disclosed in the Committee's report last year, Korn Ferry was engaged in September 2021 to assist the Board in the recruitment of three NEDs to replace those who were retiring from the Board.

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 the Chief Sustainability and People Officer and I interviewed each candidate in late 2021. The two preferred candidates for each role were then interviewed by the Group CEO and members of the Committee and the technology candidates were also interviewed by Cath Keers. As noted in the Committee's report in the 2021 Annual Report, Pia Heidenmark Cook was appointed as a NED from 1 April 2022, bringing a strong skill set in sustainability matters to the Board. The Committee held an additional meeting to discuss the technology candidates who were considered to be of high calibre. The Committee felt that Gunjan Bhow's broad skill set and experience in customer-facing digital transformation would enable him to make a strong contribution to the Board and recommended his appointment to the Board. He was appointed as a NED from 1 April 2022.

A third NED with a financial services background was sought to replace Clare Thompson, who retired from the Board on 30 April 2022. Korn Ferry drew up an all-female long list of candidates of which four candidates were interviewed by the Chairman and the Chief Sustainability and People Officer. Two of the candidates were then interviewed by the Group CEO and Committee members. The Committee recommended to the Board that Sally Clark be appointed as a NED due to her strong background in internal audit in financial services companies, as well as her interest and experience in developing talent, and in diversity, culture and wellbeing. She joined the Board on 1 July 2022.

Caroline Silver will have served on the Board for six years by 31 October 2023. Our current practice is to not renew NEDs for a third term unless there are exceptional circumstances or there has been a delay in the recruitment process for a successor. Therefore, in late 2022, the Committee discussed the potential skills they would seek in a successor for Caroline on the Board and as Chair of the Risk Committee and reviewed a refreshed Board skills matrix. The Committee agreed to appoint Russell Reynolds to conduct a search and agreed an outline candidate specification. This process is ongoing.

Both Korn Ferry and Russell Reynolds are signatories to the Enhanced Voluntary Code of Conduct for Executive Search Firms. Both firms have provided other services to Bupa, including executive and non-executive search and benchmarking of roles and remuneration. Russell Reynolds has an employee health insurance scheme provided by Bupa.

Other NED changes

Cath Keers' first three-year term as an NED concluded on 31 October 2022. On the recommendation of the Committee, the Board appointed Cath for a second three-year term as they had assessed that she had been an effective member of the Board and Chair of the Remuneration Committee. Consideration was given to her capacity to devote sufficient time to her Bupa role given her executive role with Sage Group plc and the good engagement she had with Bupa's Reward team outside of the meetings of the Remuneration Committee.

Nomination & Governance Committee report continued

The Committee reviewed the composition of each Committee of the Board during the year and recommended changes to the committee composition, which came into effect in June 2022. This was done partly in order to appoint the recently recruited NEDs to the Committees that would best utilise their skill sets and also to provide greater flexibility by increasing the number of members of some of the Committees. The Board approved the proposed changes.

Board independence, 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.

As mentioned above, the Board skills matrix was refreshed during the year to update the assessment for the existing Directors and include the skills of the new NEDs. This helped inform the role specification for the ongoing recruitment of Caroline Silver's successor. The skills matrix also informs the plan for Board training and development sessions which is regularly considered by the Committee.

In February each year the Committee reviews the Directors' other commitments (including external appointments) for potential conflicts of interest, impacts on their capacity to perform their role for Bupa and for threats to their independence as Bupa NEDs. Each of the NEDs are considered to be independent.

Association Members

The Committee received several updates and provided guidance on engagement with and recruitment of AMs during the year and a schedule of planned engagement activities is agreed by the Committee each year. Details of how we have engaged with AMs during the year are set out in the Section 172 statement on page 36. From 2023, quarterly updates will be provided to AMs on the progress of Bupa's performance against a number of KPIs related to pillars of the 3x6 strategy. A series of one-to-one or small group informal meetings is also planned for AMs with the Chairman, Group CEO and others throughout the year in addition to the regular results calls, AGM and autumn briefing sessions.

Corporate governance oversight

Code compliance oversight

The Committee has reviewed the Company's compliance with the Code during 2022 and found that the Company has complied with the principles and provisions of the Code throughout the year, to the extent that these are applicable to a company without shares or shareholders.

Subsidiary governance

During the year, the Committee reviewed progress against the recommendations from the Provision Subsidiary Governance Review carried out in 2020. In late 2021, the Board approved a proposal to establish Market Unit Advisory Oversight Committees (AOCs) to the CEOs of ELA and BGUK to provide advice and enhance oversight across those Market Units, particularly in relation to provision businesses where there are no non-executive directors serving on the boards of those subsidiaries, and given that the corporate structure of both Market Units means that there is no single holding company board that could provide non-executive director oversight. In early 2022, the Committee considered and approved proposals for the non-executive membership of the ELA and BGUK AOCs. The remit of the AOCs will be refined over time and their effectiveness monitored by the Committee. As Paul Evans and Matías Rodríguez Inciarte are a non-executive member and chair of the BGUK and ELA AOCs respectively, there is an open channel of communication between the AOCs and the Board. The Committee determined that an AOC is not required for the APAC Market Unit as its corporate structure gives the boards of its holding companies good oversight of the majority of the Market Unit.

The results of the annual evaluations of the boards of our main regulated insurance subsidiaries are considered by the Committee. These evaluations have reported that each subsidiary board continued to operate effectively.

The Committee also approved a number of appointments and re-appointments of non-executive directors to subsidiary boards during the year.

Restoring trust in audit and corporate governance

The Committee received an update on the proposals from the UK Government and the FRC on restoring trust in audit and corporate governance and Bupa's proposed approach to the requirements. It was noted that some of the proposals would be mandatory and others could be adopted on a voluntary basis in view of Bupa's corporate status. Given the nature of the proposals, the Audit Committee is leading on considering the proposals. Bupa will finalise its approach as more detail and certainty around the requirements emerges. See the Audit Committee report on page 67 for details of progress to date.

Nomination & Governance Committee report continued

Board and Committee effectiveness

The last externally facilitated evaluation of the Board and Committees was conducted in 2019 so an externally facilitated evaluation was undertaken in 2022. In early 2022, the Committee considered whether to appoint Boardroom Review, who conducted the previous review in 2019, or to undertake a formal process to identify an alternative provider. The Committee considered that there was value to be gained from using the same provider due to its prior knowledge of Bupa and ability to assess progress on the recommendations made previously. Therefore, the Committee appointed Boardroom Review to facilitate the 2022 Board and Committee evaluation process. In line with emerging best practice in the field of board evaluation, the Committee would not consider Boardroom Review for the next externally facilitated evaluation of the Board.

The Committee delegated approval of the scope of the review to a sub-committee comprising the Chairman, Group CEO, Paul Evans (as SID-elect at that point) and the Group Company Secretary. The agreed themes for the review of the Board and Committees included:

- Their engagement with and oversight of the new strategy, purpose and performance
- How well future risks and opportunities to the business are assessed
- Oversight of finance, audit, risk management, controls and operational resilience and effectiveness of the three lines
- Engagement with stakeholders.

In relation to the Directors, Boardroom Review was asked to consider the roles, relationships and contributions of the Directors and the blend of dynamics, diversity of perspective and quality of debate and decision-making. Dr Tracy Long of Boardroom Review observed meetings of the Board and each Committee in late 2022 and interviewed each Director, the Group Company Secretary, the CRO and the Chief Sustainability and People Officer.

An initial meeting to discuss the findings was held with Roger Davis prior to the report being shared with the full Board for discussion in February 2023. The agreed outcomes for the Board are set out in the Leadership section on page 56. The report indicated that all the Board's standing committees were operating well, and the Committee separately considered the parts of the report relevant to the Committee and its remit. The recruitment, on-boarding and induction of the three new NEDs in 2022 had gone well. Succession planning was identified as a key focus for the Board as a whole, with the retirement of Caroline Silver later in 2023 and the retirement of Roger Davis also on the horizon. The Committee is also responsible for Board-level oversight of and engagement with Association Members, enhancement of which will be taken forward as an action from the evaluation.

The Committee is satisfied with the actions taken to address the themes arising from the Committee's effectiveness review in 2021. The Committee's actions on Board and Committee succession and further improving governance oversight of subsidiaries are set out above. The Board as a whole has received regular reports from the three designated Directors for engagement with Bupa's workforce, and details are disclosed in the Leadership section on page 51 where details of the Board's training programme are also set out. The Committee will review the effectiveness of the enhanced workforce engagement approach during 2023.

Focus for 2023

In 2023, the Committee plans to:

- Complete its work to recruit a new Risk Committee Chair
- Follow up on the agreed actions from the 2022 review of the externally facilitated Board and Committee evaluation, including further enhancing AM engagement
- Commence the succession planning for the Chairman, who is due to complete nine years' service on the Board in the second half of 2024
- Assess the effectiveness of the enhanced workforce engagement approach.

Roger Davis
Nomination & Governance
Committee Chair

Board Sustainability Committee report

Melvin Samsom
Board Sustainability
Committee Chair

The Committee's role and governance

2022 was the first full year of the Committee's operation. It was established in mid-2021 to ensure sufficient non-executive oversight and challenge to management over Bupa's sustainability activities. 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.

The Committee's remit includes overseeing Bupa's plans on environment and climate action, including the setting of, and monitoring performance against, targets; overseeing and assessing Bupa's overall contribution to, and impact on, society in the countries in which it operates; reviewing and recommending external disclosures on sustainability and other ESG matters to the Board; and considering Bupa's position on relevant emerging sustainability issues. A full description of the Committee's role is set out in its Terms of Reference here on bupa.com.

The Committee currently comprises four NEDs and the Group CEO. The Group CFO and Chief Sustainability and People Officer regularly attend Committee meetings. The Committee met four times during the year, including one joint meeting with the Audit Committee.

Key activities in 2022

Following the Board's decision to include sustainability as a strategic pillar of Bupa's 3x6 strategy in 2021, work was undertaken to develop a sustainability strategy. Our key focus in 2022 was then to continue to refine this strategy and oversee its launch and implementation. The Committee has also focused on strengthening our assurance over our GHG emissions data, working with the Audit Committee.

Sustainability strategy

Our sustainability strategy sets out how we plan to achieve the 'making a better world' part of our purpose. The Committee agreed that sustainability needs to be placed at the core of Bupa's business and aimed to define our sustainability ambitions. The sustainability strategy aims to deliver health benefits for people and planet and provide innovative solutions to the sustainability challenges we face, recognising that if our planet is not healthy, our own health will suffer too. The Committee further agreed that the strategy must be measurable against appropriate KPIs. 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, and through consultation with a range of internal and external stakeholders, 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:

- One health (or the intersection of people and planet health)
- Climate change
- Workplace physical and mental wellbeing
- Healthy and sustainable lifestyles
- ESG governance and transparency.

The Committee agreed that the results of the materiality assessment highlighted the need to look after people's health by addressing the health of our planet – supporting Bupa's expanded purpose.

This approach led to the three pillars of the sustainability strategy: Mission Zero, Mission Accelerate and Mission Regenerate. Further details of the sustainability strategy can be found in the Sustainability and ESG section on page 22 and here on bupa.com. The Committee recommended the sustainability strategy to the Board, which approved it in early 2022, and information on how stakeholder views were taken into account in determining the sustainability strategy are detailed in the Section 172 statement on page 36.

Mission Zero

As disclosed in the 2021 Annual Report, Bupa has set a 2040 net zero ambition for our global healthcare operations and value chain, including our investment portfolio. As a first step to achieving net zero emissions by 2040, we set 1.5°C aligned science-based targets. These targets were validated by the SBTi in January 2022. During the year, development of a global Scope 1 and 2 decarbonisation roadmap began and the Committee has received regular updates on the Group's progress to reduce Scope 1 and 2 GHG emissions during the year. The Committee was pleased to see that 84% of the electricity we use across our operations globally is now from renewable[1] sources. More information on how we have reduced GHG emissions during the year can be found in the Sustainability and ESG section on page 22.

1. Where actual data is not available, 2022 renewable electricity data is estimated based on, but not limited to, previous consumption trends.

Board Sustainability Committee report continued

The Committee is satisfied that management take into account sustainability considerations, including performance against Bupa's public commitments, in investment decisions to grow Bupa's operations. The Committee recognises that core management initiatives such as Bupa's digital transformation are a key part of reducing the Company's environmental impact, but also recognises the need to support others to do the same. The Committee will continue to monitor management's actions to ensure that Bupa remains on course to meet its net zero targets.

The SBTi requires us to disclose our year-on-year performance against our chosen targets. It is important that we produce good quality data to accurately measure our GHG emissions and progress against these targets. The Committee felt that external assurance over our GHG emissions baseline and progress would provide comfort to both the Committee and the Board, and our key stakeholders. The Committee therefore asked the Audit Committee to oversee the engagement of, and output from, an external provider and PwC were appointed to carry out limited assurance over the Group's Scope 1, 2 and selected Scope 3 GHG emissions for 2021. The Committee held a meeting jointly with the Audit Committee in November 2022 to assess progress of the Group's 2021 GHG emissions disclosure and assurance from the second line of defence and PwC. The final disclosure report and PwC's limited assurance report were reviewed by the Audit Committee in December 2022 and approved by the Board. For more information, see the Audit Committee's report on page 67. Bupa's 2021 GHG Emissions Report is available here on bupa.com.

Mission Accelerate

Through the Mission Accelerate pillar, Bupa aims to use research, collaboration and innovation to accelerate sustainable healthcare solutions and advocate for change. eco-Disruptive is a key initiative within this, and the Committee received updates on the second annual programme, which had a greater clinical emphasis than the first year's, informed by the Group's strategy. The Committee also received updates on the progress of a trial deployment of sustainable scrubs and medical uniforms made by the 2021 eco-Disruptive winner Circoolar, in parts of Bupa's Spanish business. This is part of a commitment to deliver at least one scalable sustainable healthcare solution each year. The 2022 edition of eco-Disruptive saw Cassava Bags Australia announced as winners.

Mission Regenerate

Mission Regenerate is focused on improving people's and our planet's health through the restoration and regeneration of nature. The Committee received updates on the implementation and planned expansion of the Healthy Cities programme which links wellbeing challenges to investment in urban regeneration projects. The programme ran in parts of Bupa's ELA Market Unit last year and is now being extended in 2023 to cover all of Bupa's Market Units during 2023.

Governance

To support the implementation of the sustainability strategy a revised Enterprise Sustainability Policy was reviewed by the Committee during the year and recommended for approval to the Board, which approved it in late 2022. The Policy focuses on mitigating the risks to the core focus of the sustainability strategy, with wider ESG topics having been integrated into other Enterprise Risk Policies, such as People, Suppliers and Brand & Reputation. The Policy requires Bupa's Market Units to build sustainability plans into their business plans and ensures consistent monitoring of performance against targets.

Liaison with other Committees

The Committee liaises with other Committees of the Board as necessary, including with: the Audit Committee, to review sustainability and ESG disclosures in the Annual Report and Accounts each year; 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. There is cross-membership between the Committee and the Risk, Audit and Remuneration Committees to ensure that sufficient consideration is given to sustainability and ESG matters across all aspects of the business.

The Committee has reviewed the Sustainability and ESG section within the Strategic Report and met jointly with the Audit Committee to review the Group's draft 2021 Scope 1, 2 and selected Scope 3 GHG Emissions Report as described in Mission Zero above.

Board Sustainability Committee report continued

Committee effectiveness

Dr Tracy Long of Boardroom Review observed a meeting of the Committee in late 2022 and discussed the operation of the Committee in individual interviews with Committee members and the Group Chief Sustainability and People Officer, as part of her evaluation of the Board and its standing committees. The evaluation report indicated that the Committee was working well, reflecting the importance attached to sustainability matters by the Board generally, and had a good level of engagement and impact. The report has assisted in identifying priorities for 2023, including ensuring increased visibility of the availability and use of budgets for sustainability initiatives (as well as other new initiatives related to the Group's strategy) and, following the adoption of the sustainability strategy in 2022, monitoring of the Group's compliance with its external commitments on sustainability and ESG matters.

This was the first time the Committee has been subject to an evaluation. As noted in the 2021 Annual Report, no evaluation was undertaken last year as the Committee was only first established during that year.

Focus for 2023

The key areas of focus of the Committee in 2023 are to:

- Oversee the embedding and implementation of the sustainability strategy, including the allocation of budgets (in particular under the Group Investment Fund, discussed on page 25) and monitoring the achievement of commitments and targets
- Enhance the liaison with subsidiary boards and/or other internal governance oversight bodies working on sustainability matters, where beneficial
- Oversee the development of Bupa's Scope 3 GHG emissions data and reporting
- Continue to monitor Bupa's progress in reducing GHG emissions in all three scopes

Professor Melvin Samsom
Committee Chair

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

Cath Keers
Remuneration Committee Chair

Key items covered at scheduled meetings in 2022

19 January (additional meeting)

Forecast payouts for 2021 MBS and 2021-24 GPP, SPP design

31 January

2021 MBS outcome, 2021-24 GPP outcomes, CEC annual reward review

16 February

Approve final SPP scheme and plan rules, Annual reward review for Designated Individuals, 2022 MBS non-financial targets

20 July

2022-24 SPP M&A treatment, 2023 Customer MBS measures, Overview of general workforce, Subsidiary Chair & NED fee review, Board Chairman fee review, Remuneration Policy Statement and corporate governance and Solvency II review

28 September

Approve global reward standard, Approve 2023 MBS design

7 December

Forecast payouts for 2022, 2023 MBS profit measure, proposed 2023 Customer MBS target framework, 2023-25 SPP measures, update on SPP 40% KPI measure, Gender Pay Gap report, workforce and cost of living, Directors' remuneration policy and report update, 2023 incentive scheme rules, 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 2022 financial year.

Role of the Committee

The Committee is responsible for ensuring that Bupa adheres to the highest standards of governance and best practice in remuneration matters. The remuneration policy is structured to promote strong and sustainable performance of the Company and link reward to the delivery of Bupa's strategic goals and purpose. A full description of the Committee's role is set out in its Terms of Reference here on bupa.com.

In February 2022 Mike Hawker joined the Committee and in July 2022 Sally Clark also joined the Committee.

2022 activities

The Committee has been actively engaged with management throughout 2022 as the organisation embedded its new strategy, as well as ensuring that our remuneration approach fully supported our strategy into 2023. A number of activities are highlighted below:

- In 2022 the Committee further considered the definition of Return on Capital Employed (ROCE) as a measure for the new Strategic Performance Plan (SPP) and also agreed a proposed approach for the treatment of any future Merger and Acquisition (M&A) activity in relation to the impact of assessing the SPP. Up-front agreement of the M&A framework provides more real-time clarity on management's performance and decision-making, incentivises management to take appropriate long-term decisions; and ensures that management's performance is fairly reflected in the final SPP reward.
- To better understand the shape of the workforce and recruitment challenges in more detail, the Committee received, in addition to workforce metrics, input from the Market Unit People Directors to supplement the data and to provide additional context where appropriate. This includes Bupa's response to the cost of living crisis and the impact on our workforce.
- From 2023, the Committee agreed to change the Management Bonus Scheme (MBS) to align the maximum Business Performance Multiplier (BPM) and Individual Performance Multiplier (IPM), allowing for greater overall weighting on objective business performance, while providing us with an opportunity to differentiate and reward high performers at all levels. There is no change to the remuneration policy, including award levels.

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

Executive appointments

Zoe Vafadari was appointed to Bupa's CEC in February 2022 as Chief Brand and Corporate Affairs Officer.

The Committee carefully considered the terms for the new appointment and were informed by external benchmarking and market practice to set the levels of remuneration.

Wider employee context and workforce engagement

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

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 retain oversight reward is managed locally, with benchmarking conducted on a regular basis to ensure that our overall reward package remains in line with relevant local market practice.

The Committee regularly and carefully considers wider employee pay and broader remuneration initiatives, as context for the decisions it makes. We know this is a challenging time for our employees due to rising inflation and the increased cost of living. Bupa has three NEDs who act as the designated NED for different areas of the business and details on the activities undertaken in the year are set out in the Corporate Governance Report.

Performance and pay in 2022

Salary

In 2022, the Committee approved increases of 1.9% for the Group CEO and 2.0% for the Group CFO.

Management Bonus Scheme

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 profit was favourable to plan due to higher profits across the Market Units, with volume growth across the insurance portfolio in Australia and Sanitas, good turnaround performance in Bupa Global, and volume growth and lower claims in UK Insurance, partly offset by challenges in aged care and provisioning in UK, and lower volumes in Hong Kong.

Revenue and cost efficiency were both above target.

The Committee applied the following adjustments in determining the annual MBS outcomes:

- As a result of our commitment to not benefit from COVID-19 in our Australian health insurance business, it was agreed that any returns to customers should be adjusted for. These returns, which take the form of a cash rebate, deferred premium rises or other similar approaches, totalled £166.97m and were removed from the revenue target.
- Related to this commitment, £66m of undistributed Australian health insurance claims savings related to COVID-19 were removed.
- The other area which the Committee considered this year was the impact on statutory profit of the impairment of intangible assets and goodwill arising on business combinations. The Committee carefully reviewed the factors leading to this impairment and the extent to which this should impact incentive payments for past and current executives. The view of the Committee was that the current executive team were not responsible for the material factors leading to the impairment and should therefore not be penalised for the statutory loss; no additional adjustment would be applied to any former executive team member.

All Market Units continued to make good progress on customer performance metrics, an outcome of Bupa's customer-centric strategy resulting in a high level of operational and transformative focus on delivery for customers across the Group.

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

The IPMs for the Group CEO and Group CFO, based on their performance during the year, were 150% and 130% respectively. As a result, the Committee approved bonuses of 89.2% and 77.4% of maximum opportunity for the Group CEO and Group CFO respectively.

Committee evaluation

During the year, an external evaluation of the effectiveness of the Committee was conducted as part of the wider review of the Board and Board Committees. The review found that the Committee functioned effectively.

In 2023 the Committee will continue to focus on monitoring wider employee pay and considerations from broader Board discussions on inclusion and diversity and pay differences (e.g. gender pay gap).

Voting on remuneration

Our Remuneration Policy was approved at the 2022 AGM and remains unchanged. We are committed to being open and transparent with our AMs and, as usual, our Directors' remuneration report will also be tabled for an advisory vote at the 2023 AGM.

Cath Keers
Committee Chair

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

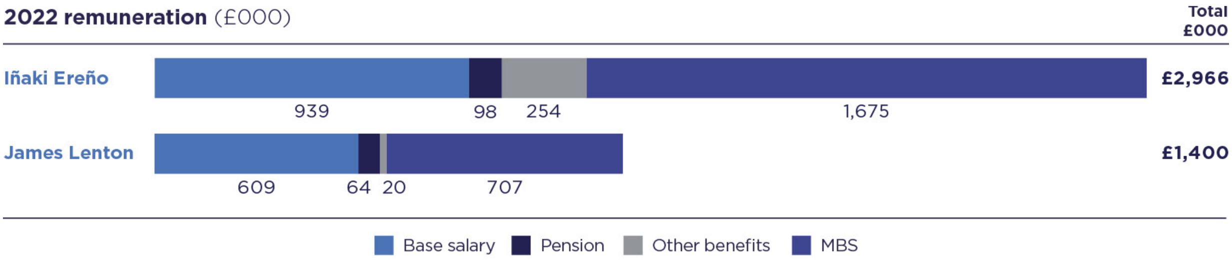
Alignment with Provision 40 of the Corporate Governance Code

The Committee is mindful of the UK Corporate Governance Code's six principles when it determines remuneration policy. The Committee's view is that the Remuneration Framework at Bupa is well-aligned with these areas.

Clarity	• We are committed to transparent communication with all our stakeholders. The remuneration arrangements for the Executive Directors are set out in a clear and simple way in the Directors' Remuneration Policy (the Policy) and in the plan rules for each incentive plan. Guides are accessible explaining how each incentive plan operates to ensure full understanding.
Proportionality	• There is clear alignment between the performance of the Company and the rewards. • Incentive elements are closely aligned with our strategic goals, transparent and robustly assessed, with the Committee having full discretion to adjust outcomes to ensure that they align with overall Bupa performance.
Simplicity	• The Group's remuneration arrangements are intentionally simple in nature and well understood. Executive Directors (and senior leadership) receive fixed pay (salary, benefits, pension), and participate in a short-term incentive (the MBS) and a long-term incentive (the SPP). • The Committee reviews the appropriateness of targets annually, being mindful of alignment with strategy and keeping them simple. • This structure provides clear line of sight for both executives and is well understood. • MBS and SPP are focused on rewarding performance against key measures of success for the business.
Risk	• Our reward structure ensures that risk events are reflected in remuneration outcomes. Opinion from Risk on events and behaviours are considered before awards are made. • The Committee also considers that the Policy provides wide-ranging flexibility to adjust payments where outcomes are not considered to reflect underlying business performance and individual contributions, or where behaviours are inconsistent with the risk appetite of the Group. • Deferral of MBS (over three years) and SPP (three-year performance period), subject to malus and clawback provisions mitigates against future risk.
Predictability	• At the time of approving the Policy full information on the potential values of the MBS and SPP is provided, with strict maximum opportunities alongside minimum, on-target and maximum performance scenarios.
Alignment with culture	• We are committed to effective stakeholder and colleague engagement. • As part of this, the Committee regularly reviews data and insights relating to pay and broader employment conditions in the workforce and takes these into account when considering executive remuneration.

Our executive remuneration at a glance

2022 remuneration (£000)



The chart above is representative of the implementation of the Directors' Remuneration Policy and represents the total received in the year by each Executive. The chart shows salary, pension and benefits paid in 2022, and the total payout of the 2022 MBS, 50% of which is deferred until March 2025. No long-term incentive scheme vested in 2022 due to changes in the structure of Bupa's long-term incentive from a one-year performance period with a three-year deferral to the new structure, introduced in 2022, which covers a three-year performance period. The next scheme to vest will be the 2022-24 Strategic Performance Plan (SPP) year ending 2024.

2022 MBS outcome

Measure	Performance of measure against target [1]
Group profit (55% weighting)	Above target level of performance (119.3% of target)
Revenue (10% weighting)	Above target level of performance (104.1% of target)
Cost efficiency (10% weighting)	Above target level of performance (102.9% of target)
Customer objectives (6.25% weighting)	Above target level of performance (123.2% of target)
Customer NPS (18.75% weighting)	Above target level of performance (111.2% of target)

1. To determine payout, this is converted into a BPM and the final calculated payout is the product of the BPM and the IPM.

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 2022 and how it will be applied in 2023. 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 payout.

Certain disclosures of the detailed information about the Directors' remuneration set out below have been audited by the Group's external auditor, PwC.

Single total figure of remuneration 2022 – Executive Directors (audited)

Director	Year	Salary £000	Benefits £000	MBS[1] £000	GPP[2] £000	Pension[3] £000	Total £000	Total fixed remuneration	Total variable remuneration
Iñaki Ereño	**2022**	**939**	**254[4]**	**1,675**	**0**	**98**	**2,966**	**1,291**	**1,675**
Group CEO	2021	925	269	1,326	2,035	98	4,653	1,292	3,361
James Lenton	**2022**	**609**	**20[5]**	**707**	**0**	**64**	**1,400**	**693**	**707**
Group CFO	2021	170	4	130	339	16	659	190	469

1. MBS refers to incentive earned in respect of 2022 performance with 50% deferred until March 2026. In the deferral period, continued employment is required for payout.
2. GPP refers to the previous long-term incentive scheme. Due to a change in the design of Bupa's long-term incentive plan, no schemes are vesting ending 2022. Final deferred payout of the 2019 Group Performance Plan, which vested at the end of 2019, will occur in March 2023.
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. Iñaki Ereño's benefit figure includes a housing allowance of £120,000 (net) and tax support services both of which are grossed up to meet the costs of the appropriate tax.
5. James Lenton's benefit figure includes certain travel and subsistence expenses that are treated as taxable, grossed up to meet the costs of the additional tax.

2022 MBS measures and performance (Audited)

For 2022, 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% of salary.

The performance measures used to determine the 2022 MBS for our Executive Directors were as follows:

- Group profit (55% of award) – management profit excluding mark to market 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 objectives (6.25% of award) – this measure includes targets to improve our Customer Excellence Framework standards.
- Customer NPS (18.75% of award) – this is a measure to drive improvement of our Net Promoter Score.

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. The overall result generates a BPM that is applied along with the IPM to target bonus generating the annual MBS payout for each individual.

As detailed in the Committee Chair's letter, in determining the annual MBS outcomes, the Committee applied discretion to ensure that management were not penalised for reimbursing health insurance customers in line with our commitment to not benefit from COVID-19 in our Australian health insurance business. Also related to this commitment, the Committee agreed to remove £66m of claims savings related to COVID-19. The other area which the Committee considered this year was the impact on statutory profit of the impairment of intangible assets and goodwill arising on business combinations, concluding that the current executive team were not responsible for the material factors leading to the impairment and should therefore not be penalised for the statutory loss; no additional adjustment would be applied to any former executive team member.

The Group CEO received an IPM of 150% in recognition of providing inspirational leadership with the execution and delivery of the new transformative strategy, focusing on customers and performance, and leading to real underlying growth. The Group CEO has also shown commitment to making Bupa the very best place to work and in 2022 Bupa received its highest ever result on employee engagement.

The Group CFO received an IPM of 130% in recognition of a successful first full year in role, ensuring that we invest in capabilities to accelerate our 3x6 strategy; transform Group Finance to include establishing a Corporate Development team; and develop a capital management strategy to evaluate opportunities.

Directors' remuneration report Part 2: Implementation continued

The financial targets and actual performance for the 2022 MBS are set out in the tables below.

2022 MBS payout[1]	% weighting of measure	Threshold performance level £(m) or % if indicated	On target (100%) performance level £(m) or % if indicated	Stretch (125%) performance level £(m) or % if indicated	Actual performance level £(m) or % if indicated	Business Performance Multiplier	Final Weighted Business Performance Multiplier
Group profit[2]	55%	421	467	514	558	125.0%	68.7%
Group revenue	10%	13,953	15,503	17,054	16,137	110.2%	11.0%
Cost efficiency	10%	16.8%	15.2%	13.7%	14.8%	107.2%	10.7%
Customer objectives	6.25%	50%	100%	125%	123.2%	123.2%	7.7%
Customer NPS	18.75%	50%	100%	125%	111.2%	111.2%	20.9%
Total BPM outcome	**100%**						**119.0%**

1. For financial performance, threshold is 90% of target performance and stretch 110%. Payout for threshold is 0%, target is 100%, and stretch is 125%, with straight-line vesting in between. For customer performance, threshold is 50% of target performance and stretch 125%. Payout for threshold is 0%, target is 100%, and stretch is 125%, with straight-line vesting in between.
2. Group profit for MBS is defined as management profit excluding mark to market.

Executive Director	Salary[1] (£'000)	Target award amount (% of salary)	BPM% (0-125%)	IPM% (0-160%)	2022 MBS payment[2] (£'000)	% of maximum Award
Iñaki Ereño	939	100%	119.0%	150%	1,675	89.2%
James Lenton	609	75%	119.0%	130%	707	77.4%

1. Salary refers to that earned in respect of 2022.
2. 50% of MBS payment is deferred for three years with payment dependent on continued employment until date of payment.

Interests awarded during 2022 (audited)

During the year, awards for the 2022–24 SPP (cash-based plan) were made to the Executive Directors. The plan covers the performance period to 31 December 2024. Vesting of the award is subject to the satisfaction of the performance conditions over the performance period. Subject to the potential application of malus, any cash award will be paid in March 2025.

Executive Director	Year	Threshold award (% of salary)	Threshold award (£)	Target award (% of salary)	Target award (£)	Maximum award (% of salary)	Maximum award (£)
Iñaki Ereño	2022	30%	277,500	150%	1,387,500	300%	2,775,000
James Lenton	2022	27.5%	165,000	137.5%	825,000	275%	1,650,000

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 2022-24 financial years, details of which are set out in the table below.

2022-24 Strategic Performance Plan (SPP) (audited)

2022-24 SPP scorecard

SPP scorecard measures	Scorecard weighting	Alignment to strategy
Return on capital employed (ROCE)	55%	ROCE is a good measure of Bupa's performance as it ensures that we use our capital efficiently to generate profit. We have a wide range of businesses in our portfolio and need to focus on ensuring that we operate these efficiently and profitably. 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. We can do this by increasing the performance of all of our businesses as well as actively managing our portfolio.
Customer healthcare touchpoints	15%	This measure directly links to one of our three ambition KPIs. 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%	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. Focussing on this measure ensures that we continue to have a strong and sustainable business.
CO_2 reduction	15%	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.

Targets for SPP measures are not disclosed at this time due to commercial sensitivity and will be made available following the end of the plan period.

Directors' remuneration report
Part 2: Implementation continued

CEO pay ratio

The table below compares the single total figure of remuneration for the CEO since 2019 with that of the UK employees who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its employee population.

Year	Method		Ratio with the 25th percentile employee	Ratio with the 50th percentile employee	Ratio with the 75th percentile employee
2022	Option B	Total pay and benefits	123:1	122:1	68:1
		Salary only	41:1	40:1	24:1
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 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. The Gender Pay Gap data is a snapshot of hourly pay as at 5 April and it is this snapshot that is used to identify the 25th, 50th and 75th percentile employees for this table in line with the CEO Pay Ratio regulations. The table above details actual pay earned through the year for those employees identified at the 25th, 50th and 75th percentile.

Of the three options available for calculating the pay ratio we have chosen Option B, which uses the most recent gender pay gap information (April 2022) 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 provides 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. The annual remuneration figures are taken across the full year ending 31 December 2022.

Changes to the CEO pay ratio at the salary level reflect actions taken by Bupa on pay to address issues with the cost of living crisis. Furthermore, the significant changes in the overall position this year with regards to total pay and benefits is in part a result of the reduced single total figure for the Group CEO due to changes in the vesting schedule of Bupa's long-term incentive schemes as outlined in last year's report.

In reviewing the employee pay data, the Committee is comfortable that the overall picture presented by the ratios is consistent with our pay, reward and progression policies for UK employees.

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
2022 Total pay and benefits	£24,112	£24,287	£43,745
2022 Salary only	£22,721	£23,301	£38,339
2021 Total pay and benefits	£22,584	£21,632	£37,930
2021 Salary only	£22,358	£21,120	£34,889
2020 Total pay and benefits	£21,392	£21,528	£38,371
2020 Salary only	£20,340	£21,373	£34,085
2019 Total pay and benefits	£21,899	£25,412	£31,468
2019 Salary only	£20,325	£23,543	£29,914

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.

	2022 (£m)	2021 (£m)	Difference 2022-2021 (£m)
Remuneration paid to all employees[1]	**2,499**	2,395	104
Cash flow used in investing activities	**889**	235	654

1. Remuneration paid to all employees includes staff costs relating to wages and salaries as found in note 2.3.1 (page 139).

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 2022 compared to 2021 and 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 is a snapshot of 1 April 2022 increases only and does not reflect increases awarded through the year.

	% change in salary/fees			% change in benefits (excl. pension)			% change in short-term incentives		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Executive Directors[1]									
Iñaki Ereño[2]	n/a	2.8%	1.9%	0%	136%	-6%	n/a	17%	26%
James Lenton[3]	n/a	0.5%	2.0%	0%	-65%	25%	n/a	n/a	53%
Evelyn Bourke[4]	2.9%	n/a	n/a	106%	n/a	n/a	549%	n/a	n/a
Joy Linton[5]	2.9%	n/a	n/a	124%	n/a	n/a	-100%	n/a	n/a
Non-Executive Directors[6]									
Roger Davis (Chairman)[7]	0%	0.9%	2.1%	-13%	-23%	20%	n/a	n/a	n/a
Paul Evans[8]	3.4%	0.6%	25.3%	-59%	43%	110%	n/a	n/a	n/a
Michael Hawker[9]	1.3%	2.3%	6.9%	-100%	n/a	n/a	n/a	n/a	n/a
Cath Keers[10]	23.1%	0%	4.2%	250%	-71%	100%	n/a	n/a	n/a
Nicholas Lyons[11]	-2.3%	10.5%	n/a	0%	0%	n/a	n/a	n/a	n/a
Matías Rodríguez Inciarte[12]	6.4%	12.7%	16.4%	-100%	n/a	400%	n/a	n/a	n/a
Melvin Samsom[13]	-2.5%	8.9%	16.3%	-35%	-88%	150%	n/a	n/a	n/a
Caroline Silver[14]	0.9%	0%	1.8%	n/a	n/a	n/a	n/a	n/a	n/a
Clare Thompson[15]	3.9%	3.0%	2.2%	0%	0%	0%	n/a	n/a	n/a
Janet Voûte[16]	-3.5%	4.8%	n/a	-74%	-40%	n/a	n/a	n/a	n/a
Average UK employee[17]	1.8%	1.7%	2.1%	No material change			24.9%	6.9%	33.0%

1. Martin Potkins acted as interim CFO from 5 March to 11 November 2021 and as no year on year changes are reportable he is not included in this table.
2. Iñaki Ereño was appointed Group CEO in January 2021.
3. James Lenton joined Bupa as Group CFO in September 2021 with formal approval to the position in November 2021.
4. Evelyn Bourke retired as Group CEO in December 2020.
5. Joy Linton was Group CFO until March 2021.
6. Not included in this table are the three NEDs appointed in 2022: Gunjan Bhow, Sally Clark and Pia Heidenmark Cook. Their percentage change in remuneration will be reported from 2023.
7. Increased benefit costs for Roger Davis relate to use of a car service in 2022.
8. The increased fees reported for Paul Evans reflect changes to committee memberships, including taking on the role of chair of the audit committee from 1 May 2022, as well as appointment to Senior Independent Director in Group in 2022. Included are fees for membership of the BGUK MU Advisory Oversight Committee. Also reflected are fees for his services on multiple Committees as a NED of Bupa Insurance Limited and Bupa Insurance Services Limited. Increased benefit costs relate to the increase in travel in 2022.
9. As zero benefit costs were reported for Michael Hawker in 2021 due to travel restrictions, benefit cost increases for 2022 are not calculated.
10. The increased overall benefit costs for Cath Keers are reflective of the very low costs incurred in 2021.
11. Nicholas Lyons resigned as a NED on 31 August 2021.
12. The increase to fees reported for Matías Rodríguez Inciarte relate to membership of the ELA MU Advisory Oversight Committee. The increased benefit costs reflect increased travel in 2022.
13. Increased fees for Melvin Samsom are a result of changes to committee membership and increases to benefit costs reflect increased travel in 2022.
14. As zero benefit costs were reported for Caroline Silver in 2021 due to travel restrictions, benefit cost increases for 2022 are not calculated.
15. Clare Thompson stepped down as a NED on 30 April 2022.
16. Janet Voûte stepped down as a NED on 31 December 2021.
17. All permanent employees in the UK who were in employment during the two calendar year periods of 2021 and 2022 were selected as the most appropriate comparator.

Directors' remuneration report Part 2: Implementation continued

Historical

The table below shows levels of payout to the Group CEO against the maximum incentive opportunity for the last ten 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 %	SPP vesting rates against maximum opportunity %
2022	Iñaki Ereño[1]	2,966	89%	n/a	n/a	n/a	n/a
2021	Iñaki Ereño	4,653	72%	n/a	80%	n/a	n/a
2020	Evelyn Bourke[2]	4,838	64%	50%	57%	n/a	n/a
2019	Evelyn Bourke	3,646	10%	—%	49%	49%	n/a
2018	Evelyn Bourke	2,078	45%	16%	n/a	n/a	n/a
2017	Evelyn Bourke	2,511	64%	41%	n/a	n/a	n/a
2016	Evelyn Bourke[3]	1,837	56%	44%	n/a	n/a	n/a
2016	Stuart Fletcher[4]	1,315	46%	44%	n/a	n/a	n/a
2015	Stuart Fletcher	2,081	62%	30%	n/a	n/a	n/a
2014	Stuart Fletcher	2,812	82%	71%	n/a	n/a	n/a
2013	Stuart Fletcher	1,703	71%	n/a[5]	n/a	n/a	n/a

1. Details of Iñaki Ereño's 2022 incentive payout are laid out on page 86.
2. Evelyn Bourke retired as Group CEO on 31 December 2020.
3. Evelyn Bourke was appointed Group CEO on 25 July 2016.
4. Stuart Fletcher left Bupa on 31 May 2016; his annual bonus reflects a pro-rated payment.
5. Stuart Fletcher was not a participant of this plan; however, payments to eligible participants was 84% of the maximum.

Statement of implementation of Remuneration Policy in 2023

The remuneration of the Group CEO and Group CFO for 2023 was reviewed by the Committee in the context of the Remuneration Policy as described on pages 92-96. Having reviewed the salaries, the Committee approved salary increases for the Group CEO of 3.9% and for the Group CFO of 3.8%, to reflect their performance in the role and position against external market practice as well as considering alignment with the broader workforce.

	Salary (effective from 1 April 2023)	Pension (effective from 1 Jan 2023)	Management Bonus Scheme[1]	Strategic Performance Plan[2]
Iñaki Ereño Group CEO	£980,000	12% salary	Threshold – 0% salary	Threshold opportunity – 30% salary (£282,900)
			Target opportunity – 100% salary	Target opportunity – 150% salary (£1,414,500)
			Maximum opportunity – 200% salary	Maximum opportunity – 300% salary (£2,829,000)
James Lenton Group CFO	£635,000	12% salary	Threshold – 0% salary	Threshold opportunity – 27.5% salary (£168,300)
			Target opportunity – 75% salary	Target opportunity – 137.5% salary (£841,500)
			Maximum opportunity 150% salary	Maximum opportunity – 275% salary (£1,683,000)

1. Based on salary earned in 2023.
2. SPP award based on salary as of 1 March 2023.

The MBS and SPP have been designed, in line with the Remuneration Policy, to support Bupa's strategy. The targets and the weighting of the measures were carefully considered to ensure the right balance of financial and non-financial measures in the short-term and the long-term, and to support strong and sustainable performance. Due to commercial sensitivity, these are not disclosed.

Measure	Management Bonus Scheme weighting per measure
Group profit	55%
Revenue	10%
Cost efficiency	10%
Customer[1]	25%

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

1. The customer measure is a combination of customer objectives and NPS.

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

Directors' remuneration report Part 2: Implementation continued

Payments to former Directors (audited)

There were no payments to former Directors for 2022.

Payments for loss of office to Directors (audited)

There were no payments for loss of office to Directors for 2022. Those NEDs who stepped down during the year did not receive any payment for loss of office.

Chairman and Non-Executive Director fees

During 2022, 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 fee for Non-Executive Directors were increased in line with the broader UK-based population.

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

		2022 Fee
Chairman's fee		**£442,000**
Non-Executive Director basic fee		**£73,500**
Senior Independent Director fee		**£25,000**
Committee chairmanship	Audit Committee	**£25,000**
	Remuneration Committee	**£25,000**
	Risk Committee[1]	**£25,000**
	Sustainability Committee	**£15,000**
Committee membership	Audit Committee	**£8,000**
	Remuneration Committee	**£8,000**
	Risk Committee	**£8,000**
	Sustainability Committee	**£4,500**
	Nomination & Governance Committee	**£4,500**

1. The Risk Committee fees were reviewed and increased from March 2023 in the context of the external recruitment being undertaken. The increase will be reported in the 2023 Annual Report and Accounts. The Risk Committee fees will be excluded from the annual NED fee review in July 2023.

Single total figure of remuneration 2022 – NEDs (audited)

	Fees £000		Benefits[1] £000		Total £000	
Non Executive Directors	2022	2021	2022	2021	2022	2021
Roger Davis (Chairman)	**438**	429	**12**	10	**450**	439
Gunjan Bhow	**59**	n/a	**60**	n/a	**119**	n/a
Sally Clark	**49**	n/a	**4**	n/a	**53**	n/a
Paul Evans[2]	**213**	170	**21**	10	**234**	180
Michael Hawker[3]	**187**	175	**37**	–	**224**	175
Pia Heidenmark Cook	**61**	n/a	**10**	n/a	**71**	n/a
Cath Keers	**100**	96	**4**	2	**104**	98
Matías Rodríguez Inciarte[4]	**227**	195	**10**	2	**237**	197
Melvin Samsom	**100**	86	**10**	4	**110**	90
Caroline Silver	**114**	112	**1**	–	**115**	112
Clare Thompson[5]	**46**	137	**1**	1	**47**	138
Total	**1,594**	1,400	**170**	29	**1,764**	1,429

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. It is worth noting the increased level of travel in 2022 compared with the prior year.
2. The 2022 figures for Paul Evans include fees of £16,667 for membership of the BGUK MU Advisory Oversight Committee and £91,707 of fees, in respect of his services as a NED of Bupa Insurance Limited and Bupa Insurance Services Limited.
3. The 2022 figures for Michael Hawker's include AU$174,116, in respect of his services as Deputy Chairman of Bupa Australia and New Zealand.
4. The 2022 figures for Matías Rodríguez Inciarte includes fees of €36,300 for membership of the ELA MU Advisory Oversight Committee and €125,000 in respect of his services as a NED of Sanitas, S.A. de Seguros.
5. Clare Thompson stepped down as a NED on 30 April 2022.

Directors' remuneration report
Part 2: Implementation continued

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 & Reward Director.

The Committee presented the 2021 Directors' remuneration report at the AGM in May 2022 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, alignment with culture, and outcomes not rewarding poor performance.

Following a selection process in 2021, 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 and does not have any connections with Bupa that may impair its independence. Deloitte is a member of the Remuneration Consultants' Group and voluntarily operates under this group's code of conduct when providing advice on executive remuneration in the UK. Deloitte's fees for services to the Committee in 2022 were £62,850 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.

Other teams within Deloitte provided unrelated tax and consulting services to Bupa during the year.

The Terms of Reference of the Committee were reviewed by the Committee and adopted by the Board in December 2022. A full description of the Committee's role is set out in its Terms of Reference here 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. In respect of a resolution to approve the 2021 directors' remuneration report and the directors' remuneration policy, 100% of AMs approved the motion at the AGM on 11 May 2022. The Policy applies for up to three years. The policy is available on Bupa's website under the 'Financials' heading in the Directors' Remuneration Report of the Annual Report and Accounts.

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 with 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 an 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.

Directors' remuneration report
Part 3: Policy continued

Base salary	Management Bonus Scheme	Strategic Performance Plan	Pension	Benefits
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.	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.

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.

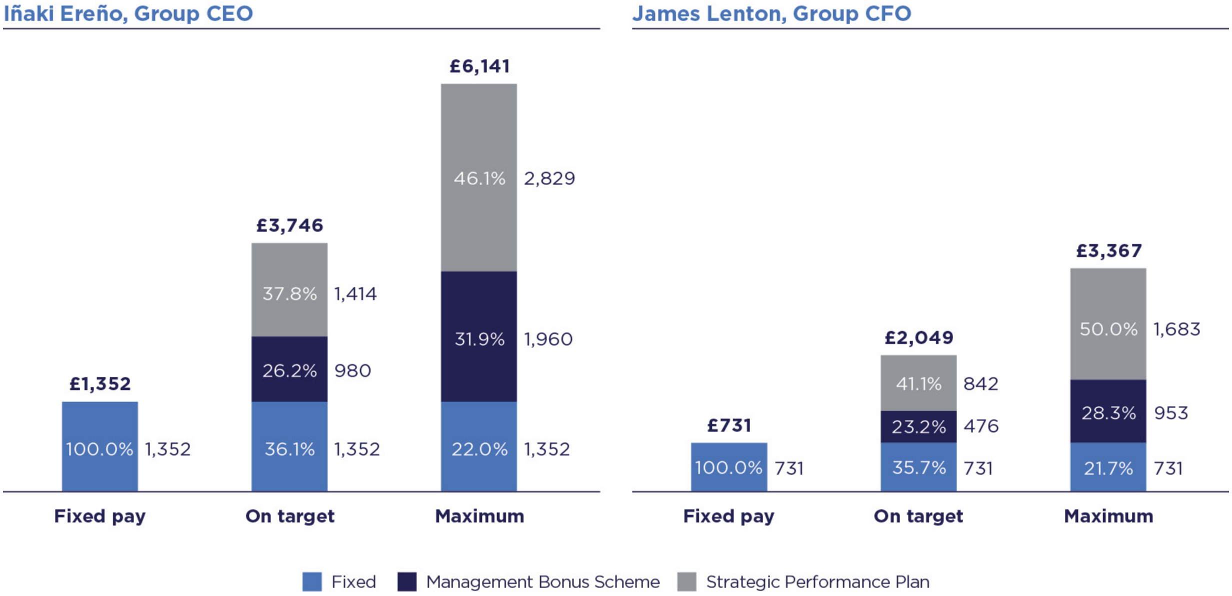
Directors' remuneration report
Part 3: Policy continued

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 2023 to calculate the MBS values and 1 March 2023 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 92 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.

Directors' remuneration report
Part 3: Policy continued

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.

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 93.

Service contracts for Executive Directors

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

Policy	Committee response
Notice period and compensation for loss of office in service contracts	• 12 months' notice from the Company to the Executive Director. • Up to 12 months' base salary (in line with the notice period). Notice period payments will either be made as normal (if the Executive Director continues to work during the notice period or is on 'gardening leave') or at the termination date for any unexpired notice period.
Treatment of MBS on loss of office under plan rules	• The Committee may make an MBS payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual's performance up to cessation. Any such payment is at the discretion of the Committee. • Any MBS will be paid at the normal time following the end of the performance year.
Treatment of 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.

Directors' remuneration report
Part 3: Policy continued

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 here 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 2022

	Board		Audit Committee		Nomination & Governance Committee		Remuneration Committee	Risk Committee	Board Sustainability Committee
	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Additional Mtgs	Scheduled Mtgs	Scheduled Mtgs	Scheduled Mtgs
No. of meetings	**10**	**1**	**8**	**3**	**3**	**2**	**6**	**5**	**4**
Roger Davis	10/10	1/1			3/3	2/2	6/6		
Iñaki Ereño	10/10	1/1							4/4
James Lenton	10/10	1/1							
Paul Evans	10/10	1/1	8/8	3/3	3/3	2/2		5/5	
Gunjan Bhow[1]	7/8	0/0						3/3	
Sally Clark[2]	4/5	0/0	3/3	2/2			3/3	3/3	
Mike Hawker[3]	10/10	1/1	3/4	3/3			4/4	2/2	4/4
Pia Heidenmark Cook[4]	7/8	0/0			2/2	0/0			3/3
Cath Keers[5]	9/10	0/1					6/6		2/2
Matías Rodríguez Inciarte	10/10	1/1	8/8	3/3				5/5	
Melvin Samsom	10/10	1/1			3/3	2/2		5/5	4/4
Caroline Silver[6]	7/10	0/1	6/8	3/3			5/6	4/5	
Clare Thompson[7]	3/4	0/1	4/4		1/1	0/1		1/1	1/1

1. Gunjan Bhow joined the Board on 1 April 2022 and the Risk Committee on 8 June 2022. He was unable to attend one Board meeting due to a prior commitment.
2. Sally Clark joined the Board and became a member of the Audit, Remuneration and Risk Committees on 1 July 2022. She was unable to attend one Board meeting due to a prior commitment.
3. Mike Hawker joined the Remuneration Committee on 3 February 2022 and the Audit Committee on 8 June 2022 and retired from the Risk Committee on 8 June 2022. He was unable to attend one Audit Committee meeting due to a prior commitment.
4. Pia Heidenmark Cook joined the Board and the Board Sustainability Committee on 1 April 2022 and the Nomination & Governance Committee on 8 June 2022. She was unable to attend one Board meeting due to a prior commitment.
5. Cath Keers was unable to attend one scheduled Board meeting and the additional Board meeting due to prior commitments. She was appointed to the Sustainability Committee on 8 June 2022.
6. Caroline Silver was unable to attend three scheduled Board meetings and the additional Board meeting, two Audit Committee meetings, one Remuneration Committee meeting and one Risk Committee meeting due to illness, a bereavement and prior commitments.
7. Clare Thompson retired from the Board and all her Committee memberships on 30 April 2022. She was unable to attend the additional Board meeting and the additional Nomination & Governance Committee meeting due to prior commitments.

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 2022 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 - 48 and from page 120, respectively. The Governance report on pages 49 - 100 comprises the Directors' report.

The following disclosures required to be contained in the Directors' report under the Companies Act 2006 and related regulations, or required to be contained in the annual report under Listing Rule 9.8.4, are set out on the pages referred to below and incorporated by reference into this Directors' report:

Disclosure	Location
Financial instruments	Note 10 page 164
Risk management objectives and policies in relation to the use of financial instruments	Note 26 page 184
Likely future business developments	Strategic Report page 1
Acquisitions and disposals	Note 24 page 181
Financial performance	Page 3
Engaging with our people and employment of disabled persons	Strategic Report – People and culture page 18
Relationships with suppliers, customers and others	Section 172 statement page 36
Greenhouse gas emissions, energy consumption and energy efficiency action	TCFD section page 101
Long-term incentive schemes	Directors' remuneration report page 82

Other statutory information continued

Political donations

Our policy is not to make donations to political parties or to independent election candidates and we 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 2022. 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 2023 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. We have no intention of making use of this resolution.

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.

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 126 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 3x6 strategy introduced in 2021 is the driving force behind our transformation agenda and planning process. We chose a three-year assessment period for the longer-term viability assessment 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. We considered a number of reasonably plausible severe scenarios as well as contingent liabilities. This included a broad range of potential adverse outcomes from the Chile Supreme Court judgment described on page 11, including scenarios that considered materially worse outcomes than the Solvency II capital allocated against the contingency given the inherent uncertainty surrounding the implementation of the Supreme Court judgement.

Other scenarios considered included a group-wide assessment of a worsening of the global inflationary outlook driven by strong wage inflation leading to a wage-price inflation spiral and subsequent recession, and a variety of local scenarios developed by each Business Unit with the majority focusing on strategic workforce-related risks impacting either the availability or cost of staff. 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 although multiple improbable events are required to induce failure before management actions in the timeframe considered.

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 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, Bupa's strong ratings and proven access to bond markets provide considerable comfort. Under the most severe economic scenarios considered as part of our stress testing, the forecast liquidity position reduces and further management actions would be required to remain within the Group's liquidity appetite by 2024. Management actions include reducing expenditure, obtaining additional funding or divesting investments or businesses.

Other statutory information continued

Our most recent 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. This expenditure is largely discretionary and can be reduced if required.

Following a review of the key risks and uncertainties set out in the Risk section on pages 42 to 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 potential impacts of significant global economic uncertainty on the Group. While continuing uncertainty exists as a result of the economic aftermath of the COVID-19 pandemic, which has been exacerbated by the effects of the war in Ukraine, the Group's diversified business model 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.

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards
- 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 Act. 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 Act, 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.

Other statutory information continued

Each of the current Directors, whose names and positions are set out on pages 59 to 62, confirm that to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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 re-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

1 March 2023

Company number: 432511

Task Force on Climate-related Financial Disclosures (TCFD)

We know that to be a viable business built for the future economy, we need to be equipped to identify and act on the climate risks and opportunities within our business. We are demonstrating our climate goals through: our science-based targets, our ambition to become a net zero business by 2040, implementing our wider sustainability strategy (see page 22-23 for more details on the strategy), and by transforming our business to embed sustainability into all decision-making. We will continue to develop the detail of our TCFD disclosures as we complete further analysis and strengthen our approach.

TCFD recommendation	Details and our progress in 2022	Where can I find out more?
Governance A. Describe the Board's oversight of climate-related risks and opportunities B. Describe management's role in assessing and managing climate-related risks and opportunities	A. The Board has overall responsibility for oversight of climate-related risks and opportunities but delegates more detailed oversight to its Committees as appropriate. As noted in the Board of Directors section on page 61, Pia Heidenmark Cook was appointed as a Non-Executive Director in 2022. Pia brings considerable corporate ESG and sustainability expertise to support with the Board's effective oversight of climate-related risks and opportunities. Additionally, as detailed on page 22, we delivered two Board upskilling sessions as part of our Sustainability Academy. In 2022, the Board approved our new sustainability strategy, recommended by the Board Sustainability Committee (BSC). The sustainability strategy sets out our mission to build a healthier future for people and the planet, which also incorporates our ambition to be net zero by 2040. The Board approved a revised Enterprise Sustainability Policy to align with the sustainability strategy and ensures Market Unit level governance over sustainability issues. The Board reviewed and approved our Greenhouse Gas (GHG) Emissions Report for 2021 covering scope 1, 2 and selected scope 3 categories and includes GHG emissions data for 2019, 2020 and 2021. The Board was supported by the Audit Committee and BSC in reviewing this report. The Audit Committee also had oversight over the external limited assurance performed by PwC of our 2021 GHG emissions footprint. The Risk Committee (RC) and the BSC have defined responsibilities within their Terms of Reference relating to Environmental, Social and Governance (ESG). The RC has oversight of climate-related risks and is aware of how climate change may impact our different business lines and geographies. B. The Chief Executive Committee (CEC) is accountable for the executive leadership, and execution of Bupa's sustainability strategy, including our net zero ambition and supporting science-based targets. The Sustainability Steering Committee is accountable to the CEC for driving delivery of the sustainability strategy. The Committee meets monthly to assess performance against deliverables and ensure that risks are being identified and appropriately managed. The updated Enterprise Sustainability Policy referenced above articulates management's role in supporting the delivery of our sustainability strategy including in assessing and managing climate-related risks and opportunities. The Bupa Enterprise Risk Committee (BERC), which is responsible for the leadership and oversight of risk across the Group, along with some of its sub-committees, also oversees the management of climate-related risks across the Group (e.g., how Bupa's risk profile may be impacted by climate change, the results of global scenario analyses, mitigations and disclosures). Climate-related risks are also considered by first-line fora which are sub-committees of the BERC; for example, the Corporate Finance Executive and Solvency & Capital Committees consider the potential for risks from investment portfolio and regulatory capital perspectives.	More details on sustainability and ESG governance can be found on page 24 For more information on our sustainability strategy see page 22-23 The Board Sustainability Committee's report can be found on page 79 Our 2021 Greenhouse Gas Emissions Report can be found on Bupa.com here The Audit Committee's report can be found on page 67 The Risk Committee's report can be found on page 73 More details on management's role can be found on page 56 More details on our climate-related remuneration can be found in the metrics and targets section of this TCFD table

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD recommendation	Details and our progress in 2022	Where can I find out more?
Strategy A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	A. Climate change – due to its pervasive and cross-cutting nature – has the potential to affect our existing significant risks (e.g. Property, Insurance). We have identified which of our significant risks may be affected – or 'driven' – in part by climate change over the short, medium and long term. In line with the TCFD recommendations, we present the relevant risk drivers across two different types – Transition (i.e. risks resulting from the transition to a lower carbon economy), and Physical (i.e. risks resulting from short-term changes in weather patterns and long-term changes in climate). As detailed in the Financial risks associated with climate change table on page 46-47, the most relevant transition risk drivers relate to: ▪ Legal and regulatory changes (short term); ▪ Reputational risks associated with meeting – or failing to meet – enhanced stakeholder expectations (short term); ▪ Changes in market conditions impacting asset valuations (e.g. property portfolio, and investments such as sovereign and corporate bonds) and the affordability of our products and services (medium term). The main physical risk drivers relate to: ▪ Physical risk drivers (such as heatwaves and flooding) which could result in business disruption, but also could be a factor in property valuations (medium term); ▪ Impacts to healthcare needs of our insurance customers (i.e. 'One Health') (long term). A key opportunity associated with climate change relates to a shift in consumer preference for low carbon products and services. As the economy transitions to low carbon this will create opportunities for new corporate and small and medium enterprises (SMEs) to provide alternative services which could have a positive impact on revenue, particularly if we are seen to be a strong advocate for positive actions on climate change. Additionally, as noted on page 22, in 2021 we carried out a sustainability materiality assessment to identify the most material ESG topics for the company, assessed in terms of potential impact to the business, either as a risk or opportunity, and which matter most to our internal and external stakeholders. Climate change and 'One Health', referring to the intersection between people and planet health, were identified within the top five most strategically important ESG topics. As climate change is a health concern as well as an environmental risk, continued intensification of climate change is projected to increase the prevalence of respiratory disease and allergies, cardiovascular disease, mental health conditions, infectious disease and skin cancer among others. Due to the nature of these conditions, another opportunity Bupa has identified is looking at how to adapt its products to be able to continue 'helping people live longer, healthier, happier lives and making a better world' in line with our purpose. In 2023 we will be initiating a more detailed assessment of the climate-related opportunities that exist for our business over the short, medium and long term.	For more information on our sustainability strategy, see page 22-23 For further details on the impact on products and services, see Mission Zero update on page 27 For further details on the impact on access to capital, see Mission Zero update on page 25 For further details on our decarbonisation planning and transition plan development, see Mission Zero update on page 25 For more information on our sustainability materiality assessment, see Bupa.com here The potential impacts of climate change on Bupa's significant risks are described in the Risk section pages 46-47 For further details on our scenario analysis, see the Risk section page 48 For more information on delivery of Board training, see the Board training and knowledge building section on page 52 More information on our sustainable procurement approach can be found on page 32

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD recommendation	Details and our progress in 2022	Where can I find out more?
Strategy continued B. Describe the impact of climate risks and opportunities on the organisation's business, strategy and planning	B. (i) Our purpose outlined above and on page 8 demonstrates that, as a healthcare company, we are particularly aware of the inextricable link between the health of the planet, climate change, human health and healthcare. The addition of 'and making a better world' to our purpose, in 2021, establishes the broader role we expect to play in the health of our people and planet and in how we deliver healthcare. (ii) Sustainability is a strategic pillar of our 3x6 strategy. Our sustainability strategy was developed to provide a framework for the business to focus investment and accelerate action where the business can have the greatest impact, at the intersection of climate and health, recognising that to look after people's health means looking after the health of the planet too. See page 22 for more information. (iii) As reported on page 24 as part of our Mission Zero update, we have committed to become a net zero business by 2040, underpinned by our 1.5°C aligned science-based targets, and demonstrated via our membership of the UN-backed Race to Zero campaign. To date, scope 1 and 2 priorities have been integrated into three year business planning cycles. These, alongside wider net zero priorities, will be further integrated into business and financial decision-making in 2023, to ensure that the necessary decarbonisation initiatives, aligned to meeting these targets, are prioritised and funded. This transition will be further enabled through leadership engagement and training across the organisation. As detailed on page 22, in 2022 we launched the Sustainability Academy within Bupa, starting with upskilling leadership and priority functions on climate-related issues. In addition to developing the Academy curriculum for all employees in 2023, we will also focus on maturing our approach to research, collaboration and innovation as part of the delivery of our sustainability strategy and net zero by 2040 target. As mentioned above, in 2023 we will be undertaking a more detailed assessment of the climate-related risks and opportunities, as well as their impact on our business, strategy and planning. We have begun a property climate risk assessment of all our sites, starting in the UK, and are developing a property climate change risk register. Our assessment applies the methodology introduced by the UK Green Building's Council (UKGBC) in their 'Framework for Measuring and Reporting of Climate-related Physical Risks to Built Assets' (https://www.ukgbc.org/ukgbc-work/measuring-and-reporting-framework/). It assesses site-level exposure against several risk categories: flooding, drought, air pollution, extreme weather, fire. At present we are collating data via desk-based research and literature, in conjunction with input from property management teams, to begin mapping the risk categories against likelihood (or probability per UKGBC terminology) and severity of impact. We have aligned classification to Bupa's likelihood and severity risk reporting classification so that we can use the risk register for TCFD and property risk reporting purposes. Once we have visibility of likelihood and severity of risks per category on a site level across the UK portfolio we will be able to carry out an impact assessment. We have also set up a Climate-related Guidance Working Group to address some of the identified physical risks, more details on which can be seen in the risk management section below. We aim to improve our understanding of any material risk concentrations within our supply chain throughout 2023. What we do understand, however, is that approximately 98% of our company emissions are scope 3, and procurement of goods and services is one of the top three contributing categories to those scope 3 emissions. As such, we have worked to develop a procurement sustainability programme and supplier engagement strategy that seeks to directly address emissions and reduce exposure to climate risk in our supply chain, thereby contributing towards an economy-wide transition to net zero. The programme and strategy includes assessing supplier alignment to Bupa's targets and ambitions, and setting of targets to improve alignment rates. This supplier engagement will aid understanding of sector-specific challenges and help us collaborate to work towards addressing them. In addition, complementary regulatory guidelines have led to increased focus on business continuity (in event of a disaster) and even stressed exits from suppliers.	

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD recommendation	Details and our progress in 2022	Where can I find out more?

Strategy continued
C. Describe the resilience of the organisation's strategy taking into consideration different climate related scenarios, including a 2ºC or lower scenario
	C. 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 and scenario analysis performed. To date:
	▪ Bupa has utilised two scenarios from the Prudential Regulation Authority (PRA) Climate Biennial Exploratory Scenario (CBES) (although Bupa was not formally invited to participate) to help explore the possible impacts to the Group balance sheet from climate change over a 30-year horizon:
	  ▪ 'Late Action': a ~2°C, disorderly transition scenario, achieving net zero by 2050 (comparable to the Network for Greening the Finance System (NGFS) Disorderly scenario), and
	  ▪ 'No Additional Action': a 4.1°C scenario with high physical risk due to a lack of transition (comparable to the NGFS Hot House World and the Representative Scenario Pathway (RCP) 8.5 scenarios).
	▪ The scenarios analysed the potential property-related financial impacts from devaluations, increased adaptation costs, and increased insurance premiums. The scenarios also analysed the potential impacts on our investment portfolio and the value of Bupa's debt.
	▪ Our 2022 Stress and Scenario Testing programme (SST) also included a range of Global and local (i.e. Business Unit) scenarios, analysing impacts from a broader range of sensitivities which could be driven by climate change (although not exclusively), such as global inflation to insurance claims and expenses (could be driven by an energy price shock or carbon pricing), and local Business Unit level scenarios modelled potential impacts driven by strategic workforce risks, supply chain disruption and regulatory changes.
	▪ The results of our scenario analysis to date, based on the scope of our financial analysis as described above, suggest that our strategy is resilient to the financial risks from climate change.
	▪ In 2023 we will continue to evolve our approach to scenario analysis and will broaden our scenario analysis to better understand how climate change could impact our health insurance business, and to help identify how climate risk will impact our supplies and supply chains.
	We continue to evolve and mature our climate scenario analysis along with our disclosure approach.
	The global scope 1 and 2 decarbonisation roadmap referenced on page 25 will also take into consideration scenarios that model energy price volatility and future viability of new technologies, allowing us to accurately identify the best adaptation and mitigation options for our different sites in different geographies.	

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD recommendation	Details and our progress in 2022	Where can I find out more?
Risk management A. Describe the organisation's processes for identifying and assessing climate-related risks B. Describe the organisation's processes for managing climate-related risks C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	A. We have identified which of our significant risks may be affected by climate change, and defined our approach to managing these risks. The pervasive and cross-cutting nature of climate change means that physical changes in the climate and the transition to a low carbon economy could drive the emergence and/or development of risks across our Finance, Insurance, Customer, Clinical Governance, Health & Safety, Strategic and Operational risk categories. Bupa's existing risk categories provide the structure within which risk assessments can be recorded and assessed in our risk management systems and reported from across our businesses and Market Units. In addition: (i) The existing horizon scanning processes include consideration of ESG and climate-related risk developments internationally (ii) Stress and scenario testing (SST) helps us to explore the possible impacts of climate change on areas of our balance sheet, e.g. valuation of properties. B. Developments in our approach to managing climate-related risks in 2022 include: (i) Property climate risk assessments have commenced for all sites, starting in the UK (refer to above section for more information). (ii) Climate targets and limits were agreed in 2021, as part of our approach to Responsible Investment. In 2022 we took action to reduce portfolio emissions, embedding targets within investment strategies and reducing exposure to higher carbon intensity issuers. (iii) The new Enterprise Sustainability Policy, referenced in the TCFD Governance section, will continue to be embedded in 2023, through the deployment of controls and continuous monitoring standards. (iv) The Climate-related Guidance Working Group is a global, cross-functional working group which develops thematic, risk-based, practical guidance to improve resilience to the physical impacts of climate change. This Working Group aims to complement existing business continuity and clinical guidance by bringing a thematic focus on physical climate risk considerations (e.g. in 2022 it finalised its aged care heatwave guidance which shares good practice across Bupa). (v) The sustainability strategy, specifically the Mission Zero pillar, supports the consideration and management of the risks climate change poses to Bupa but also the risk Bupa operations pose to the climate and wider environment. In addition, our BSC advises the Board and Executive on environment and climate change risk. C. We continue to integrate climate risk management into our existing Group-wide Risk Management Framework (RMF) which sets out how we identify, assess, manage and report on risks. We will continue to ensure that climate-related risks are considered appropriately throughout our governance arrangements, including the policy framework and management committees' responsibilities. We also continue to reflect on changes in regulatory expectations (e.g. from the PRA) while embedding climate risk through the RMF. The Group Risk Function is responsible for the oversight of identification and management of financial, and other, risks from climate change throughout the Group.	For more information on our risk identification, risk management culture and controls, see the Bupa's system of governance section on page 63 For details on which of our significant risks may be affected by climate change, see the Risk section pages 46-47 For further details on our Responsible investment approach, see page 32 and the Responsible Investment statement here

Task Force on Climate-related Financial Disclosures (TCFD) continued

TCFD Recommendation	Details and Our Progress in 2022	Where can I find out more?
Metrics and targets A. Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process B. Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	A. 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, customer-based, revenue-based and average employee-based carbon intensity metrics, and the temperature alignment and carbon intensity of our investment portfolio. We also measure our scope 3 GHG emissions data and intend to publish it on Bupa.com in due course. We include climate-related performance measures within the Strategic Performance Plan (SPP), Bupa's long-term incentive plan for senior leaders and Executive Directors. In 2022, our incentive scheme was linked directly to our scope 1 and 2 carbon reduction performance, at a weighting of 15%. As detailed in the Strategy section above, we are developing a property Climate Change Risk Register. Once this work is complete, we will be able to better define any climate-related metrics and aggregated risk exposure to weather-related catastrophes of our property. B. We disclose our 2022 scope 1, 2 and scope 3 business travel GHG emissions for the Group and UK operations on page 26. The Group's scope 1 and 2 and selected scope 3 GHG emissions will be subject to external limited assurance later in 2023. We aim to disclose our other scope 3 value chain GHG emissions in due course on Bupa.com. C. Bupa's ambition to be net zero by 2040 is underpinned by 1.5°C aligned science-based targets across all three emission scopes, including a separate 1.5°C temperature alignment target for our investments. These targets have been validated by the Science Based Targets initiative (SBTi). We are also defining further metrics for each of the three pillars of our new sustainability strategy, which will help drive progress against our net zero ambition, including KPIs focused on: transforming our products and services, and developing new ones, to support our customers' health while also delivering more efficient and sustainable healthcare; and championing circularity, reducing waste and increasing re-use of materials.	For further details on our Responsible investment approach, see page 32 and the Responsible Investment statement here For detail on targets and timeframes, see Bupa.com here Our Directors' remuneration disclosure can be seen on page 82 Our GHG emissions reporting criteria for scope 1&2 and selected scope 3 categories can be found on Bupa.com here Information on our GHG emissions performance can be found on pages 25-27

In this section

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 2022 and of the Group's loss 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 as applied in accordance with the provisions of the Companies Act 2006; 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, which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2022; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income; the Consolidated and Company Statements of Cash Flows; 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. In planning for our 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 year's audit, 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 teams with the relevant industry experience in all significant locations in which the Group operates. The COVID-19 pandemic has continued to have an impact on some of Bupa's global operations throughout 2022. 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. As the restrictions on travel have eased, we have met with a number of our component teams and local management in person to fulfil our ISA 600 (UK) responsibilities. We have also considered the sustainability commitments made by the directors and 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 37 components. These were selected based on our assessment of inherent risk and their financial significance to the consolidated financial results.
- 22 components were subject to an audit of their complete financial information.
- Specific audit procedures were performed on certain balances and transactions for a further 15 components.
- Our audit scope provided coverage of 94% of IFRS Loss before taxation expense.

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

Key audit matters

- Goodwill impairment, including the allocation of impairment to goodwill and other intangible and tangible assets (Group)
- Valuation of provisions arising from insurance contracts (Group)
- Valuation of freehold property and investment property (Group)
- Application of IAS 29 - financial reporting in hyperinflationary economies (Group)
- Classification, recognition and disclosure of certain liabilities relating to Isapre Cruz Blanca (Group)
- Valuation of equity impact from the transition to IFRS 17 (Group)
- Valuation of defined benefit pension obligation (Company)

Materiality

- Overall Group materiality: £24.7 million (FY21: £21.2 million) based on 5% of loss before taxation expense adjusted for certain non-recurring items (FY21: Profit before taxation expense).
- Overall Company materiality: £8.5 million (FY21: £10.0 million) based on 1% of Total assets.
- Performance materiality: £18.5 million (FY21: £15.9 million) (Group) and £6.4 million (FY21: £7.5 million) (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.

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.

The application of IAS 29 - financial reporting in hyperinflationary economies; the classification, recognition and disclosure of certain liabilities relating to Isapre Cruz Blanca and the valuation of the equity impact from the transition to IFRS 17 are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

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

	Key audit matter	How our audit addressed the key audit matter
Goodwill impairment, including the allocation of impairment to goodwill and other intangible and tangible assets (Group) *Refer to Audit Committee Report and Note 1.3 and 3 (for accounting policy and financial disclosures)*	Where an individual asset or Cash Generating Unit ("CGU") has an indication of impairment, or for CGUs that have been allocated Goodwill (whether there are impairment indicators or not), these should be tested for impairment. An impairment review of a CGU covers all of its tangible assets, intangible assets and attributable goodwill. Where the recoverable amount of an individual asset or CGU is lower than the carrying value of a CGU, an impairment loss is recognised. Estimating and discounting the cash flow projections used in the impairment assessments requires significant judgement. The key assumptions vary by CGU and include the discount rate and the forecast cash flows, including the terminal growth rate. We identified four CGUs as having a higher risk of impairment, namely Bupa Dental Care UK, Bupa Care Services, Bupa Villages and Aged Care Australia and Bupa Chile and the valuation of the goodwill and intangible assets in these CGUs was an area of audit focus. As disclosed in Note 3 of the financial statements, significant impairments have been recognised in all four CGUs. • Bupa Dental Care UK – Goodwill £191m (2021: £467m), impairment loss recognised to Goodwill of £274m, to other intangible assets of £255m; and to other tangible assets of £117m; • Bupa Care Services – Goodwill £nil (2021: £90m), impairment loss recognised to Goodwill of £90m; • Bupa Chile – Goodwill £nil (2021: £130m), impairment loss recognised to Goodwill of £139m and to intangible assets of £22m; and • Bupa Villages and Aged Care Australia– Goodwill £nil (2021: £99m), impairment loss recognised to Goodwill of £103m. For three of the CGUs, there is no identified goodwill remaining following the impairment testing performed, therefore, the valuation uncertainty is reduced, although there continues to be inherent uncertainty in estimating and discounting the cash flow projections. For the Bupa Dental Care UK goodwill, the inherent uncertainty in estimating and discounting the cash flow projections means there is a range of potential outcomes greater than our materiality from plausible alternative assumptions. **Allocation of impairment in Bupa Dental Care UK CGU** For the Bupa Dental Care UK CGU, the methodology and assumptions applied in performing the impairment assessment and subsequent allocation of the impairment between goodwill, intangible assets and tangible assets, is inherently complex.	For goodwill and intangible asset impairment, we performed the following procedures over management's impairment assessments: **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 calculations, including the change to using a spot rate approach. • Used our valuation experts to independently determine a reasonable range for the CGU discount rates, using external comparable market information where possible. Assessed whether the rates used by management were within our reasonable range. **Model integrity** • Verified the discounted cash flow models, including validating the numerical accuracy 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 management where forecasts indicated performance that deviated significantly from historical performance. • Challenged key assumptions in the cash flow projections, including expected occupancy rates in care homes, care minute rates in Australian care homes, dental clinician hours and retention rates and the terminal growth rates applied, and obtained supporting internal or external information. • Performed sensitivity analyses on the key assumptions. **Allocation of impairment** • Assessed whether the methodology to allocate the impairment within Bupa Dental Care UK to the related goodwill, intangible and tangible assets was in accordance with IAS 36, Impairment of assets. • Verified the application of the methodology and assessed whether the assumptions applied were reasonable. **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 that the impairment losses recognised were appropriate and the remaining valuation of goodwill in these CGUs is reasonable.

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

	Key audit matter	How our audit addressed the key audit matter

Valuation of provisions arising from insurance contracts (Group)
Refer to Audit Committee Report, and Note 19.1 (for accounting policy and financial disclosures)
	Provisions arising from insurance contracts comprise provisions for unearned premiums and provisions for claims.
	
	We consider the valuation of the provisions for claims, including the deferred claims liability in Australia as a key area of audit focus given the magnitude and inherent uncertainty involved in this estimate.
	
	Provisions for claims
	£1,264m (2021: £1,093m)
	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.
	
	Deferred claims provision
	£181m (2021: £163m)
	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 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 after the reporting date. The key assumption used to calculate the deferred claims provision is the deferral rate for six months of claims.
		The work performed to address the valuation of provisions for insurance contracts 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 specialists, 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, including the impact of inflation;
		  ◦ Performed independent re-projections for 49% of provisions for claims, comparing our estimated provisions to those booked by management, and investigated differences, where material;
		  ◦ Evaluated the methodology and assumptions applied by management for a further 40% of provisions for claims, including reperforming management's calculations and performing sensitivities to determine if the assumptions used were reasonable; and
		  ◦ For the remaining provision 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 deferral rate; and
		• Assessed whether the disclosures related to insurance contract liabilities, including the deferred claims 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.

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

	Key audit matter	How our audit addressed the key audit matter
Valuation of freehold property and investment property (Group) *Refer to Audit Committee Report and Notes 1.3, 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 properties** Freehold properties of £2,210m (2021: £2,248m) 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 properties** Investment properties of £750m (2021: £666m) 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 capital growth rate.	For the 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 models, with reference to the most recent external valuation; 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 matter	How our audit addressed the key audit matter
Application of IAS 29 - financial reporting in hyperinflationary economies (Group) *Refer to Note 1.7 (for accounting policy and financial disclosures)*	Since the beginning of 2021, inflation in Türkiye has increased significantly. Whilst inflation rates have declined in recent months, reported consumer price inflation was at 64.3% in December 2022. Türkiye has been designated a hyperinflationary economy for the year ended 31 December 2022. This requires the Group to apply IAS 29, Financial Reporting in Hyperinflationary Economies. No prior year restatement is required when applying IAS 29 at the Group level, but the requirement to restate current period results and non-monetary balances to the purchasing power at the reporting date applies and will continue until such time as Türkiye is no longer considered hyperinflationary. The application of IAS 29 involves complexity and has a material impact on the financial statements.	For the application of IAS 29 - Financial reporting in hyperinflationary economies, we have performed the following procedures: • Assessed the appropriateness of non-monetary items to be indexed to the balance sheet date; • Recomputed the indexation of non-monetary items from the date of inception to the balance sheet date, including obtaining the appropriate indexation factor from external sources; • Recomputed the indexation of the income statement to the balance sheet date; • Calculated the gain or loss on the net monetary position; • Verified the foreign exchange translation using the exchange rate at the balance sheet date, as opposed to historic, average, or closing rates; • Assessed whether the application of IAS 29 has been disclosed in accordance with the requirements of the standard. Based on the procedures performed and the evidence obtained, we consider the application of IAS 29 to be appropriate.
Classification, recognition and disclosure of certain liabilities relating to Isapre Cruz Blanca (Group) *Refer to the Audit Committee Report and Note 28 (for accounting policy and financial disclosures)*	In December 2022, the Supreme Court in Chile issued a ruling that obliges Isapres to make use of a specific table of risk factors in determining insurance premiums charged going forwards, and retrospectively over the previous 3 years. Any excess amount charged to customers is to be returned. The calculation of the impact of the ruling on Bupa Chile is dependent on detailed application guidelines which will be issued by the Chilean Superintendent of Health. Given the number of variables in determining the amounts that may need to be returned to customers, and lack of clarity on how the Superintendent of Health will determine how the ruling would be implemented in practice, the directors have determined that it is not possible to reliably estimate the related liability. Therefore this is disclosed as a contingent liability as explained in Note 28. The directors have disclosed an indication of financial impact in relation to the capital held for this matter for Group Solvency II reporting purposes.	To address the disclosure of the contingent liability we performed the following procedures: • Evaluated management's assessment that the Supreme Court Ruling gives rise to a contingent liability, specifically whether a reliable estimate can be determined; • Reviewed announcements made by the Superintendent of Health relating to the application of the Supreme Court Ruling; • Evaluated the methodology and assumptions used to calculate the financial effect of the contingent liability as disclosed in Note 28, considering whether this in itself provided a reliable estimate; and • Assessed whether the disclosures meet the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Based on the procedures performed and the evidence obtained, we consider the classification, recognition and disclosure under IAS 37 Provisions, Contingent Liabilities and Contingent Assets to be appropriate.

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

	Key audit matter	How our audit addressed the key audit matter
Valuation of equity impact from the transition to IFRS 17 (Group) *Refer to Note 1.6 (for accounting policy and financial disclosures)*	The impact of the adoption of IFRS 17 on the Group's net asset value as at 1 January 2022 is estimated to be £55m. IFRS 17 is a complex accounting standard which requires judgement and interpretation in its implementation. In accordance with IAS 8, insurers, including Bupa, are required to disclose the financial effect of the implementation of the new Standard. We have determined the valuation of the estimated impact of IFRS 17 to be a key audit matter because of the significant changes introduced by the standard, including a number of new estimates and judgements. For Bupa, the short tailed nature of most of the Group's insurance liabilities means that it expects to be able to apply the premium allocation approach ("PAA") for most insurance contracts; this assumption has been the driver of much of the work this year. Key areas of focus were: **Unit of account and contract boundaries** The determination of a unit of account and contract boundaries are new considerations required by the Standard. There is often an element of judgement in how these are determined and these initial considerations have downstream implications for PAA eligibility and on the size of any loss component recognised. **PAA eligibility** The majority of Bupa's policies have a coverage period of one year or less and are therefore eligible to apply PAA. For policies with a coverage period greater than 12 months, the Group has performed eligibility testing to ensure there is no material difference in applying the PAA or the General measurement model ("GMM"). There is a small amount of business around the Group that is not eligible for PAA and for these groups of contracts, the GMM is applied. Ensuring the measurement model is appropriate is a key judgement of the Standard. **Loss component** The consideration of units of account drive onerous contract assessments at a more granular level than under IFRS 4. Under IFRS 17 loss components have been recognised for groups of contracts that did not have an associated unexpired risk reserve under IFRS 4. **Risk adjustment** The Group has taken the decision to use a confidence level technique to estimate the risk adjustment.	For the work over the valuation of insurance and reinsurance balances under IFRS 17 our procedures included: • Assessing key judgements and conclusions made within accounting policy papers and verifying that business and market units were applying these appropriately; • Assessing the determination of unit of account; • Performing walkthroughs for new processes and assessing changes to systems; • Evaluating the appropriateness of management's PAA eligibility analysis, including testing the completeness and accuracy of supporting data, evaluating reasonably expected scenarios and testing of the accuracy of models; • Evaluating the appropriateness of methodologies and assumptions used in determining loss components recognised for the first time under the Standard; • Testing the calculation of loss components not previously recognised; • Assessing the appropriateness of the Group's approach to the risk adjustment; and • Assessing the disclosures in relation to the adoption of IFRS 17 against the principles of IAS 8. Based on the procedures performed, we consider the disclosure, including the estimated equity impact from the transition to IFRS 17, to be appropriate.

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

	Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension obligation (Company) Refer to Audit Committee Report, Note 7 and Note D (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 £1,109m (2021: £1,887m) with a net surplus of £403m recognised (2021: £538m). 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 assumptions for which the projection models have been updated to include CMI 2021; the allowance for known inflation when setting inflation assumptions; 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.	For the 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 the mortality projection, 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; 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 22 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 15 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 89% of Group Revenue, 94% of Group Loss 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.

We performed analytical review procedures over the remaining components.

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;
- 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.

We have performed a detailed review of key audit working papers at all in-scope components through a mixture of remote working and site visits.

For the Company audit, based on the outputs of our risk assessment, we identified one financially significant component being the holding company operations.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements. In addition to enquiries with management, we also understood the governance processes in place to assess climate risk, read internal management reporting on climate risks and read additional external reporting by the entity on climate, including sustainability publications.

We have also made enquiries to understand, and performed a risk assessment in respect of, the commitments made by the Group and how these may affect the financial statements and the audit procedures

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

that we perform. We have assessed the risks of material misstatement to the financial statements as a result of climate change and concluded that for the year ended 31 December 2022, the main audit risks are related to consistency of disclosures included within the Annual Report and 'other information' including the Task Force on Climate-related Financial Disclosure ('TCFD') report, as well as the Sustainability and ESG and Risk reports.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2022.

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	£24.7 million (FY21: £21.2 million).	£8.5 million (FY21: £10.0 million).
How we determined it	5% of loss before taxation expense adjusted for certain non-recurring items (FY21: 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 Loss before taxation expense adjusted for certain non-recurring items, notably impairment of goodwill and intangibles and the amortisation of bed licenses, was the most appropriate benchmark. This is because the Group is profit-orientated, but the non-recurring items have significantly distorted the result of the Group. We consider that the resulting materiality level is appropriate for the size and complexity of the Group and relevant to the users of the financial statements. We have substantively tested the non-recurring items excluded to a lower materiality level.	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 £3.0 million to £18.0 million. 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% (FY21: 75%) of overall materiality, amounting to £18.5 million (FY21: £15.9 million) for the Group financial statements and £6.4 million (FY21: £7.5 million) 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 £1.2 million (Group audit) (FY21: £1.2 million) and £0.5 million (Company audit) (FY21: £0.5 million) 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;
- Assessing 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 any significant risks facing the business, including attendance at all Group Audit Committee and Group Risk Committee meetings; and

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

- 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.

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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 2022 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 Company has voluntarily adopted as if it were a premium listed company subject to the Listing Rules of the Financial Conduct Authority. 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 section "Complying with the UK Corporate Governance Code 2018" 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

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

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 and Company 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, and 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, and the override of controls including the posting of inappropriate journal entries. 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;

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

- 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;
- 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 Group Chief Risk Officer's Reports in so far as they related to non-compliance with laws and regulations and fraud.

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. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2021 to 31 December 2022.

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
1 March 2023

Consolidated Income Statement
for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Revenues			
Gross insurance premiums	2.1	**10,029**	9,227
Premiums ceded to reinsurers	2.1	**(132)**	(102)
Net insurance premiums earned		**9,897**	9,125
Care, health and other customer contract revenue	2.1	**3,967**	3,699
Other revenue	2.1	**93**	79
Total revenues		**13,957**	12,903
Claims and expenses			
Insurance claims incurred	2.2	**(7,726)**	(7,294)
Reinsurers' share of claims incurred	2.2	**97**	79
Net insurance claims incurred		**(7,629)**	(7,215)
Share of post-taxation results of equity-accounted investments	6	**53**	42
Impairment of goodwill and intangible assets	3	**(894)**	(27)
Other operating expenses	2.3	**(5,789)**	(5,237)
Other income and charges	2.4	**(39)**	49
Total claims and expenses		**(14,298)**	(12,388)
(Loss)/profit before financial income and expense		**(341)**	515
Financial income and expense			
Financial income	2.5	**186**	97
Financial expense	2.5	**(175)**	(185)
Net monetary loss	1.7	**(87)**	–
Net impairment on financial assets		**(10)**	(4)
Net financial expense		**(86)**	(92)
(Loss)/profit before taxation expense		**(427)**	423
Taxation expense	2.6	**(91)**	(62)
(Loss)/profit for the year		**(518)**	361
Attributable to:			
Bupa		**(521)**	358
Non-controlling interests		**3**	3
(Loss)/profit for the year		**(518)**	361

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £m	2021 £m
(Loss)/profit for the year		**(518)**	361
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Unrealised loss on revaluation of property	4	**(44)**	(26)
Remeasurement loss on pension schemes	7	**(128)**	(5)
Taxation credit on income and expenses recognised directly in other comprehensive income	2.6	**59**	8
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3	**112**	(126)
Other foreign exchange translation differences		**346**	(240)
Net (loss)/gain on hedge of net investment in overseas subsidiaries		**(80)**	62
Share of other comprehensive income of equity-accounted investments		**2**	6
Change in fair value of financial investments through other comprehensive income		**(4)**	(6)
Realised gain on disposal of financial investments at fair value through other comprehensive income		**–**	1
Change in cash flow hedge reserve		**–**	(21)
Release of foreign exchange translation reserve on closure of subsidiaries		**4**	–
Total other comprehensive income/(expense)		**267**	(347)
Comprehensive (expense)/income for the year		**(251)**	14
Attributable to:			
Bupa		**(256)**	14
Non-controlling interests		**5**	–
Comprehensive (expense)/income for the year		**(251)**	14

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
as at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Goodwill and intangible assets	3	**2,803**	3,577
Property, plant and equipment	4	**3,715**	3,816
Investment property	5	**750**	666
Equity-accounted investments	6	**1,032**	905
Post-employment benefit net assets	7	**406**	542
Restricted assets	8	**119**	158
Financial investments	9	**3,716**	2,911
Derivative assets	10	**28**	41
Deferred taxation assets	11	**129**	89
Current taxation assets		**41**	24
Assets arising from insurance business	12	**1,626**	1,374
Inventories	13	**91**	93
Trade and other receivables	14	**929**	624
Cash and cash equivalents	15	**1,403**	1,739
Assets held for sale	16	**32**	38
Total assets		**16,820**	16,597
Liabilities			
Subordinated liabilities	17	**(998)**	(997)
Other interest-bearing liabilities	17	**(648)**	(822)
Lease liabilities	18	**(932)**	(921)
Post-employment benefit net liabilities	7	**(51)**	(69)
Provisions arising from insurance contracts	19.1	**(3,709)**	(3,233)
Derivative liabilities	10	**(137)**	(35)
Provisions for liabilities and charges	20	**(304)**	(279)
Deferred taxation liabilities	11	**(177)**	(295)
Current taxation liabilities		**(34)**	(55)
Other liabilities arising from insurance business	19.2	**(221)**	(213)
Trade and other payables	21	**(2,392)**	(2,216)
Liabilities associated with assets held for sale	16	**(1)**	(4)
Total liabilities		**(9,604)**	(9,139)
Net assets		**7,216**	7,458
Equity			
Property revaluation reserve		**634**	655
Income and expenditure reserve		**5,812**	6,502
Foreign exchange translation reserve		**453**	(13)
Equity attributable to Bupa		**6,899**	7,144
Restricted Tier 1 notes	22	**297**	297
Non-controlling interests	23	**20**	17
Total equity		**7,216**	7,458

Approved by the Board of Directors and signed on its behalf on 1 March 2023 by

Roger Davis
Chairman

James Lenton
Group CFO

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Note	2022 £m	2021 restated[1] £m
Operating activities			
(Loss)/profit before taxation expense		**(427)**	423
Adjustments for:			
Net financial (income)/expense		**(1)**	92
Net monetary loss	1.7	**87**	–
Depreciation, amortisation and impairment	3,4	**1,558**	532
Other non-cash items		**(30)**	(135)
Changes in working capital and provisions:			
Increase in provisions and other liabilities arising from insurance contracts		**359**	238
Increase in assets arising from insurance business		**(211)**	(73)
Funded pension scheme employer contributions		**(2)**	(1)
Increase in trade and other receivables, and other assets		**(200)**	(25)
Increase in trade and other payables, and other liabilities		**53**	65
Cash generated from operations		**1,186**	1,116
Income taxation paid		**(225)**	(200)
Decrease in cash held in restricted assets[1]	8	**5**	3
Net cash generated from operating activities		**966**	919
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired		**(29)**	(19)
Investment in equity-accounted investments	6	**(14)**	(14)
Dividends received from associates		**42**	34
Disposal of subsidiaries and other businesses, net of cash disposed of		**3**	104
Divestment of equity-accounted investments		**–**	7
Purchase of intangible assets	3	**(124)**	(108)
Purchase of property, plant and equipment	4	**(211)**	(193)
Proceeds from sale of property, plant and equipment		**7**	18
Purchase of investment property	5	**(29)**	(37)
Disposal of investment property	5	**1**	–
Purchases of financial investments, excluding deposits with credit institutions		**(1,720)**	(1,070)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		**1,222**	750
Net (investments into)/withdrawals from deposits with credit institutions		**(119)**	231
Interest received		**82**	62
Net cash used in investing activities		**(889)**	(235)
Cash flow from financing activities			
Proceeds from issue of Restricted Tier 1 notes	22	**–**	297
Payment of Restricted Tier 1 coupon	22	**(12)**	–
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings		**51**	391
Repayment of interest-bearing liabilities and other borrowings		**(194)**	(983)
Principal repayment of lease liabilities		**(135)**	(130)
Payment of interest on lease liabilities	18	**(46)**	(47)
Interest paid	17	**(64)**	(83)
Net (payments)/receipts on settlement of hedging instruments		**(57)**	8
Dividends paid to non-controlling interests		**(2)**	(1)
Net cash used in financing activities		**(459)**	(548)
Net (decrease)/increase in cash and cash equivalents		**(382)**	136
Cash and cash equivalents at beginning of year[1]		**1,850**	1,805
Effect of exchange rate changes		**11**	(91)
Cash and cash equivalents at end of year[1,2]	15	**1,479**	1,850

1. Refer to Note 1.5a for details of the restatements.
2. Includes restricted cash of £78m (2021: £112m) which are considered cash and cash equivalents along with bank overdrafts of £2m (2021: £1m) which are not considered as a component of cash and cash equivalents within Note 15.

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Note	Property revaluation reserve £m	Income and expenditure reserve £m	Foreign exchange translation reserve £m	Total attributable to Bupa £m	Restricted Tier 1 notes £m	Non-controlling interests £m	Total equity £m
2022								
Balance as at 1 January 2022		655	6,502	(13)	7,144	297	17	7,458
Initial application of IAS 29	1.7	–	(84)	105	21	–	–	21
Balance as at 1 January 2022, as restated		655	6,418	92	7,165	297	17	7,479
(Loss)/profit for the year		–	(521)	–	(521)	–	3	(518)
Other comprehensive income/ (expense)								
Unrealised loss on revaluation of property	4	(44)	–	–	(44)	–	–	(44)
Realised revaluation profit on disposal of property		(6)	6	–	–	–	–	–
Remeasurement loss on pension schemes	7	–	(128)	–	(128)	–	–	(128)
Foreign exchange translation differences on goodwill	3	–	–	112	112	–	–	112
Other foreign exchange translation differences		17	2	325	344	–	2	346
Net loss on hedge of net investment in overseas subsidiaries		–	–	(80)	(80)	–	–	(80)
Share of other comprehensive income of equity-accounted investments		–	2	–	2	–	–	2
Change in fair value of financial investments through other comprehensive income		–	(4)	–	(4)	–	–	(4)
Release of foreign exchange translation reserve on closure of subsidiaries		–	–	4	4	–	–	4
Taxation credit on income and expense recognised directly in other comprehensive income	2.6	12	47	–	59	–	–	59
Other comprehensive (expense)/ income for the year, net of taxation		(21)	(75)	361	265	–	2	267
Total comprehensive (expense)/ income for the year		(21)	(596)	361	(256)	–	5	(251)
Payment of Restricted Tier 1 coupon, net of taxation	22	–	(10)	–	(10)	–	–	(10)
Dividends paid to non-controlling interests		–	–	–	–	–	(2)	(2)
Balance as at 31 December 2022		634	5,812	453	6,899	297	20	7,216

Notes 1-28 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity continued for the year ended 31 December 2022

	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 subsidiaries		–	–	–	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 gain 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 consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

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 and domiciled in the United Kingdom, 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 financial statements were approved by the Board of Directors on 1 March 2023. The Directors have reviewed and approved the Group's accounting policies which have been applied consistently to all the years presented, other than the application of IAS 29 described in Note 1.7.

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, and the application of IAS 29 to balances in hyperinflationary economies.

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 Consolidated Financial Statements 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 2022 comprise those of the Company and its subsidiaries, 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. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the Consolidated Financial Statements.

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.

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 translates its results and financial position into the Group's presentational currency, sterling. Unless otherwise noted, the amounts shown in the Consolidated Financial Statements are in millions of pounds sterling (£m).

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 estimates are significant to the Consolidated Financial Statements, are set out below. Changes in these estimates could lead to a material adjustment to the carrying value of the assets and liabilities in the next financial year. Further detail is in the related notes.

Notes to the Consolidated Financial Statements continued

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 more frequently when there are indicators of impairment. Other intangible assets are tested for impairment when there are indicators of impairment. **Sources of estimation uncertainty** Impairment tests include a number of sources of estimation uncertainty as the key assumptions used when modelling the recoverable amount require estimating the discount rate, terminal growth rate and the forecast cash flows. Estimation uncertainties within these cash flows vary by CGU. For aged care these include occupancy rates, fee rates, staff and agency 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. Key estimation uncertainty in the period has been driven by economic volatility including the associated inflationary pressures across Bupa's key markets. This has primarily impacted the determination of appropriate discount rates. In addition, there is increased uncertainty in the underlying cash flow forecasts driven by this economic uncertainty. **Accounting judgements** Judgement has been applied to determine whether there are indications of impairment to intangible assets. In making this judgement, the Group has considered current trading and future plans associated with each of the assets in order to assess whether a full impairment assessment is required. Judgement has also been applied in the methodology used for allocating impairment across assets within the related CGU.	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. In addition, the Group has a significant portfolio of investment properties, primarily retirement villages in New Zealand. These properties are revalued annually. **Sources of estimation uncertainty** Significant assumptions for freehold property 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. **Sources of estimation uncertainty** 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. In particular, inflation assumptions are term dependent and, due to recent increases in inflation, will reflect higher inflation expectations in the near term followed by an assumed fall back to more average rates over the longer term.	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 the health insurance business in Australia, where the Australian prudential regulator (APRA) had mandated the need to provide for the rebound of claims following COVID-19 disruption, triggering a constructive obligation for the Group to pay claims in relation to the disrupted business. The estimated cost of claims expected to rebound after the reporting date has been calculated as a proportion (the deferral factor) of the observed shortfall in incurred claims, compared with pre-COVID-19 expectations. This has been recognised on a best estimate basis, together with an allowance for claims handling costs and an additional risk margin. **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 the future.	19
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 commitment 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 for the return of premium provision 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
Provisions and contingent liability	The Group has circumstances arising over the ordinary course of business, including losses which might arise from litigation, disputes, and interpretation of tax law or local regulations. Judgement is exercised in determining whether the circumstances should give rise to the recognition of provisions or contingent liabilities. In the case of material contingent liabilities further judgment is required in arriving at appropriate disclosure of such matters. **Accounting judgement** Significant judgment has been applied in assessing the contingent liability that has arisen in Chile as a result of the ruling issued by the Supreme Court in Chile that obliges Isapres to make use of a specific table of risk factors. As the relevant regulator, the Chilean Superintendent of Health has six months to apply the ruling there is currently significant uncertainty as to what the impacts could be on the business.	28

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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 on the Group's businesses under a number of reasonably plausible severe scenarios as well as consideration of contingent liabilities. This included a broad range of potential adverse outcomes from the Chile Supreme Court judgment described in Note 28, including scenarios that considered materially worse outcomes than the Solvency II capital allocated against the contingency given the inherent uncertainty surrounding the implementation of the Supreme Court judgement. Other scenarios considered included a worsening of the global inflationary outlook driven by strong wage inflation leading to a wage-price inflation spiral and subsequent recession, and a variety of local scenarios developed by each business unit with the majority focusing on strategic workforce-related risks impacting either the availability or cost of staff. Under each such scenario, 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 1-48. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 9-12. The Directors' assessment of the Group's longer-term viability over a three-year period is described on pages 98-99.

1.5 Restatements and changes in accounting policies

Except for the changes detailed in (a) below, the Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements.

(a) IFRS Interpretations Committee decision Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)

In March 2022, the IFRS Interpretations Committee (IFRS IC) published its final agenda decision Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows). This agenda decision considered whether an entity should include a demand deposit as a component of cash and cash equivalents in its statement of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party.

The IFRS IC concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash unless those restrictions result in the deposit no longer meeting the definition of cash. A deposit still meeting this definition would be presented as part of cash and cash equivalents on the statement of financial position, although it could be presented separately if relevant to an understanding of an entity's financial position. Such a deposit would also be considered part of cash and cash equivalents on the statement of cash flows.

The Group has reviewed the nature of its restricted assets and concluded that certain amounts should be considered part of cash and cash equivalents on the Consolidated Statement of Cash Flows. The Consolidated Statement of Cash Flows for the year ended 2021 has therefore been restated, resulting in an increase in the cash and cash equivalents at the beginning of the year of £100m and an increase in the cash and cash equivalents at the end of the year of £112m. Cash held in restricted assets has been decreased by £12m.

This restatement had no impact on the Consolidated Statement of Financial Position. All restricted assets continue to be presented separately on the face of the Consolidated Statement of Financial Position.

(b) 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.

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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 2022 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 and December 2021. The final standard is 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 (GMM), 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. An optional, simplified premium allocation approach (PAA), similar in nature to the Group's existing measurement basis, is permitted for eligible short-duration contracts.

IFRS 17 is an insurance standard and although the definition of insurance risk is the same as under IFRS 4, the criteria allowing contracts to be dealt with under another standard are more stringent and therefore additional business may fall within the scope of IFRS 17. The Group has reviewed contracts issued to customers by non-insurance businesses against the definition of insurance risk within IFRS 17. Where there are contract features that could indicate the transfer of insurance risk, management has reviewed and considered detailed contract terms and analysed supporting profitability data. The Group has concluded that no additional contracts are brought into scope on adoption of IFRS 17.

In applying the standard, Bupa has reviewed the Group's insurance and reinsurance contracts and considered the contract boundary for each type of policy. The majority of policies have a coverage period of one year or less. As a result, the Group has taken the available policy choice to apply the PAA to these contracts. This approach leads to simplified measurement and presentation relative to the GMM. The liability for incurred claims (LFIC) is consistent under the GMM and the PAA and due to the accounting policy choices made by the Group is materially unchanged from outstanding claims provision under IFRS 4. The LFIC is made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

The liability for remaining coverage (LFRC) under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs deferred. In subsequent periods, the LFRC is amortised to recognise the revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period. If certain acquisition cash flows paid on new contracts are allocated to future renewals, outside the boundary of the current contract, the deferred portion is recognised in the carrying amount of the related portfolio of the insurance contract issued. Revenue recognition is consistent with IFRS 4; however, the balance sheet presentation differs as deferred acquisition costs relating to contracts already recognised, and insurance receivables are no longer shown as separate assets but are included within the LFRC.

Under the PAA, a risk adjustment is recognised on all LFIC balances and LFRC balances for onerous contracts issued. The Group has taken the decision to use a confidence level technique to estimate the risk adjustment, this leads to a value that is consistent with the margin of prudence under IFRS 4.

The Group has a small number of policy groups with a coverage period of greater than a year. For these groups of contracts, the Group has assessed whether the measurement of the LFRC under the PAA is expected to differ materially from that under the general model. This required the use of a model of the GMM and materiality thresholds determined by management for these policies, as well as the selection of reasonably expected scenarios against which eligibility is assessed. The majority of contracts are eligible for the PAA measurement model either automatically or through assessment, but there are small amounts of business around the Group which are not eligible and require measurement under the GMM. The Group has a legacy portfolio of individual health contracts in Brazil with a contract boundary of greater than one year; these contracts are onerous and a GMM valuation is used in the LFRC.

IFRS 17 defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together'. As the Group essentially sells one 'health insurance' product line, where cash flows are generally expected to respond similarly in direction and timing to changes in assumptions, and the Group manages the insurance business at geographic 'Business Unit' level, the Group has defined portfolios as insurance Business Units at a minimum, with further disaggregation if there are other business lines.

Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. Further segmentation is required into groups of contracts for the identification of onerous contracts. There is a presumption under the PAA that no contracts are onerous unless there are facts and circumstances that indicate otherwise. However, the requirement to identify onerous contracts means that business is generally accounted for at a level lower than portfolios, being profitability groupings. This is the basis on which the standard requires various assessments to be made, e.g. PAA eligibility, and therefore the determination of the unit of account is a key judgement in applying IFRS 17.

Notes to the Consolidated Financial Statements
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To identify potentially onerous contracts, the Group has considered information reviewed by senior management in monitoring financial performance. Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed, and any loss component is valued under GMM by estimating the fulfilment cash flows and an assessment of the risk adjustment using a confidence level approach and included in the LFRC. As a consequence of onerous contracts testing occurring at a more granular level, there may be more loss components recognised under IFRS 17 than unexpired risk provisions recognised following liability adequacy testing under IFRS 4.

Discounting is optional for the LFRC carrying amount if the time between providing each part of the coverage and the related premium is one year or less and is optional for the LFIC if claims are expected to be paid in one year or less from the date the claims are incurred.

The Group's default policy decision is not to discount, as the majority of policies meet the conditions outlined above and the effect of discounting on the remaining policies is not expected to be material. However, businesses can seek approval from the Chief Actuary to discount in exceptional circumstances. It is expected that Bupa Acıbadem Sigorta will apply discounting to both the LFRC and LFIC due to the high interest rate and high inflation environment in Türkiye. The LFRC for the legacy individual health policies in Brazil will be discounted due to the long-term nature of these contracts. Where discounting is applied, the Group policy is to use European Insurance and Occupational Pensions Authority (EIOPA) specified discount rates.

For groups of contracts where all contracts have a coverage period of one year or less, the Group has taken the policy decision available to expense insurance acquisition cash flows as incurred. Where the contracts within a group have a coverage period that is greater than one year, this policy choice is not available and these amounts are deferred over the renewal period.

On transition, IFRS 17 should be applied retrospectively and the alternative approaches set out in the standard should only be used when retrospective application is impracticable. Due to the short-term nature of Bupa's contracts, with most contracts measured using the PAA, Bupa will apply the fully retrospective approach in all cases except for the legacy individual health policies in Brazil, where a fair value approach will be used.

By applying the PAA and taking the policy choices set out above, the Group's revenue recognition is consistent with that used under IFRS 4. The Group's net assets at transition on 1 January 2022 are reduced by an estimated £55m. This is due to the derecognition of deferred acquisition costs assets and the recognition of loss component on onerous contracts, offset by the derecognition of both deferred claims liabilities and the premium deferral provision in our Australian insurance business, as these are not included under IFRS 17. The requirements of IFRS 17 mean the reduced premium received from customers is recognised on a passage of time basis over the coverage period and the premium deferral provision is derecognised.

The Group's implementation project is well progressed, and the Group is well prepared for the reporting requirements from 1 January 2023 onwards.

(b) IAS 1 amendments

In February 2021, the International Accounting Standards Board (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. The application of these amendments is currently being evaluated by the Group. The 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 2022. None of these are expected to have a material impact on the Group.

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1.7 IAS 29 Financial Reporting in Hyperinflationary Economies

Türkiye is now a hyperinflationary economy and IAS 29 Financial Reporting in Hyperinflationary Economies is required to be applied from June 2022 onwards. As a consequence, the results and balances for the Group's Turkish operations have been adjusted for changes in the general purchasing power of the Turkish lira. In order to make this adjustment the Group refers to the consumer price index (CPI) published by the Turkish Statistical Institute. The value of CPI at 31 December 2022 was 1,128.40 and the movement in CPI for the year ended 31 December 2022 was 441.45, an increase of 64.3%. A loss of £87m arising from the devaluation of net monetary assets has been recognised within net financial expense in the Consolidated Income Statement. This is partially offset by the impact of indexing amounts in the Consolidated Income Statement for the application of IAS 29, with the net impact reducing profit before tax by £31m for the year.

All Turkish lira amounts, including transactions in the Income Statement during the year, are translated to the Group's presentation currency of sterling, using the closing exchange rate in effect on 31 December 2022 of 22.58. The impact of this adjustment is recorded within other foreign exchange translation differences in the Consolidated Statement of Comprehensive Income and within the foreign exchange translation reserve in the Consolidated Statement of Financial Position. The Group recognises the remaining exchange difference arising on consolidation within other foreign exchange translation differences through other comprehensive income in the foreign exchange translation reserve.

Prior periods have not been restated for the introduction of hyperinflation. The impact as at 1 January 2022 has been recorded as an opening balance adjustment in the current year. This includes an adjustment of £(84)m to the income and expenditure reserve in respect of adjusting balances for changes in the general purchasing power of the Turkish lira to that date, and adjustments to the foreign exchange translation reserve of £105m for the impact of translating the opening balances using the closing 31 December 2021 exchange rates, in addition to the remaining exchange differences arising on consolidation.

The split of the opening balance adjustment is consistent with how the current period impacts are reported and will be applied consistently in future years. Of the opening balance adjustment of £21m, £(6)m is in respect of deferred tax and is shown in Note 11; £25m is in respect of goodwill and intangible assets and is shown in Note 3; £6m is in respect of deferred acquisition costs and is shown in Note 12; and £(4)m is in respect of unearned premium provision and is shown in Note 19. The net impact of applying hyperinflationary accounting has been excluded from underlying profit and included within realised and unrealised FX gains/losses as this is how the Group measures performance of the business.

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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: 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.

Reportable segments	Service 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
	LUX MED: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland
	Bupa Acıbadem Sigorta: Domestic health insurance in Türkiye
	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

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Underlying profit

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. Updates have been made to the definition of underlying profit in 2022 due to the Australian Government announcement on the deregulation of bed licences and as a result of Türkiye becoming a hyperinflationary economy in 2022.

The Group holds £50m (2021: £83m) of bed licences within Bupa Villages and Aged Care Australia. In September 2021, following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, the Group reviewed the amortisation term and updated them from having an indefinite useful life to being amortised over the period to 1 July 2024. From 2022, bed licence amortisation has been removed from underlying profit as it is not considered to relate directly to the trading performance of the business.

The impacts of applying IAS 29 have also been removed from underlying profit as this is how the Group measures the performance of the business. These impacts have been recognised within the realised and unrealised foreign exchange gains/losses category below.

The following items are excluded from underlying profit:

- Impairment of goodwill and intangible assets arising on business combinations – these impairments are not considered to be reflective of the in-year trading performance of the business.
- Net gains/losses on disposal of businesses and transaction costs on business combinations – gains/losses on disposal of businesses that are material and one-off in nature to the reportable segment are not considered part of the continuing business. Transaction costs that relate to material acquisitions or disposals are not related to the ongoing trading performance of the business.
- Net property revaluation gains/losses – short-term fluctuations which would distort underlying trading performance. This includes unrealised gains or losses on investment properties, deficit on revaluations and impairment losses.
- Realised and unrealised foreign exchange gains/losses – fluctuations outside of management control, which would distort underlying trading performance. This includes the net impact of applying hyperinflationary accounting.
- Gains/losses on return-seeking assets, net of hedging – fluctuations on investments that are not considered to be directly related to underlying trading performance.
- Amortisation of bed licences – Following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, their amortisation term was reviewed and updated from having an indefinite useful life to amortising over the period to 1 July 2024. The impact of this is not considered reflective of the trading performance of the business.
- 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Gross insurance premiums	**4,367**	4,241	**3,026**	2,663	**2,636**	2,323	**–**	–	**10,029**	9,227
Premiums ceded to reinsurers	**(7)**	(5)	**(28)**	(22)	**(97)**	(75)	**–**	–	**(132)**	(102)
Internal reinsurance	**(64)**	(53)	**–**	–	**64**	53	**–**	–	**–**	–
Net insurance premiums earned	**4,296**	4,183	**2,998**	2,641	**2,603**	2,301	**–**	–	**9,897**	9,125
Care, health and other customer contract revenue	**1,282**	1,264	**1,550**	1,354	**1,135**	1,081	**–**	–	**3,967**	3,699
Other revenue	**60**	51	**12**	9	**14**	14	**7**	5	**93**	79
Total revenues for reportable segments	**5,638**	5,498	**4,560**	4,004	**3,752**	3,396	**7**	5	**13,957**	12,903
Consolidated total revenues									**13,957**	12,903

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(ii) Segmental result

	Bupa Asia Pacific		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Underlying profit for reportable segments[1]	**302**	222	**233**	162	**25**	62	**58**	45	**618**	491
Central expenses and net interest margin									**(43)**	(86)
Consolidated underlying profit before taxation expense									**575**	405
Non-underlying items:										
Impairments of intangible assets and goodwill arising on business combinations[2]	**(108)**	(18)	**(161)**	–	**(619)**	–	**–**	–	**(888)**	(18)
Net (loss)/gain on disposal of businesses and transaction costs on business combinations	**4**	8	**(3)**	3	**(1)**	2	**(4)**	–	**(4)**	13
Net property revaluation (loss)/gain	**22**	17	**5**	–	**(32)**	(1)	**–**	–	**(5)**	16
Realised and unrealised foreign exchange (loss)/gain[3]	**–**	–	**(28)**	(3)	**16**	7	**–**	1	**(12)**	5
Amortisation of bed licences	**(34)**	–	**–**	–	**–**	–	**–**	–	**(34)**	–
Other Market Unit non-underlying items[4]	**(4)**	–	**(16)**	(9)	**(4)**	22	**–**	–	**(24)**	13
Group non-underlying items[5]									**4**	(14)
(Loss)/gain on return-seeking assets, net of hedging									**(39)**	3
Total non-underlying items									**(1,002)**	18
Consolidated (loss)/profit before taxation expense									**(427)**	423

1. 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.
2. 2022 includes impairments recognised within Bupa Asia Pacific (Bupa Villages and Aged Care Australia), Europe and Latin America (Bupa Chile) and Bupa Global and UK (Bupa Dental Care UK and Bupa Care Services). For further information please refer to Note 3.
3. Within the Europe and Latin America segment, 2022 includes decrease in profit before tax of £31m in Bupa Acıbadem Sigorta arising from the effect of IAS 29 Financial Reporting in Hyperinflationary Economies. Within the Bupa Global and UK segment, 2022 and 2021 include the foreign exchange impact of treating unearned premiums and deferred acquisition costs as non-monetary items.
4. 2022, within the Europe and Latin America segment, includes £16m restructuring costs. 2021, £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.
5. 2021 includes an £18m loss recognised following the early redemption of £250m of unguaranteed subordinated bonds during the year.

(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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Amortisation and depreciation costs for reportable segments	**(195)**	(165)	**(184)**	(187)	**(159)**	(147)	**–**	–	**(538)**	(499)
Unrealised gain on investment property	**28**	26	**–**	1	**–**	–	**–**	–	**28**	27
(Deficit)/surplus on revaluation of property	**(6)**	(8)	**5**	(1)	**(32)**	(1)	**–**	–	**(33)**	(10)
Share of profits/(losses) from associates	**–**	–	**–**	–	**3**	(3)	**50**	45	**53**	42

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(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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Total revenues	**5,101**	5,023	**3,547**	3,161	**1,945**	1,776	**3,364**	2,943	**13,957**	12,903
Consolidated non-current assets[1]	**3,267**	3,281	**2,712**	3,434	**708**	691	**1,641**	1,575	**8,328**	8,981

1. Consolidated non-current assets exclude 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).

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 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 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. Contracts for these revenue streams do not transfer significant insurance risk. 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. Significant changes in margin result in a retrospective margin recalculation. The impact of this on prior years is recognised as a margin catch up in the year the recalculation is performed. 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 revenue	Other revenue comprises: • Rental income and amenities fees from occupational right agreements, which are 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 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.

	Care, health and other customer contract revenue 2022 £m	Net insurance premiums earned 2022 £m	Other revenue 2022 £m	Total revenues 2022 £m
Bupa Health Insurance	7	3,957	2	3,966
Bupa Health Services	614	–	1	615
Bupa Villages and Aged Care Australia	318	–	37	355
Bupa Villages and Aged Care New Zealand	148	–	17	165
Bupa Hong Kong	195	339	3	537
Bupa Asia Pacific	**1,282**	**4,296**	**60**	**5,638**
Sanitas Seguros	10	1,295	4	1,309
Sanitas Dental	119	74	4	197
Sanitas Hospitales and New Services	305	–	1	306
Sanitas Mayores	145	–	–	145
LUX MED	568	18	–	586
Bupa Acıbadem Sigorta	–	256	1	257
Bupa Chile	388	713	1	1,102
Care Plus	4	268	–	272
Bupa Mexico	11	155	–	166
Bupa Global Latin America	–	219	1	220
Europe and Latin America	**1,550**	**2,998**	**12**	**4,560**
Bupa UK Insurance	21	1,795	5	1,821
Bupa Dental Care UK	487	–	–	487
Bupa Care Services	431	–	–	431
Bupa Health Services	196	–	1	197
Bupa Global	–	808	8	816
Bupa Global and UK	**1,135**	**2,603**	**14**	**3,752**
Other	–	–	7	7
Other businesses	**–**	**–**	**7**	**7**
Consolidated total revenues	**3,967**	**9,897**	**93**	**13,957**

Notes to the Consolidated Financial Statements
continued

	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
LUX MED	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

Analysis of net insurance premiums earned

	2022 £m	2021 £m
Gross premiums written	**10,319**	9,353
Change in gross provisions for unearned premiums	**(290)**	(126)
Gross insurance premiums	**10,029**	9,227
Gross premiums written ceded to reinsurers	**(137)**	(109)
Reinsurers' share of change in gross provisions for unearned premiums	**5**	7
Premiums ceded to reinsurers	**(132)**	(102)
Net insurance premiums earned	**9,897**	9,125

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 in Australia 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.

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 COVID-19 disruption in the Australian health insurance business that was closed to future accrual of deferred claims from 1 October 2022) and the Risk Equalisation Special Account levy for the Australian health insurance business. See Note 19.1 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. The amounts payable or receivable under the Risk Specialisation Account are determined by APRA after the end of each quarter. Historically, Bupa has paid eligible benefits above the average.

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 item in the Statement of Financial Position.

	2022 £m	2021 £m
Insurance claims paid	**7,661**	7,267
Change in gross provisions for claims[1]	**108**	88
Risk Equalisation Special Account levy (net of recoveries)	**(43)**	(61)
Insurance claims incurred	**7,726**	7,294
Recoveries from reinsurers on claims incurred	**(94)**	(77)
Reinsurers' share of change in gross provisions for claims	**(3)**	(2)
Reinsurers' share of claims incurred	**(97)**	(79)
Net insurance claims incurred	**7,629**	7,215

1. Change in the gross provisions for claims includes £9m in respect of deferred claims provision recognised at 31 December 2022 (2021: £1m).

Notes to the Consolidated Financial Statements continued

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	**2022 £m**	2021 £m
Staff costs	2.3.1	**2,561**	2,438
Acquisition costs	2.3.2	**501**	427
Medical supplies and fees		**1,252**	1,186
Property costs		**419**	251
Lease rentals and other expenses[1]		**24**	24
Marketing costs		**136**	112
Catering and housekeeping costs		**62**	58
Consultancy fees		**167**	135
Net gain on foreign exchange transactions		**–**	(4)
Amortisation of intangible assets	3	**206**	169
Depreciation expense	4	**334**	330
Other operating expenses (including auditors' remuneration)	2.3.3	**127**	111
Total other operating expenses		**5,789**	5,237

1. Includes short-term and low-value lease rentals, and other lease expenses.

2.3.1 Staff costs

The below table represents the total employee benefit expenses incurred by the Group during the year.

	2022 £m	2021 £m
Wages and salaries	**2,499**	2,395
Social security costs	**153**	144
Contributions to defined contribution schemes	**58**	52
Other pension costs	**(2)**	(2)
Total staff costs	**2,708**	2,589
Staff costs relating to claims handling reported in claims	**(147)**	(151)
Staff costs in operating expenses	**2,561**	2,438

Information concerning individual Director's emoluments, interest and transactions is detailed in the Directors' Remuneration Report included on pages 82-96 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 2022 was £6m (2021: £7m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2021: £nil).

Employee numbers

The average number of employees, including Executive Directors, employed by the Group during the year was:

	2022	2021
Bupa Asia Pacific	**15,811**	17,290
Europe and Latin America	**42,541**	40,636
Bupa Global and UK	**22,745**	23,151
Other businesses	**–**	4
Group	**498**	519
Total average employee numbers	**81,595**	81,600

Notes to the Consolidated Financial Statements
continued

2.3.2 Acquisition costs

	2022 £m	2021 £m
Commission for direct insurance	**451**	367
Other acquisition costs paid	**73**	67
Changes in deferred acquisition costs	**(23)**	(7)
Total acquisition costs	**501**	427

The movement in the deferred acquisition costs asset is detailed in Note 12.

2.3.3 Auditors' remuneration

	2022 £m	2021 £m
Audit fees for the audit of the Company's annual accounts	**0.6**	0.5
Fees payable to the Company's auditor and its associates for:		
Audit fees for audit of Company's subsidiaries required by legislation	**9.9**	7.4
Audit fees for audit-related assurance services	**1.5**	1.6
Audit fees to the Company's auditors	**12.0**	9.5
Fees payable to the Company's auditor and its associates for other services:		
All other non-audit services	**0.5**	0.2
Total non-audit fees	**0.5**	0.2
Total auditors' remuneration	**12.5**	9.7

Audit fees include £1.1m (2021: £nil) in respect of the transition to IFRS 17. Non-audit services fees includes £0.3m in respect of assurance over the Group's 2021 ESG reporting and £0.1m in respect of assurance over internal controls. All non-audit services provided during the year were in compliance with the Group's non-audit services policy, the FRC Ethical Standard and approved by the Audit Committee.

Note 2.4: Other income and charges

Other income and charges in brief

Other income and charges comprise income or expenses that are related to the investing and divesting activities of the Group.

	Note	2022 £m	2021 £m
Gain on acquisition of businesses[1]		**–**	42
Net (loss)/gain on disposal and restructuring of businesses		**(4)**	13
Deficit on revaluation of property	4	**(33)**	(10)
Net (loss)/gain on disposal of property, plant and equipment		**(2)**	4
Total other income and charges		**(39)**	49

1. 2021 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.

Notes to the Consolidated Financial Statements continued

Note 2.5: Financial income and expense

Financial income and expense in brief

Financial income and expense are earned and 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 unrealised gains or losses while the assets are held. Upon derecognition of an asset, the cumulative unrealised gain or loss is 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 gain or loss in the Consolidated Income Statement when the financial asset is derecognised.

	2022 £m	2021 £m
Interest income:		
Investments at fair value through profit or loss	**61**	42
Investments at fair value through other comprehensive income	**1**	12
Investments at amortised cost	**72**	18
Net realised gain/(loss):		
Net realised (loss)/gain on investments at fair value through profit or loss	**(13)**	3
Net realised gain/(loss) on financial investments at fair value through other comprehensive income	**–**	(1)
Net movement in fair value:		
Investments at fair value through profit or loss	**(5)**	–
Investment property	**28**	27
Net foreign exchange translation gain/(loss)	**42**	(4)
Total financial income	**186**	97

Included within financial income is a net loss, after currency hedging, on the Group's return-seeking asset portfolio of £39m (2021: net gain £3m).

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.

	2022 £m	2021 £m
Interest expense on financial liabilities at amortised cost	**100**	92
Finance charges in respect of leases and restoration provisions	**46**	48
Other financial expense[1]	**29**	45
Total financial expense	**175**	185

1. For 2022, includes £6m loss recognised following the early redemption of £47m of inflation-linked senior unsecured bonds, originally due to mature on 30 June 2033. For 2021, includes £18m loss recognised following the early redemption of £250m of unguaranteed subordinated bonds during the year, originally due to mature in April 2023.

Other financial expense includes £20m (2021: £23m) 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.

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. It considers foreign taxation and double taxation relief and includes 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 reporting 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.

	2022 £m	2021 £m
Current taxation expense		
UK taxation on income for the year	**8**	6
UK taxation adjustments in respect of prior periods	**(5)**	(7)
Total UK current taxation expense/(income)	**3**	(1)
Double taxation relief	**(8)**	(6)
Foreign taxation on income for the year	**190**	179
Foreign taxation adjustments in respect of prior years[1]	**–**	(45)
Total foreign current taxation expense	**190**	134
Total current taxation expense	**185**	127
Deferred taxation expense/(income)		
Origination and reversal of temporary differences	**(80)**	(69)
Adjustments in respect of prior periods	**6**	5
Changes in taxation rates	**(20)**	(1)
Total deferred taxation income	**(94)**	(65)
Taxation expense	**91**	62

1. A favourable decision by the Spanish Supreme Court resulted in the release of a provision of £43m for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements
continued

(ii) Reconciliation of effective taxation rate

	2022 £m	2021 £m
(Loss)/profit before taxation expense	**(427)**	423
UK corporation taxation rate	**19%**	19%
Tax at the UK corporation taxation rate	**(81)**	80
Effects of recurring taxation reconciliation items:		
Different taxation rates in foreign jurisdictions	**22**	34
Deductions not allowable for taxation purposes	**24**	24
Income not taxable or taxable at concessionary rates	**(18)**	(10)
Property revaluation not included as a temporary difference	**(6)**	(7)
Results of associates	**(11)**	(9)
Changes in taxation rates	**(20)**	(1)
Movement in deferred taxation asset not recognised	**29**	2
	20	33
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior periods[1]	**1**	(47)
Loss on disposal and acquisition of business	**–**	(4)
Impairment of goodwill and other assets not allowable for taxation purposes	**142**	–
Non-deductible IAS 29 adjustments[2]	**9**	–
	152	(51)
Taxation expense at the effective rate of -21% (2021 15%)	**91**	62

1. A favourable decision by the Spanish Supreme Court resulted in the release of a provision of £43m for the year ended 31 December 2021.
2. Refer to Note 1.7 for details of the adjustments.

(iii) Current and deferred taxation recognised directly in other comprehensive income

	2022 £m	2021 £m
Deferred taxation credit in respect of:		
Unrealised loss on revaluation of property	**11**	6
Remeasurement loss on pension schemes	**47**	2
Other items including foreign exchange translation differences	**1**	–
	59	8
Current taxation credit in respect of:		
Restricted Tier 1 coupon payment[1]	**2**	–
Taxation credit on income and expenses recognised directly in other comprehensive income	**61**	8

1. Included within payment of Restricted Tier 1 coupon of £10m in the Statement of Changes in Equity.

Notes to the Consolidated Financial Statements continued

Note 3: Goodwill and intangible assets

Goodwill and intangible assets in brief

Goodwill and intangible assets 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 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 goodwill and 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 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 to which an indefinite useful life has been attributed:

▪ 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
▪ Bed licences in Australia	From 1 October 2021 to 1 July 2024

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 or more frequently if there is an indication that the carrying value may be impaired.

In other intangibles, the Group holds bed licences, with a carrying value of £50m (2021: £83m), with respect to Bupa Villages and Aged Care Australia CGU. In September 2021, following the Australian Government's announcement of the deregulation of bed licences from 1 July 2024, the Group 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. During 2022, the Group has recognised £34m (2021: £8m) of amortisation in respect of Australian bed licences. In addition, an impairment loss of £2m (2021: £10m) was recognised in respect of bed licences no longer in use.

Notes to the Consolidated Financial Statements
continued

	Goodwill £m	Computer software £m	Brands/ Trademarks £m	Customer relationships £m	Other[2] £m	Total £m
2022						
Cost						
At beginning of year	**3,233**	**1,071**	**292**	**924**	**305**	**5,825**
Initial application of IAS 29[1]	**16**	**3**	**2**	**–**	**10**	**31**
Assets arising on business combinations	**14**	**2**	**3**	**2**	**–**	**21**
Additions	**–**	**124**	**–**	**–**	**–**	**124**
Disposals	**(53)**	**(32)**	**(4)**	**(6)**	**(12)**	**(107)**
Other	**–**	**(5)**	**–**	**–**	**–**	**(5)**
Foreign exchange	**139**	**35**	**29**	**36**	**23**	**262**
At end of year	**3,349**	**1,198**	**322**	**956**	**326**	**6,151**
Amortisation and impairment loss						
At beginning of year	**784**	**696**	**159**	**442**	**167**	**2,248**
Initial application of IAS 29[1]	**–**	**2**	**1**	**–**	**3**	**6**
Amortisation for year	**–**	**103**	**8**	**53**	**42**	**206**
Impairment loss	**609**	**6**	**22**	**255**	**2**	**894**
Disposals	**(52)**	**(31)**	**(4)**	**(6)**	**(12)**	**(105)**
Other	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Foreign exchange	**27**	**21**	**16**	**25**	**11**	**100**
At end of year	**1,368**	**796**	**202**	**769**	**213**	**3,348**
Net book value at end of year	**1,981**	**402**	**120**	**187**	**113**	**2,803**
Net book value at beginning of year	2,449	375	133	482	138	3,577
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	2,642	381	171	515	181	3,890

1. Refer to Note 1.7 for details of the adjustments.
2. Predominantly comprises bed licences, distribution networks and licences to operate care homes.

Goodwill and intangible assets of £2,803m (2021: £3,577m) include £420m (2021: £753m) attributable to other intangible assets arising on business combinations comprising brand and trademarks, customer relationships and other in the above table.

Notes to the Consolidated Financial Statements
continued

Computer software assets with a net book value of £402m (2021: £375m) include £301m (2021: £300m) attributable to capitalised internal development costs. The cost attributable to these assets is £661m (2021: £587m). £106m of costs (2021: £82m) were capitalised in the year.

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 and agency costs and operating expenses. For provision business, the cash flows are driven by number of customers, available clinician hours, fee rates and operating expenses. For insurance business, key drivers are assumed business volumes, 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. Cash inflows or outflows relating to financing activities have been excluded from the estimated future cash flows.

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 such as inflation and local market leverage. 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.

During 2022, global inflation has risen sharply, driven by the aftermath of the pandemic and the war in Ukraine. This has resulted in increases to central bank interest rates, leading to increasing and more volatile bond yields. In response to the macroeconomic conditions, the Group has reviewed the methodology for calculating WACC rates and moved from using a rolling average calculation for obtaining appropriate cost of debt and risk-free rate estimates, to using a spot rate approach as it is considered to be more appropriate in the current economic environment. The economic situation has driven increases in WACC rates for many of the CGUs as shown in the table below.

The following table summarises the pre-taxation discount rates used for impairment testing for the main CGUs, which were determined through grossing up the post-tax discount rates by the applicable corporate taxation rates:

	2022 %	2021 %
Bupa Australia Health Insurance	**10.0**	7.4
Bupa Health Services Australia	**13.1**	9.3
Bupa Villages and Aged Care Australia	**10.3**	9.8
Hong Kong	**11.4**	10.0
Bupa Chile	**13.0**	11.5
LUX MED	**11.1**	8.2
Sanitas Seguros	**10.6**	8.6
Sanitas Mayores	**10.1**	8.0
Bupa Acıbadem Sigorta	**27.7**	17.7
Care Plus	**15.8**	13.1
Bupa Care Services	**8.5**	7.0
Bupa Dental Care UK	**10.5**	7.8
Bupa Global	**12.3**	11.2

Cash flow projections beyond the forecast periods have been extrapolated by applying a terminal growth rate between 2.0% and 8.5% (2021: 2.0% and 6.6%) 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.

During the year, an impairment loss of £609m was recognised in relation to goodwill. Significant impairments have been recognised in Bupa Dental Care UK, Bupa Care Services, Bupa Villages and Aged Care Australia and Bupa Chile.

Notes to the Consolidated Financial Statements
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Bupa Dental Care UK

Bupa Dental Care UK has recognised an impairment of goodwill of £274m, in addition to a £255m write down of its customer relationship intangible and a £117m write down of right-of-use assets and property, plant and equipment balances. This is due to the recoverable amount on a value in use basis reducing to £221m driven by an increase in WACC rates in the period from 7.8% to 10.5% and a deterioration of the underlying forecast cash flows of the business.

Cash flow assumptions are highly sensitive to available clinician hours and to operating expenses. Future medium to long-term cash flow forecasts have been reduced in light of the ongoing under-performance of the business. Operational challenges have increased in the second half of 2022 due to below target recruitment and retention of clinicians and increasing wage and energy costs.

After impairment, Bupa Dental Care UK has a remaining goodwill balance of £191m. This remains sensitive to further impairment should the key assumptions move adversely as shown in the table below.

	Headroom	Discount rate	Terminal growth rate	Reduction in headroom from 0.5% increase in discount rate	Reduction in headroom from 0.5% reduction in terminal growth rate	Reduction in headroom from 10% reduction in cash flows
	£m	%	%	£m	£m	£m
Bupa Dental Care UK	–	10.5	2.1	(21)	(17)	(22)

Bupa Care Services

An impairment of goodwill of £90m has been recognised for the Bupa Care Services CGU in 2022, writing off the goodwill balance to £nil. This is due to the recoverable amount on a value in use basis reducing to £796m predominantly driven by the increase in the WACC rate in the period from 7.0% to 8.5%.

Bupa Villages and Aged Care Australia

Bupa Villages and Aged Care Australia has recognised an impairment of goodwill of £103m in 2022, writing off the goodwill balance to £nil. This is due to the recoverable amount on a value in use basis reducing to £296m. This reduction has been driven by the increase in the WACC rate in the period from 9.8% to 10.3%, along with updates to the cash flow assumptions. The cash flow assumptions remain highly sensitive to the recovery of occupancy and staff costs. Staff cost forecasts have been negatively impacted by the inclusion of the cost of implementing minimum mandatory care minutes for residents, which the Australian Federal Government is bringing into force from 1 October 2023.

Bupa Chile

The Bupa Chile CGU operates domestic health insurance businesses (primarily an Isapre business) and health clinics and hospitals in Chile. An impairment of £139m has been recognised in respect of the Bupa Chile CGU in 2022, writing off the goodwill balance to £nil. This is due to the recoverable amount on a value in use basis reducing to £481m driven by increased WACC rates and reductions in future cash flow forecasts reflective of the local pressures on the Isapre industry that has been negatively impacted by judicalisation of premium pricing and regulatory action. In addition to the goodwill impairment, Bupa Chile has recognised a £22m impairment of brand assets relating to the Isapre element of the business in Chile (Isapre Cruz Blanca). The Group has recognised a contingent liability following a Chile Supreme Court ruling in December 2022 in respect of risk factor tables used by Isapre Cruz Blanca. This does not impact the impairments noted as the relevant intangible balances have been fully impaired in 2022. Further details on the contingent liability are included in Note 28.

Notes to the Consolidated Financial Statements continued

The following table summarises goodwill by CGU as at 31 December 2022:

	2022 £m	2021 £m
Bupa Asia Pacific		
Bupa Australia Health Insurance	**863**	821
Bupa Health Services Australia	**299**	288
Bupa Villages and Aged Care Australia	**–**	99
Hong Kong	**129**	115
Europe and Latin America		
Bupa Chile	**–**	130
LUX MED	**265**	246
Sanitas Seguros	**49**	46
Sanitas Mayores	**22**	21
Bupa Acıbadem Sigorta	**53**	24
Care Plus	**29**	26
Other	**10**	5
Bupa Global and UK		
Bupa Care Services	**–**	90
Bupa Dental Care UK	**191**	467
Bupa Global	**68**	68
Other	**3**	3
Total	**1,981**	2,449

Sensitivity to changes in key assumptions

Following the full impairment of goodwill in Bupa Care Services, Bupa Villages and Aged Care Australia and Bupa Chile, the only CGU where a reasonably probable change in assumptions could result in an impairment is Bupa Dental Care UK for which sensitivities have been provided above.

Management believes that no reasonably probable change in any of the key assumptions for other CGUs would cause the carrying value of any goodwill or intangible asset with an indefinite useful life to exceed its recoverable amount.

Impairment of other intangible assets

As at 31 December 2022, other intangible assets with indefinite useful lives were tested for impairment with £22m impairment arising in the current year relating to the write off of the Bupa Chile Isapre brand due to the local legal and regulatory pressures on the Isapre industry (2021: £nil).

A review of intangible assets that are subject to amortisation resulted in impairments of £263m (2021: £11m), of which £255m is related to the Bupa Dental Care UK customer list assets and is the result of the overall CGU impairment review, the drivers of which are included above.

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 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, 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 an asset carried at cost is recognised in other income and charges (see Note 2.4) to reduce the carrying value to the recoverable amount. An impairment loss on an asset carried at revalued amount is recognised in the property 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.

Notes to the Consolidated Financial Statements
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	Freehold property £m	Right-of-use asset property £m	Leasehold improvements £m	Owned equipment £m	Right-of-use asset equipment £m	Total £m
2022						
Cost or valuation						
At beginning of year	**2,296**	**1,171**	**313**	**1,424**	**15**	**5,219**
Initial application of IAS 29	**–**	**–**	**–**	**1**	**–**	**1**
Assets arising on business combinations	**4**	**4**	**–**	**1**	**–**	**9**
Additions	**25**	**51**	**38**	**148**	**3**	**265**
Transfer to assets held for sale	**(27)**	**–**	**–**	**(16)**	**–**	**(43)**
Disposals	**(2)**	**(44)**	**(19)**	**(44)**	**(1)**	**(110)**
Revaluations	**(130)**	**–**	**–**	**–**	**–**	**(130)**
Remeasurements	**–**	**57**	**–**	**–**	**1**	**58**
Other	**(2)**	**1**	**–**	**6**	**–**	**5**
Foreign exchange	**83**	**54**	**13**	**60**	**1**	**211**
At end of year	**2,247**	**1,294**	**345**	**1,580**	**19**	**5,485**
Depreciation and impairment loss						
At beginning of year	**48**	**364**	**146**	**839**	**6**	**1,403**
Initial application of IAS 29	**–**	**–**	**–**	**1**	**–**	**1**
Depreciation charge for year	**39**	**140**	**26**	**125**	**4**	**334**
Transfer to assets held for sale	**–**	**–**	**–**	**(8)**	**–**	**(8)**
Disposals	**–**	**(42)**	**(17)**	**(38)**	**(1)**	**(98)**
Revaluations	**(53)**	**–**	**–**	**–**	**–**	**(53)**
Impairment loss	**–**	**56**	**31**	**37**	**–**	**124**
Other	**–**	**1**	**–**	**–**	**–**	**1**
Foreign exchange	**3**	**21**	**6**	**35**	**1**	**66**
At end of year	**37**	**540**	**192**	**991**	**10**	**1,770**
Net book value at end of year	**2,210**	**754**	**153**	**589**	**9**	**3,715**
Net book value at beginning of year	2,248	807	167	585	9	3,816
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

Notes to the Consolidated Financial Statements
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Revaluation of properties

External valuations are performed every three years. To ensure that the carrying value does not differ significantly from fair value at the reporting 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 a full out-of-cycle external revaluation is required.

In 2022, the external triennial revaluation of properties in the UK have been independently performed by Knight Frank, in Chile by Phi Partners, in Poland by Knight Frank and in Türkiye by Ekol GD. In addition, full out-of-cycle revaluations have been performed in Australia by Ernst & Young and in New Zealand by Jones Lang LaSalle (JLL). 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. This approach is in line with market practice. 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 calculated based on what a reasonably efficient operator could be expected to achieve. This is 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.

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, under the fair value hierarchy in accordance with IFRS 13 Fair Value Measurement, 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
2022						
Valuation assumptions: average occupancy rate	93.1%	91.4%	86.6%	88.4%	N/A	N/A
Valuation assumptions: average capitalisation/discount rate	15.1%	12.9%	8.9%	19.0%	9.0%	11.6%
Valuation assumptions: average price per square metre	N/A	N/A	£3,389	£2,391	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	6.3%	5.2%	N/A	N/A
2021						
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 an increase/decrease of 0.5% in capitalisation rates would decrease/increase the total carrying value of freehold properties by £(97)m/£89m (2021: £(96)m/£100m). An increase/decrease of 0.5% in occupancy rates would increase/decrease the total carrying value of freehold properties by £8m/£(8)m (2021: £8m/£(9)m).

Notes to the Consolidated Financial Statements continued

The table below shows the date at which freehold properties held as at 31 December 2022 were last subject to external valuation.

	2022 £m
Valuation – 31 December 2022	**1,915**
Valuation – 31 December 2021	**249**
Assets held at cost[1]	**83**
Cost or valuation	**2,247**

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 recognised in the Consolidated Income Statement in prior years, the credit is recognised in the Consolidated Income Statement.

In the current year, a £44m net revaluation deficit (2021: £26m deficit) has been recognised in the property revaluation reserve, with a revaluation loss of £33m (2021 loss: £10m) charged to the Consolidated Income Statement within other income and charges (see Note 2.4).

Recognised in the carrying amount of freehold property is £63m (2021: £70m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued freehold property assets

	2022 £m	2021 £m
Historical cost of revalued assets	**2,088**	2,128
Accumulated depreciation based on historical cost	**(465)**	(423)
Historical cost net book value	**1,623**	1,705
Depreciation charge for the year on historical cost	**42**	43

Impairment of tangible assets

A review of tangible assets has resulted in impairments of £124m (2021: £6m), of which £117m is related to Bupa Dental Care UK and is a result of the overall CGU impairment review, the drivers of which are explained in Note 3.

It has also been identified that there are reasonable changes in assumptions on the Cromwell CGU impairment test that could lead to the impairment of the £115m right-of-use asset. Currently there is headroom on the CGU of £22m. The headroom is primarily sensitive to forecast cash flows driven by the mix and volume of procedures, staff costs and operating costs; a 10% reduction in cash flows reduces that headroom by £24m.

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. 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.

Notes to the Consolidated Financial Statements continued

	2022 £m	2021 £m
At beginning of year	**666**	627
Additions	**29**	37
Disposals	**(1)**	–
Increase in fair value	**29**	27
Reclassification from property, plant and equipment	**–**	1
Foreign exchange	**27**	(26)
At end of year	**750**	666

In the current year, a revaluation surplus of £28m (2021: £27m) was credited to the Consolidated Income Statement which is net of £1m (2021: £nil) attributable to occupational right agreement liability holders and is paid upon exit of the retirement village.

The carrying value of investment properties primarily consists of the Group's portfolio of retirement villages in New Zealand of £681m (2021: £604m) and Australia of £55m (2021: £50m). 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 (JLL), 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 £482m (2021: £440m).

Significant assumptions used in the valuation include:

Australia and New Zealand	
Discount rate	**14.0%**
Capital growth rate	**3.2% - 3.5%**

The sensitivity analysis below considers the impact on the year-end valuation of Level 3 investment properties and is based on a change in one assumption while holding all other assumptions constant. In practice, changes in assumptions may be correlated.

Australia and New Zealand	0.5% absolute increase	0.5% absolute decrease
Discount rate	£12m decrease	£13m increase
Capital growth rate	£18m increase	£16m decrease

Retirement villages

During the year ended 31 December 2022, the Group's retirement village portfolio in Australia and New Zealand generated £25m (2021: £21m) of income which was recognised as revenue in the Consolidated Income Statement. Total direct operating expenses of these retirement villages amounted to £19m (2021: £16m).

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.

Notes to the Consolidated Financial Statements continued

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 debt 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 £1,032m (2021: £905m). 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 (Bupa Arabia)	Insurance	43.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc. (Highway to Health)	Insurance	49.00%	USA	USA
Niva Bupa Health Insurance Company Limited (Niva Bupa)	Insurance	44.39%	India	India

During the year, the Group received dividends of £52m (2021: £34m) from Bupa Arabia for Cooperative Insurance Company (Bupa Arabia).

During the year, the Group's shareholding in Niva Bupa was diluted from 44.75% to 44.39% due to Niva Bupa employees exercising their share options. The Group made further capital injections in Niva Bupa of £14m (2021: £14m). 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 full balances for 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Revenue	**2,765**	2,058	**201**	157	**245**	154
Cash and cash equivalents	**283**	89	**94**	80	**9**	4
Other current assets	**1,458**	1,658	**122**	95	**27**	20
Current assets	**1,741**	1,747	**216**	175	**36**	24
Non-current assets	**1,415**	694	**10**	8	**319**	213
Current liabilities	**(2,202)**	(1,623)	**(123)**	(94)	**(110)**	(71)
Non-current liabilities	**–**	–	**(3)**	(3)	**(141)**	(96)
Net assets	**954**	818	**100**	86	**104**	70

Notes to the Consolidated Financial Statements continued

Reconciliation to carrying amounts

	Bupa Arabia		Highway to Health		Niva Bupa	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Opening net assets	**818**	761	**86**	87	**70**	40
Profit/(loss) for the year	**129**	115	**8**	(5)	**(8)**	(15)
Other comprehensive income	**6**	14	**–**	–	**–**	–
Dividends paid	**(116)**	(79)	**–**	–	**–**	–
Other reserve movements	**117**	7	**6**	4	**42**	45
Closing net assets	**954**	818	**100**	86	**104**	70
% Ownership	**43.25%**	43.25%	**49.00%**	49.00%	**44.39%**	44.75%
Reporting entity's share[1]	**412**	354	**49**	42	**35**	24
Goodwill	**307**	274	**196**	175	**20**	20
Carrying amount	**719**	628	**245**	217	**55**	44
Reporting entity's share of profit/(loss)	**57**	49	**2**	(3)	**(3)**	(7)

1. Reporting entity's share excludes subordinated debt recorded under equity for Niva Bupa as the Group has no rights over the debt.

(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 £13m (2021: £16m). The Group's share of results recognised during the year for these is a loss of £(3)m (2021: profit of £3m).

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 and Directors, in addition to an unfunded scheme and a post-retirement medical benefit scheme.

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 since 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 reporting date on high-quality corporate bonds denominated in the currency in which the benefit will be paid and taking account of the maturities of the defined benefit obligations. 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 net interest cost and administrative expenses.

All remeasurements are recognised in full in the Consolidated Statement of Comprehensive Income in the period in which they occur.

Notes to the Consolidated Financial Statements continued

(i) Amounts recognised in the Consolidated Income Statement

The amounts (credited)/charged to other operating expenses for the year are:

	2022 £m	2021 £m
Net interest on defined benefit liability/asset	**(8)**	(7)
Administrative expenses	**2**	2
Total amount credited to the Consolidated Income Statement	**(6)**	(5)

The charge to other operating expenses in respect of cash contributions to defined contribution schemes is £58m (2021: £52m).

(ii) Amounts recognised directly in other comprehensive income

The amounts charged/(credited) directly to equity are:

	2022 £m	2021 £m
Actual return less expected return on assets	**920**	33
Gain arising from changes to financial assumptions	**(811)**	(13)
Loss/(gain) arising from changes to experience assumptions	**22**	(25)
(Gain)/loss arising from changes to demographic assumptions	**(3)**	10
Total remeasurement losses charged directly to equity	**128**	5

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. 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 since 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 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.

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 latest triennial valuation, dated 1 July 2020, showed that The Bupa Pension 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 2022 for the purposes of inclusion in the Group's Consolidated Financial Statements.

Trustees are appointed for each scheme as determined by its 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.

The smaller defined benefit pension schemes are not individually material to the Group on a net surplus/deficit basis, but details have been disclosed within the subsidiary financial statements of the relevant sponsoring employer of each scheme.

Notes to the Consolidated Financial Statements
continued

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, cash deposits 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 2022 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 2022 have been made in accordance with this latest valuation, which used the same principal assumptions as adopted as at 31 December 2022 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 performed on 31 December 2022 by an actuary employed by the Group using the same principal assumptions as adopted as at 31 December 2022 under IAS 19 for The Bupa Pension Scheme.

Assets and liabilities of schemes

	Pension schemes		Post-retirement medical benefit scheme		Total	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Present value of funded obligations	**(1,163)**	(1,969)	**–**	–	**(1,163)**	(1,969)
Fair value of scheme assets	**1,561**	2,499	**–**	–	**1,561**	2,499
Net assets of funded schemes	**398**	530	**–**	–	**398**	530
Present value of unfunded obligations	**(39)**	(51)	**(4)**	(6)	**(43)**	(57)
Net recognised assets/(liabilities)	**359**	479	**(4)**	(6)	**355**	473
In the Consolidated Statement of Financial Position:						
Net liabilities					**(51)**	(69)
Net assets					**406**	542
Net recognised assets					**355**	473

(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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At beginning of year	**2,020**	2,085	**6**	8	**2,026**	2,093
Interest on obligations	**36**	30	**–**	–	**36**	30
Gain from changes to financial assumptions	**(810)**	(13)	**(1)**	–	**(811)**	(13)
Loss/(gain) from changes to experience assumptions	**22**	(23)	**–**	(2)	**22**	(25)
(Gain)/loss from changes to demographic assumptions	**(3)**	10	**–**	–	**(3)**	10
Benefits paid	**(64)**	(69)	**(1)**	–	**(65)**	(69)
Foreign exchange	**1**	–	**–**	–	**1**	–
At end of year	**1,202**	2,020	**4**	6	**1,206**	2,026

Notes to the Consolidated Financial Statements
continued

(iv) Fair value of funded schemes' assets

The movements in the fair value of the funded schemes' assets are:

	2022 £m	2021 £m
At beginning of year	**2,499**	2,564
Interest income	**44**	37
Return on assets excluding interest income	**(920)**	(33)
Contributions by employer	**2**	1
Administration expenses	**(2)**	(2)
Benefits paid	**(62)**	(67)
Foreign exchange	**–**	(1)
At end of year	**1,561**	2,499

The market values of the assets of the funded schemes are as follows:

	2022 £m	2022 %	2021 £m	2021 %
Pooled investment funds	**616**	**39**	1,174	47
Corporate bonds	**522**	**33**	819	33
Loans	**196**	**13**	178	7
Cash/other assets	**167**	**11**	140	5
Government bonds	**87**	**6**	158	6
Derivatives	**(33)**	**(2)**	14	1
Equities	**6**	**–**	16	1
Total market value	**1,561**	**100**	2,499	100

Certain assets have been reclassified within the table above and prior year amounts have been updated to reflect this.

Aside from corporate and government bonds in the table above, no other assets have a quoted market price.

Aside from sole investor funds reported in the pooled investment funds line above, amounts reported include those held through pooled investment funds in which Bupa is not the sole investor, as well as direct investments.

The Group's sole investor fund comprises:

	2022 £m	2021 £m
Government bonds	**761**	1,391
Derivatives	**(376)**	(266)
Cash/other assets	**231**	49
Total market value	**616**	1,174

The Group has previously 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. The impact of increased bond yields, partially offset by higher inflationary expectations in the period, have led to the reduction in liabilities in the period. 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. Following the increased bond yields in the period, there was a significant decrease in the value of assets, offsetting the reduction in liabilities.

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 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, stress testing of collateral requirements, and by maintaining a prudent buffer of liquid assets to meet potential collateral calls. This approach enabled the Scheme to maintain adequate collateral headroom during the gilt market stress during the year.

Notes to the Consolidated Financial Statements
continued

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	
	2022 %	2021 %	**2022 %**	2021 %
Inflation rate	**3.7**	3.4	**3.8**	3.4
Rate of increase in salaries	**4.2**	3.8	**–**	–
Rate of increase of pensions in payment	**3.1**	3.2	**4.5**	3.8
Rate of increase of pensions in deferment	**3.3**	2.8	**4.5**	3.8
Discount rate for scheme assets and obligations	**5.0**	1.8	**5.0**	1.8
Medical cost trend	**–**	–	**4.8**	4.0

(a) Actuarial assumptions underlying the valuation of obligations

The inflation rate 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 reporting 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.

	Discount rate	Rate of inflation	Rate of increase in salaries	Rate of mortality
2022				
Change in assumption	Increase/decrease by 0.5%	Increase/decrease by 0.25%	Increase/decrease by 0.25%	Increase by one year
Indicative impact on scheme liabilities	Decrease £83m/ increase £88m	Increase/decrease £39m	Increase/decrease £2m	Increase £29m
2021				
Change in assumption	Increase/decrease by 0.5%	Increase/decrease by 0.25%	Increase/decrease by 0.25%	Increase by one year
Indicative impact on scheme liabilities	Decrease £165m/ increase £204m	Increase/decrease £69m	Increase/decrease £7m	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 2022.

The mortality tables adopted as at 31 December 2022 are the S3PA year of birth mortality tables using the CMI 2021 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) (2021: 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)).

Notes to the Consolidated Financial Statements continued

	2022	2021
Average life expectancy for members aged 60, on the valuation date:		
Male	**27.9**	27.9
Female	**29.7**	29.6
Average life expectancy for member aged 45, on the valuation date:		
Male	**28.8**	28.7
Female	**30.9**	30.8

(c) Assumptions over duration of liabilities

The weighted average duration of the defined benefit obligation is approximately 15 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.

	2022 £m	2021 £m
Non-current restricted assets	**40**	45
Current restricted assets	**79**	113
Total restricted assets	**119**	158

The non-current restricted assets balance of £40m (2021: £45m) consists of cash deposits held to secure a charge over the unfunded pension scheme obligations (see Note 7). Included in current restricted assets is £74m (2021: £111m) cash 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.

Notes to the Consolidated Financial Statements
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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 in 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 are recognised in 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 in 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. For trade receivables lifetime ECL is always applied. 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 other than trade receivables, 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.

Financial investments are analysed as follows:

	Carrying value 2022 £m	**Fair value 2022 £m**	Carrying value 2021 £m	Fair value 2021 £m
Fair value through profit or loss				
Corporate debt securities and secured loans	**301**	**301**	334	334
Government debt securities	**41**	**41**	45	45
Pooled investment funds	**459**	**459**	386	386
Deposits with credit institutions	**4**	**4**	–	–
Other loans	**7**	**7**	7	7
Equities	**32**	**32**	13	13
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**41**	**41**	66	66
Government debt securities	**19**	**19**	30	30
Amortised cost				
Corporate debt securities and secured loans	**1,114**	**1,110**	774	776
Government debt securities	**468**	**468**	211	214
Deposits with credit institutions	**1,230**	**1,230**	1,044	1,045
Other loans	**–**	**–**	1	1
Total financial investments	**3,716**	**3,712**	2,911	2,917
Non-current	**756**	**752**	831	833
Current	**2,960**	**2,960**	2,080	2,084

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).

Notes to the Consolidated Financial Statements
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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 supported by market transactions and observable market data provided 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 the fair value of financial investments by hierarchy level is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2022				
Fair value through profit or loss				
Corporate debt securities and secured loans	**21**	**279**	**1**	**301**
Government debt securities	**22**	**19**	**–**	**41**
Pooled investment funds	**89**	**347**	**23**	**459**
Deposits with credit institutions	**4**	**–**	**–**	**4**
Other loans	**–**	**–**	**7**	**7**
Equities	**–**	**–**	**32**	**32**
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**38**	**3**	**–**	**41**
Government debt securities	**19**	**–**	**–**	**19**
Amortised cost				
Corporate debt securities and secured loans	**488**	**622**	**–**	**1,110**
Government debt securities	**290**	**178**	**–**	**468**
Deposits with credit institutions	**–**	**1,230**	**–**	**1,230**
Total financial investments	**971**	**2,678**	**63**	**3,712**

	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

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. In 2022, there were no transfers between fair value hierarchy levels. In 2021, £48m of government debt securities and corporate debt securities and secured loans were transferred from Level 1 to Level 2 following a review of the level of market activity and readily available quoted prices in those investments, £13m from Level 2 to Level 1 and £1m from Level 2 to Level 3.

Fair values for Level 2 assets mainly include values provided by external parties, including fund managers, which are either from readily available prices (including last transaction price) but relate to assets for which the market is not always active, or are measured on the basis of valuation techniques including a varying degree of assumptions supported by market transactions and observable data.

The Group currently holds Level 3 investments totalling £63m. The majority of Level 3 investments are unlisted equities and pooled investment funds 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 £3m.

The table below shows movement in the Level 3 assets measured at fair value.

Level 3	**2022 £m**	2021 £m
At beginning of year	**34**	28
Additions	**4**	2
Net increase in fair value	**24**	4
Transfer between levels	**–**	1
Foreign exchange	**1**	(1)
At end of year[1]	**63**	34

1. All gains and losses are recognised in net financial expense in the Consolidated Income Statement.

There were no transfers in 2022. In 2021, 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 supported by third parties as at the reporting date to discount financial assets, borrowings and derivatives, where the fair value cannot otherwise be found from quoted market values. The interest rate used is based on the duration of the financial asset/liability resulting in a range as follows:

	2022 %	2021 %
Sterling assets and liabilities	**3.4 - 3.7**	0.9 - 1.1
Australian dollar assets and liabilities	**3.3 - 3.7**	0.3 - 1.4
Euro assets and liabilities	**2.5 - 2.6**	(0.7) - 0.2
US dollar assets and liabilities	**3.9 - 4.6**	0.4 - 1.9

Notes to the Consolidated Financial Statements continued

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.

Derivative financial instruments are accounted for at fair value through profit or loss unless hedge accounting requires another treatment. See Note 26 for details on how the Group accounts for derivatives that qualify for hedge accounting. 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.

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 reporting 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.

	2022 £m	2021 £m
Derivative assets		
Non-current	**2**	5
Current	**26**	36
Total derivative assets	**28**	41
Derivative liabilities		
Non-current	**(64)**	(18)
Current	**(73)**	(17)
Total derivative liabilities	**(137)**	(35)

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 reporting 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Accelerated capital allowances	**82**	64	**(38)**	(28)	**44**	36
Post-employment benefits	**3**	3	**(131)**	(175)	**(128)**	(172)
Revaluation of properties to fair value	**1**	2	**(87)**	(104)	**(86)**	(102)
Employee benefits (other than post-employment)	**61**	55	**–**	–	**61**	55
Provisions	**152**	145	**(8)**	(8)	**144**	137
Taxation value of losses carried forward	**63**	63	**–**	–	**63**	63
Goodwill and intangible assets	**13**	9	**(136)**	(207)	**(123)**	(198)
Other	**17**	14	**(40)**	(39)	**(23)**	(25)
Deferred taxation (before allowable netting)	**392**	355	**(440)**	(561)	**(48)**	(206)
Allowable netting of deferred taxation	**(263)**	(266)	**263**	266	**–**	–
Deferred taxation – net	**129**	89	**(177)**	(295)	**(48)**	(206)

Unrecognised deferred taxation assets

As at 31 December 2022, the Group had deductible temporary differences relating to trading losses of £190m (2021: £100m), to capital losses of £80m (2021: £69m), and to other temporary differences of £9m (2021: £nil) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Notes to the Consolidated Financial Statements continued

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Initial application of IAS 29[1] £m	Recognised in Consolidated Income Statement £m	Recognised in other comprehensive income £m	Acquisitions through business combinations £m	Disposals £m	Foreign exchange £m	At end of year £m
2022								
Accelerated capital allowances	**36**	**–**	**9**	**–**	**(1)**	**–**	**–**	**44**
Post-employment benefits	**(172)**	**–**	**(3)**	**47**	**–**	**–**	**–**	**(128)**
Revaluation of properties to fair value	**(102)**	**–**	**10**	**11**	**–**	**–**	**(5)**	**(86)**
Employee benefits (other than post-employment)	**55**	**–**	**4**	**–**	**–**	**–**	**2**	**61**
Provisions	**137**	**–**	**(3)**	**–**	**–**	**–**	**10**	**144**
Taxation value of losses carried forward	**63**	**–**	**(5)**	**–**	**1**	**–**	**4**	**63**
Goodwill and intangible assets	**(198)**	**(6)**	**87**	**–**	**–**	**–**	**(6)**	**(123)**
Other	**(25)**	**–**	**(5)**	**1**	**–**	**–**	**6**	**(23)**
Total	**(206)**	**(6)**	**94**	**59**	**–**	**–**	**11**	**(48)**
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)

1. Refer to Note 1.7 for details of the adjustments.

Notes to the Consolidated Financial Statements continued

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, and deferred acquisition costs are held at amortised cost.

The valuation of reinsurers' share of insurance provisions is discussed in Note 19.

	Note	2022 £m	2021 £m
Insurance debtors	(a)	**1,334**	1,116
Reinsurers' share of insurance provisions	(b)	**38**	33
Deferred acquisition costs	(c)	**175**	143
Medicare rebate	(d)	**71**	73
Risk Equalisation Special Account recoveries		**8**	9
Total assets arising from insurance business		**1,626**	1,374
Non-current		**7**	7
Current		**1,619**	1,367

The above balance is held net of provision for impairment losses of £27m (2021: £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.

(a) Insurance debtors

Insurance debtors primarily arise where the amount payable under an insurance contract is payable in instalments over the term of the policy, with a debtor and corresponding unearned premium provision being 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 reporting 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 recognised 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:

	2022 £m	2021 £m
At beginning of the year	**143**	138
Initial application of IAS 29[1]	**6**	–
Acquisition costs deferred	**499**	380
Acquisition costs recognised in the Consolidated Income Statement	**(476)**	(373)
Foreign exchange	**3**	(2)
At end of year	**175**	143

1. Refer to Note 1.7 for details of the adjustments.

Acquisition costs recognised in the Consolidated Income Statement include £33m (2021: £19m) 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 their private health insurer, the amounts are recovered from the government. Rebates due from the government but not received at the reporting date are recognised in assets arising from insurance business.

Notes to the Consolidated Financial Statements continued

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.

As at 31 December 2022, inventories were £91m (2021: £93m). Inventory write-downs of £4m were made during the year (2021: £1m). The Group consumed £219m (2021: £221m) 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	**2022 £m**	2021 £m
Trade receivables	(a)	**420**	319
Other receivables	(a)	**228**	123
Service concession receivables	(b)	**71**	30
Prepayments		**148**	100
Contract costs		**4**	5
Accrued income		**58**	47
Total trade and other receivables		**929**	624
Non-current		**26**	13
Current		**903**	611

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 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 on financial assets. Impairment losses on trade receivables of £11m have been recognised in the period (2021: £8m).

Notes to the Consolidated Financial Statements
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(b) Service concession receivables

The Group has recognised service concession receivables in respect of a public–private partnership arrangement in Spain. 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 (using the effective interest method) less ECL provision.

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 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.

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.

	2022 £m	2021 £m
Cash at bank and in hand	**1,141**	1,247
Short-term deposits	**262**	492
Total cash and cash equivalents	**1,403**	1,739

Bank overdrafts of £2m (2021: £1m) that are repayable on demand are reported within other interest-bearing liabilities in the Consolidated Statement of Financial Position. Demand deposits that have restrictions on use set by a third party that fundamentally change the nature of the demand deposits are reported within restricted assets in the Consolidated Statement of Financial Position. Both of these are considered as components of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Notes to the Consolidated Financial Statements
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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 their carrying amount will be recovered primarily through sale rather than continuing use and a sale within 12 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

	2022 £m	2021 £m
Assets held for sale		
Goodwill and intangible assets	**–**	17
Property, plant and equipment	**31**	20
Investment property	**1**	–
Trade and other receivables	**–**	1
Total assets classified as held for sale	**32**	38
Liabilities associated with assets held for sale		
Lease liabilities	**–**	(2)
Provisions for liabilities and charges	**(1)**	(1)
Trade and other payables	**–**	(1)
Total liabilities classified as held for sale	**(1)**	(4)
Net assets classified as held for sale	**31**	34

Net assets held for sale as at 31 December 2022 predominantly comprise a number of care homes within Bupa UK Care Services, Bupa Villages and Aged Care New Zealand and Bupa Villages and Aged Care Australia, as well as an office within Care Plus in Brazil. Net assets held for sale as at 31 December 2021 primarily comprised the Dental Corporation New Zealand business, the Dental Corporation Australia's 'Dental Lounge' business and a number of care homes and assets within Bupa Villages and Aged Care Australia.

Notes to the Consolidated Financial Statements continued

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 under fair value hedges. Changes in the fair value of swaps designated and qualifying as fair value hedge are recorded in the Consolidated Income Statement together with changes in the fair value of the borrowings, due to the hedged risk. A gain or loss relating to any ineffective portion is directly recognised in the Consolidated Income Statement.

	Note	2022 £m	2021 £m
Subordinated liabilities			
Subordinated unguaranteed bonds	(a)	**998**	997
Total subordinated liabilities		**998**	997
Other interest-bearing liabilities			
Senior unsecured bonds	(b)	**600**	642
Fair value adjustment in respect of hedged interest rate risk		**(60)**	(16)
Bank loans and overdrafts	(c)	**108**	196
Total other interest-bearing liabilities		**648**	822
Total borrowings		**1,646**	1,819
Non-current		**1,287**	1,623
Current		**359**	196

	Subordinated liabilities		Other interest-bearing liabilities		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
At beginning of year	**997**	1,247	**822**	1,191	**1,819**	2,438
Arising on business combinations	**–**	–	**1**	2	**1**	2
Net repayments	**–**	(250)	**(141)**	(322)	**(141)**	(572)
Interest payments	**(47)**	(58)	**(17)**	(25)	**(64)**	(83)
Accrued interest and amortisation	**48**	58	**19**	24	**67**	82
Fair value adjustment in respect of hedged risk	**–**	–	**(44)**	(28)	**(44)**	(28)
Foreign exchange	**–**	–	**8**	(20)	**8**	(20)
At end of year	**998**	997	**648**	822	**1,646**	1,819

(a) Subordinated unguaranteed bonds

The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts, was £998m (2021: £997m).

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 5.000% 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 13 April 2022, Bupa Chile early redeemed £47m of inflation-linked senior unsecured bonds that were issued on 30 June 2012 and originally due to mature on 30 June 2033. This led to a loss of £6m charged to the Consolidated Income Statement within financial expenses (see Note 2.5).

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, guaranteed by the Company, 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 £252m (2021: £284m). 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 2.000% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £288m (2021: £298m). 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.

See Note 26.2.2 for details on the Group's interest rate hedging activities.

(c) Bank loans and overdrafts

Bank loans and overdrafts are £108m (2021: £196m), which includes a portfolio of loans held in Bupa Chile totalling £33m (2021: £38m), loans held in Grupo Bupa Sanitas S.L. of £3m (2021: £nil) and a tri syndicated loan held in Especializada y Primaria L'Horta-Manises S.A.U. (part of Sanitas Hospitales and New Services) of £2m (2021: £8m).

In December 2021, the Group entered into a £900m revolving credit facility which had an initial maturity of December 2026 with two, one-year extension options. The facility replaced an £800m revolving credit facility and a separate £40m bilateral facility. In November 2022, the facility was extended by the first of the two options with the maturity date for the facility now December 2027. The second optional extension is in November 2023. The facility was drawn down by £70m as at 31 December 2022 (2021: £150m drawn down). 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 SONIA for sterling or equivalent for other currencies.

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. 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 fair value hierarchy as described in Note 9. Where the fair value of a bond cannot be otherwise determined from quoted market values, the instrument is discounted using similar duration treasuries and applying an instrument-specific spread.

An analysis of borrowings by fair value classification is as follows:

	2022			2021		
	Level 1 £m	**Level 2 £m**	**Total £m**	Level 1 £m	Level 2 £m	Total £m
Subordinated liabilities	**906**	**–**	**906**	1,104	–	1,104
Senior unsecured bonds	**545**	**–**	**545**	608	44	652
Bank loans and overdrafts	**2**	**106**	**108**	–	196	196
Total fair value	**1,453**	**106**	**1,559**	1,712	240	1,952

The Group does not have any Level 3 financial liabilities.

Notes to the Consolidated Financial Statements continued

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 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	2022 £m	2021 £m
At beginning of the year	**921**	1,016
Additions arising on business combinations	**4**	2
Additions	**51**	50
Disposals	**(1)**	(10)
Remeasurement	**56**	39
Interest on lease liabilities	**46**	47
Repayments	**(181)**	(177)
Transfer to liabilities associated with assets held for sale	**–**	(2)
Foreign exchange	**36**	(44)
At end of year	**932**	921
Non-current	**801**	794
Current	**131**	127

See Note 26.4 for maturity analysis of lease liabilities.

Expenses

The Consolidated Income Statement includes expenses relating to short-term leases of £4m (2021: £5m) and expenses relating to leases of low-value assets of £1m (2021: £1m). Depreciation of right-of-use assets is reported in Note 4. Interest on lease liabilities is reported within 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 periods covered by extension options are only included in the lease term if the lessee is reasonably certain to exercise the options. At lease commencement an assessment is performed of whether it is reasonably certain to exercise the extension options, taking into account factors like the future timing of options, economic incentives for the lessee to exercise the option or the lessee's past practice. The Group

Notes to the Consolidated Financial Statements continued

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 2022, potential discounted future cash outflows of £358m (2021: £347m) have not been included within lease liabilities because it is not reasonably certain that the related extension options will be exercised.

Termination options

A number of lease contracts in the Group contain termination options. Periods covered by a termination option are only included in the lease term if the lessee is reasonably certain not to exercise the option.

As at 31 December 2022, potential discounted future cash outflows of £60m (2021: £52m) have not been included within lease liabilities because it is not reasonably certain that the related termination options will not be exercised.

Future lease commitments

The Group is committed to leases that have not yet commenced to the value of £10m as at 31 December 2022 (2021: £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 £23m (2021: £14m).

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

Provisions for 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 likely to be due to policyholders, a provision for the return of premium is established within the provision for unearned premiums. The return of premium provision is treated as an adjustment to the initial premium, reducing gross premium income. A provision for return of premiums was established in 2020 in respect of Bupa Insurance Limited following the commitment to pass back to eligible customers any exceptional financial benefits experienced by the UK PMI business that ultimately arose as a result of the COVID-19 pandemic. As at 31 December 2022, the return of premium provision is estimated to be £59m (2021: £71m). The reduction in the provision reflects a decrease in the best estimate of the exceptional financial benefit to be returned to eligible customers due to a higher rebound of claims. The provision closed to future accrual of benefit from 31 December 2021.

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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, the estimated costs of deferred claims expected to rebound after the reporting date and rebate payments made in 2021 of £110m. The key assumptions in determining the return of premium provision are the costs of deferred claims expected to rebound, which has reduced in the level of estimation uncertainty since 2021, and COVID-19 related claims inflation expected to be incurred (£24m). It is expected that the deferred claims will be incurred over 2023. 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 £8m and an increase/decrease in profit before taxation by the same amount.

Provisions for unearned premiums also includes a provision of £45m (2021: £nil) for a premium rate increase deferral in respect of the health insurance business in Australia. In accordance with local accounting standards and IFRS 4 Insurance Contracts, a premium rate increase deferral provision is recognised at the point the Group announces a return to policyholders which will be honoured through a rate deferral, and gross written premiums recognised within the Consolidated Income Statement are reduced accordingly. The provision is subsequently utilised over the period when the rate deferral is effective. At the reporting date, the amounts provided for are in relation to the announcements made by the Group in December 2022 to return permanent net COVID-19 savings to eligible policyholders.

Unexpired risk provision

Liability adequacy tests are performed at a portfolio level for the Group's insurance entities. For short-duration contracts, a premium deficiency is recognised if the sum of expected costs of future claims 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 2022, an unexpired risk provision of £1m has been recognised (2021: £22m).

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 reporting date. The methods used and estimates made for claims provisions are reviewed regularly.

A deferred claims provision of £181m has been recognised as at 31 December 2022 (2021: £163m) in respect of the health insurance business in Australia, where the Australian prudential regulator (APRA) had mandated the need to provide for the rebound of claims following the ongoing COVID-19 disruption. Australia continued to experience ongoing disruption to the supply of local health provision during the year. From 1 October 2022, the provision closed to future accrual of deferred claims as the health provision restrictions no longer applied.

The estimated cost of claims expected to rebound after the reporting date has been calculated as a proportion (the deferral rate) of the observed shortfall in incurred claims across the period of disruption, compared with pre-COVID-19 expectations. As at 31 December 2022, the estimated amount represents 55% of the shortfall in hospitalisation claims in the period since 1 January 2022, compared with expected claims. This has been recognised on a best estimate basis, together with an allowance for claims handling costs and an additional risk margin. Related future claims experience may differ significantly from these estimates.

Notes to the Consolidated Financial Statements
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The key assumption in determining the deferred claims is the assumed deferral rate. A reasonably possible increase in the deferral rate of 10% would reduce profit before taxation by £23m. A decrease in the assumption by the same amount would have the opposite impact.

	2022			2021		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
General insurance business						
Provisions for unearned premiums	**2,444**	**(26)**	**2,418**	2,104	(24)	2,080
Provision for claims	**1,264**	**(12)**	**1,252**	1,093	(9)	1,084
Long-term business						
Life insurance contract liabilities[1]	**1**	**–**	**1**	36	–	36
Total insurance provisions	**3,709**	**(38)**	**3,671**	3,233	(33)	3,200
Non-current	**63**	**–**	**63**	50	–	50
Current	**3,646**	**(38)**	**3,608**	3,183	(33)	3,150

1. The decrease in the period is due to the sale of the portfolio of life insurance in Bupa Global Latin America, as described in Note 24.

Reinsurers' share of insurance provisions is included within Note 12.

(i) Analysis of movements in provisions for unearned premiums

	2022			2021		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At beginning of year	**2,104**	**(24)**	**2,080**	2,094	(17)	2,077
Initial application of IAS 29[1]	**4**	**–**	**4**	–	–	–
Additions arising on business combinations	**–**	**–**	**–**	9	–	9
Premiums deferred	**10,274**	**(137)**	**10,137**	9,354	(109)	9,245
Movement in rate deferral provision	**45**	**–**	**45**	–	–	–
Movement in return of premium provision	**(12)**	**–**	**(12)**	(74)	–	(74)
Deferred premiums released to income	**(10,029)**	**132**	**(9,897)**	(9,228)	102	(9,126)
Increase in unexpired risk provision	**(19)**	**–**	**(19)**	19	–	19
Disposal of subsidiary	**–**	**1**	**1**	–	–	–
Foreign exchange	**77**	**2**	**79**	(70)	–	(70)
At end of year	**2,444**	**(26)**	**2,418**	2,104	(24)	2,080

1. Refer to Note 1.7 for details of the adjustments.

(ii) Analysis of movements in provisions for claims

	2022			2021		
	Gross £m	**Reinsurance £m**	**Net £m**	Gross £m	Reinsurance £m	Net £m
At beginning of year	**1,093**	**(9)**	**1,084**	1,083	(7)	1,076
Additions arising on business combinations	**–**	**–**	**–**	3	–	3
Increase for current year claims	**7,782**	**(97)**	**7,685**	7,386	(79)	7,307
Cash paid to settle claims	**(7,661)**	**94**	**(7,567)**	(7,266)	76	(7,190)
Decrease for prior year claims	**(22)**	**–**	**(22)**	(33)	1	(32)
Movement in deferred claims provision	**9**	**–**	**9**	1	–	1
Foreign exchange	**63**	**–**	**63**	(81)	–	(81)
At end of year	**1,264**	**(12)**	**1,252**	1,093	(9)	1,084

Notes to the Consolidated Financial Statements
continued

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
2022		
Change in variable	**5%**	**10%**
Reduction in profit net of reinsurance before taxation[1]	**£32m**	**£2m**
2021		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation[1]	£32m	£2m

1. The deferred claims provision of £181m (2021: £163m) has been excluded from this sensitivity.

These variances would reduce the amount of profit before taxation that would otherwise emerge in subsequent periods.

19.2 Other liabilities arising from insurance business

Other liabilities arising from insurance business consist of payables to insurance creditors.

	2022 £m	2021 £m
Reinsurers' deposits	**9**	8
Reinsurance creditors	**77**	61
Commissions payable	**42**	39
Other insurance payables	**93**	105
Total other liabilities arising from insurance business	**221**	213

Included within other insurance payables is £38m (2021: £57m) related to announced and yet to be paid cash givebacks associated with the return of COVID-19 savings to customers of Bupa Health Insurance, Australia.

Notes to the Consolidated Financial Statements continued

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 created 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 a current market assessment 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 amounts that are ultimately paid could differ from the amounts recorded.

2022	Long service and annual leave £m	Customer remediation and legal provisions £m	Insurance provisions £m	Provision for underpayment of employee entitlement £m	Property restoration provision £m	NHS dental contract clawback provision £m	Other £m	Total £m
At beginning of year	**95**	**16**	**9**	**62**	**27**	**21**	**49**	**279**
Interest on obligations	–	–	–	–	2	–	–	**2**
Charge for year	55	8	16	5	3	47	39	**173**
Released in year	(21)	(8)	–	(7)	–	(1)	(21)	**(58)**
Utilised in year	(34)	(1)	(11)	(22)	(2)	(17)	(13)	**(100)**
Transfer to liabilities held for sale	(1)	–	–	–	–	–	–	**(1)**
Foreign exchange	3	1	–	3	–	–	2	**9**
Total provisions for liabilities and charges	**97**	**16**	**14**	**41**	**30**	**50**	**56**	**304**
Non-current	22	9	10	–	23	–	22	**86**
Current	75	7	4	41	7	50	34	**218**

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.

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 are uncertain.

Insurance provisions

Insurance provisions are in respect of the Group's self insurance and cover 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

In 2021, a provision was 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. The Group anticipates that the remaining remediation payments will be made during 2023.

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 are 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, contract-related provisions, provisions for legal costs and other smaller provisions, along with contingent consideration related to earn-out payable on acquisitions of dental practices in the UK and Poland.

Note 21: Trade and other payables

Trade and other payables in brief

Trade and other payables arise in the ordinary course of business.

	Note	2022 £m	2021 £m
Accruals		**853**	822
Refundable accommodation deposits	(a)	**455**	449
Trade payables		**268**	242
Other payables		**268**	231
Occupational right agreement liabilities	(b)	**374**	302
Deferred income and deferred revenue	(c)	**107**	116
Social security and other taxes		**67**	54
Total trade and other payables		**2,392**	2,216
Non-current		**71**	66
Current		**2,321**	2,150

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 their fair value. Information regarding the maturity of trade payables, other payables, occupational rights agreement liabilities, 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.

Notes to the Consolidated Financial Statements
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(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 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 £107m (2021: £116m) includes £79m (2021: £81m) 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 this deferred revenue balance during the year are as follows:

	2022 £m	2021 restated[1] £m
At beginning of year	**81**	74
Revenue recognised	**(390)**	(356)
Revenue deferred	**384**	366
Foreign exchange	**4**	(3)
At end of year	**79**	81

1. A correction has been made to the 2021 revenue recognised in the period and deferred revenue in the period, increasing the balances by £201m to reflect the gross up of government funding received.

Revenue recognised includes £75m (2021: £65m) of revenue that was deferred at the beginning of the year. £72m (2021: £75m) of revenue deferred as at 31 December 2022 will be recognised during 2023 as the performance obligations are satisfied. £7m (2021: £6m) of revenue deferred as at 31 December 2022 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.

	2022 £m	2021 £m
Restricted Tier 1 notes	**297**	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 £12m (2021: £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.

Notes to the Consolidated Financial Statements continued

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.

(a) 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.

(b) Non-controlling interests

The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of equity or profit or loss.

Note 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) 2022 acquisitions

During the year, the Group made acquisitions for a total consideration of £23m, recognising net assets on acquisition of £9m.

Acquisitions with a total consideration of £13m were made in Poland over the course of the year as the Group continued to expand its presence in the region. This included the acquisition of Med-Polonia Sp. z.o.o in April 2022 for a consideration of £7m. Total net assets of £4m were recognised in respect of the acquisitions along with associated goodwill of £9m.

In addition, in November 2022, the Group acquired Bité Medica Hospital in Mexico for a consideration of £9m. Net assets of £5m and resulting goodwill of £4m were recognised on acquisition.

There was an adjustment to goodwill and consideration in respect of the prior year Citomed acquisition. Both goodwill acquired and consideration increased by £1m.

Notes to the Consolidated Financial Statements
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Included in the Group Consolidated Income Statement is revenue of £5m and a loss before taxation of £1m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2022, revenue of £14m and a loss before taxation of £2m would have been recorded by the Group for the year ended 31 December 2022.

The following table summarises acquisitions recognised during the year:

	Fair value £m
Intangible assets	7
Property, plant and equipment	9
Cash and cash equivalents	1
Trade and other receivables	2
Other interest-bearing liabilities	(5)
Trade and other payables	(5)
Net assets acquired	**9**
Net assets acquired	9
Goodwill	14
Consideration	**23**
Consideration satisfied by:	
Cash	23
Total consideration paid	**23**
Purchase consideration settled in cash	23
Cash acquired on acquisition	(1)
Net cash outflow on acquisition	**22**
Settlement of deferred and contingent consideration	7
Net cash outflow associated with acquisitions	**29**

(b) 2022 disposals

In June 2022, the Group sold its portfolio of life insurance in Bupa Global Latin America to a third party for £(3)m, realising a net loss on disposal of £3m. In June 2022 the Group closed the Bupa representative office in China, resulting in a net loss on disposal of £4m. Other minor disposals in the year included individual dental businesses and care homes in New Zealand, Australia and the UK resulting in a net gain on disposal of £3m.

(c) 2021 acquisitions

In January 2021, the Group acquired Vitamedica, a health insurance provider in Mexico, for a consideration of £16m. Net assets of £11m and resulting goodwill of £5m were recognised on finalisation of the acquisition balance sheet in 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 were recognised as part of the business combination. The resulting gain of £42m was 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 was 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.

Included in the Group Consolidated Income Statement for the year ended 31 December 2021 is revenue of £37m and a profit before taxation of £5m in relation to those businesses acquired in 2021. 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.

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(d) 2021 disposals

During 2021 the Group disposed of its 70% stake in a provision business in Spain for a consideration of £51m, realising a net £1m loss on disposal.

The Group also 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.

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.

The Solvency II framework, which governs industry regulation and prudential capital requirements within the European Union and the UK, became effective from 1 January 2016. The Group has prepared its reporting in line with the requirements of the SII regime, as enacted in the UK, following the UK's exit from the European Union.

The Group is subject to the requirements of Solvency II 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 under Solvency II. 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.

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 are required to 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 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 (£6.9bn) 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 2022, the Group's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £4.9bn[1] (2021: £4.5bn), which was in excess of the Group estimated SCR of £2.7bn[1] (2021: £2.5bn). This represented a solvency coverage ratio of 181%[1] (2021: 179%).

1. The Solvency II Capital position (eligible Own Funds, SCR and coverage ratio) is estimated and unaudited.

Notes to the Consolidated Financial Statements continued

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' 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 42-48.

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, regulatory environments and claims. 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 the Group's products allows for responses to be made to any 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 a significant amount of general insurance business that commits it to cover risks at premiums fixed beyond a 12-month period from inception or renewal.

Notes to the Consolidated Financial Statements
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Claims risk

Claims risk is the risk of claims exceeding the amounts assumed in the premium rates. This can be driven by an adverse fluctuation in the amount and incidence of claims incurred and external factors such as medical inflation.

Claims risk is managed and controlled by means of pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges. Specific claims management processes vary across the Group depending on local requirements, market environment and practice.

Adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the Consolidated Financial Statements. Recent adverse claims experience is reflected in these Consolidated 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 the 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 around 5% 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, including claims inflation, 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, Türkiye, 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. In most jurisdictions, Bupa has established fee agreements with healthcare provider groups to limit the impact of unexpected claims cost inflation.

(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.

Notes to the Consolidated Financial Statements
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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 £635m as at 31 December 2022 (2021: £632m). 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 reporting date.
- Income and expenses at average rates for the period.

All foreign exchange differences arising on translation are recognised initially in other 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 subsidiaries are measured using the functional currency of the subsidiary, 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 reporting date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities, when it is presented in financial income or financial expense as appropriate.

Non-monetary assets and liabilities denominated in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction; therefore, no exchange differences arise.

Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. Transactional foreign exchange differences are recognised in operating expenses. Non-monetary items include unearned premiums and deferred acquisition costs.

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 currency exposures are deemed to be acceptable but are kept under review by management.

As disclosed in Note 1.7, Türkiye became a hyperinflationary economy during the year. As a consequence, IAS 29 is applied and the results and balances for the Group's Turkish operations have been adjusted for changes in the general purchasing power of the Turkish lira. In addition, all Turkish lira amounts, including transactions in the Income Statement during the year, are translated to the Group's presentation currency of sterling, using the closing exchange rate in effect on 31 December 2022. The impact of this adjustment is recorded within other foreign exchange translation differences in the Consolidated Statement of Comprehensive Income and within the foreign exchange translation reserve in the Consolidated Statement of Financial Position. The Group recognises the remaining exchange difference arising on consolidation within other foreign exchange translation differences through other comprehensive income in the foreign exchange translation reserve.

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The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2022	2021	**2022**	2021
Australian dollar	**1.78**	1.83	**1.77**	1.86
Brazilian real	**6.38**	7.42	**6.38**	7.54
Chilean peso	**1,076.32**	1,045.64	**1,023.92**	1,152.93
Danish krone	**8.73**	8.65	**8.39**	8.84
Euro	**1.17**	1.16	**1.13**	1.19
Hong Kong dollar	**9.68**	10.69	**9.42**	10.55
Mexican peso	**24.88**	27.90	**23.54**	27.74
New Zealand dollar	**1.94**	1.95	**1.91**	1.98
Polish zloty	**5.50**	5.31	**5.28**	5.46
Saudi riyal	**4.64**	5.16	**4.54**	5.08
Turkish lira[1]	**22.58**	12.22	**22.58**	17.97
US dollar	**1.24**	1.38	**1.21**	1.35

1. Closing rate of Turkish lira applied to average rate following the application of IAS 29. Refer to Note 1.7 for details.

Foreign exchange hedging activities

The Group manages its exposure to foreign exchange risk by entering into hedging transactions using derivative financial instruments. The Group applies fair value, cash flow and net investment hedge accounting.

The hedging relationship between a hedging instrument and a hedged item is formally documented. Documentation includes the risk management objectives and the strategy in undertaking the hedge transaction.

(a) Fair value hedges

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on remeasurement of the hedging instrument at fair value is recognised in the Consolidated Income Statement. The hedged item is fair valued for the hedged risk with any gain or loss on remeasurement being recognised in the Consolidated Income Statement.

(b) Cash flow hedges

Where a derivative financial instrument hedges the change in cash flows related to a recognised asset or liability, 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, i.e. 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.

In 2021, a correction to the cash flow hedge reserve of £21m was 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 2022, the cash flow hedge reserve amounts to £nil (2021: £nil).

(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.

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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.

	2022 £m	2021 £m
Notional amounts	**1,592**	1,479
Carrying amount – Assets	**5**	29
Carrying amount – Liabilities	**(53)**	(5)
Financial statement line item	**Derivatives**	Derivatives
Change in value used for calculating hedge ineffectiveness	**(82)**	63
Hedging (losses)/gains recognised in other comprehensive income	**(80)**	62
Hedge ineffectiveness recognised in Consolidated Income Statement	**(2)**	1
Consolidated Income Statement line item (for ineffectiveness)	**Financial expense**	Financial expense
Consolidated Income Statement line item (for reclassifications)	**Financial expense**	Financial expense
Change in value used for calculating hedge ineffectiveness	**(82)**	63
Amounts in reserves for continuing hedges	**(82)**	63

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 2022 are as follows:

	Net currency exposure £m	**Currency contracts £m**	**Net currency exposure including hedges £m**
2022			
Australian dollar	**2,572**	**(578)**	**1,994**
Euro	**1,006**	**(502)**	**504**
New Zealand dollar	**571**	**(277)**	**294**
US dollar	**307**	**(368)**	**(61)**
Other	**1,548**	**89**	**1,637**
Total foreign denominated net assets	**6,004**	**(1,636)**	**4,368**
Percentage of Group net assets	**83%**		**61%**

	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%

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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
2022				
Australian dollar	**(17)**	**(181)**	**21**	**222**
Euro	**(24)**	**(46)**	**30**	**56**
New Zealand dollar	**–**	**(27)**	**–**	**33**
US dollar	**4**	**6**	**(5)**	**(7)**
Other	**11**	**(149)**	**(14)**	**181**
Total sensitivity	**(26)**	**(397)**	**32**	**485**

	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

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 Statement of Financial Position value of its investment in fixed rate bonds. Variable-rate assets represent a natural hedge for variable-rate liabilities.

The net asset balance on which the Group is exposed as at 31 December 2022 was £2,154m (2021: £2,002m). The rate at which maturing deposits are reinvested, in currencies such as sterling and Australian dollar where the Group has a significant variable-rate net asset exposure, represents a significant potential risk to the Group.

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 basis points (bps) in interest rates at the reporting date, on an annualised basis, would have decreased equity by £3m and profit by £2m (2021: decrease of £7m and £6m 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.

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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 2022, 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 2022 amounted to a gain of £43m (2021: £28m). The fair value movement on the interest rate swaps amounted to a loss of £45m (2021: £28m) and the fair value and carrying value of this derivative is a £61m liability (2021: £16m liability).

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 the Enterprise Treasury Policy which ensures that there is a sufficient spread of investments and that cash and investment counterparties are rated at least A/A2 unless otherwise approved. The Corporate Finance Executive Committee approves the full list of counterparties used on a periodic basis. There are exceptions to the A/A2 rating requirement for a number of reasons including where local country ratings are below this level and due to certain regulatory and commercial requirements in specific markets.

In estimating Expected Credit Losses (ECL) on financial investments, the Group reviews individual issuer's default probability based on a credit score model over a 12-month horizon to determine whether there has been a material change in an issue score from the preceding period. Where a specific default score is not available for a single investment, average default probabilities for instruments with a similar credit rating are used. Determining when an issuer is in financial difficulty and that a lifetime ECL allowance is required, requires the use of judgement. The Group considers a number of factors including economy wide and industry specific risk factors, issuer's financial and liquidity position, near-term prospects, credit rating declines and known breaches of contracts in determining financial difficulty.

When there is objective evidence of impairment of a financial asset as a result of one or more events and the event has an impact on the estimated future cash flows of the assets that can be reliably estimated, the Group considers such investments as credit impaired. To the extent that an investment is impaired, it is written down to its recoverable amount, measured as the present value of expected future cash flows discounted at the original effective interest rate on the instrument. Subsequent recoveries in excess of the written-down carrying value are credited to the Consolidated Income Statement.

The investment profile (including financial investments, restricted assets and cash and cash equivalents) as at 31 December is as follows:

	2022 £m	2021 £m
Investment grade counterparties	**4,541**	4,209
Non-investment grade counterparties	**697**	599
Total	**5,238**	4,808

Investment grade counterparties include restricted assets of £117m (2021: £158m). 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 £565m (2021: £488m), and cash and cash equivalents of £132m (2021: £92m).

Assets pledged as security include £117m (2021: £158m) of cash held in restricted access deposits.

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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
2022						
AAA	**173**	**186**	**–**	**–**	**1**	**2**
AA- to AA+	**107**	**361**	**631**	**–**	**–**	**402**
A- to A+	**44**	**580**	**521**	**–**	**116**	**810**
BBB- to BBB+	**99**	**4**	**3**	**–**	**–**	**57**
BB+ and below (below investment grade)	**67**	**25**	**76**	**–**	**2**	**132**
Total	**490**	**1,156**	**1,231**	**–**	**119**	**1,403**
Loss allowance[1]	**(2)**	**(1)**	**(1)**	**–**	**–**	**–**
Carrying amount	**488**	**1,155**	**1,230**	**–**	**119**	**1,403**

1. In addition, a provision for expected credit losses on financial investments at FVOCI of £1m has been recognised.

	Government debt securities £m	Corporate debt securities and secured loans £m	Deposits with credit institutions £m	Other loans £m	Restricted assets £m	Cash and cash equivalents £m
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.

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
2022						
Insurance debtors gross value	**1,247**	**126**	**29**	**17**	**21**	**1,440**
Bad debt provision	**(1)**	**(8)**	**(2)**	**(8)**	**(8)**	**(27)**
Insurance debtors net value[1]	**1,246**	**118**	**27**	**9**	**13**	**1,413**
Trade and other receivables gross value	**443**	**163**	**51**	**58**	**100**	**815**
ECL	**(6)**	**(5)**	**(4)**	**(6)**	**(17)**	**(38)**
Trade and other receivables net value[2]	**437**	**158**	**47**	**52**	**83**	**777**

	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

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.

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Information regarding the ECL 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	
2022	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**	**Gross £m**	**Bad debt prov ision £m**	**Gross £m**	**ECL £m**	**Gross £m**	**ECL £m**
At beginning of year	**243**	**(4)**	**840**	**–**	**1,045**	**(1)**	**1**	**–**	**548**	**(29)**	**1,225**	**(27)**	**158**	**–**	**1,739**	**–**
Recognition and settlement	**222**	**1**	**278**	**(1)**	**129**	**–**	**(1)**	**–**	**226**	**(7)**	**184**	**2**	**(45)**	**–**	**(409)**	**–**
Write offs	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(17)**	**–**	**–**	**–**	**–**	**–**
Foreign exchange and other	**25**	**–**	**38**	**–**	**57**	**–**	**–**	**–**	**41**	**(2)**	**48**	**(2)**	**6**	**–**	**73**	**–**
At end of year	**490**	**(3)**	**1,156**	**(1)**	**1,231**	**(1)**	**–**	**–**	**815**	**(38)**	**1,440**	**(27)**	**119**	**–**	**1,403**	**–**

	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 prov ision £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	–

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.

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

				Related amounts not set off in the Statement of Financial Position		
2022	**Gross amounts of recognised financial assets/ (liabilities) £m**	**Gross amounts of recognised financial liabilities set off in the Statement of Financial Position £m**	**Net amounts of financial assets/ (liabilities) presented in the Statement of Financial Position £m**	**Financial instruments £m**	**Cash collateral received £m**	**Net amount £m**
Derivative financial assets	**28**	**–**	**28**	**(27)**	**(1)**	**–**
Derivative financial liabilities	**(137)**	**–**	**(137)**	**27**	**81**	**(29)**
Cash and cash equivalents	**1,554**	**(151)**	**1,403**	**–**	**–**	**1,403**
Total	**1,445**	**(151)**	**1,294**	**–**	**80**	**1,374**

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2021	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of recognised financial liabilities set off in the Statement of Financial Position £m	Net amounts of financial assets/ (liabilities) presented in the Statement of Financial Position £m	Related amounts not set off in the Statement of Financial Position		Net amount £m
				Financial instruments £m	Cash collateral received £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

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.

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 had an initial maturity of December 2026 with two, one-year extension options. The first extension option has been exercised leaving the current maturity as December 2027 with a further one-year extension. The facility was drawn down by £70m as at 31 December 2022.

The Group monitors funding risk as well as compliance with existing financial covenants within the banking arrangements. There were no concerns regarding bank covenant coverage in 2022 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 Board 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 undiscounted 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 2022								
2023	**(297)**	**(83)**	**(177)**	**(3,646)**	**(221)**	**(2,162)**	**(73)**	**(6,659)**
2024	**(35)**	**(308)**	**(153)**	**(63)**	**–**	**(21)**	**(15)**	**(595)**
2025	**(34)**	**(5)**	**(131)**	**–**	**–**	**(34)**	**–**	**(204)**
2026	**(434)**	**(5)**	**(113)**	**–**	**–**	**(1)**	**–**	**(553)**
2027	**(14)**	**(303)**	**(104)**	**–**	**–**	**–**	**(49)**	**(470)**
2028-2032	**(73)**	**–**	**(332)**	**–**	**–**	**–**	**–**	**(405)**
After 2032	**(386)**	**–**	**(219)**	**–**	**–**	**–**	**–**	**(605)**
Total	**(1,273)**	**(704)**	**(1,229)**	**(3,709)**	**(221)**	**(2,218)**	**(137)**	**(9,491)**
Carrying value in the Consolidated Statement of Financial Position	**(998)**	**(648)**	**(932)**	**(3,709)**	**(221)**	**(2,218)**	**(137)**	**(8,863)**

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	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)

1. Comprises trade payables, other payables, occupational right agreement liabilities, refundable accommodation deposits and accruals detailed in Note 21.

Interest payments are included in the cash flows for subordinated liabilities, other interest-bearing liabilities and lease 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, other loans and equities £m**	**Pooled investment funds £m**	**Total £m**
As at 31 December 2022						
2023	**1,403**	**1,190**	**448**	**892**	**436**	**4,369**
2024	**–**	**44**	**58**	**209**	**–**	**311**
2025	**–**	**–**	**6**	**154**	**–**	**160**
2026	**–**	**–**	**2**	**129**	**14**	**145**
2027	**–**	**–**	**3**	**44**	**–**	**47**
2028-2032	**–**	**–**	**3**	**54**	**9**	**66**
After 2032	**–**	**–**	**11**	**13**	**–**	**24**
Total	**1,403**	**1,234**	**531**	**1,495**	**459**	**5,122**

	Cash and cash equivalents £m	Deposits with credit institutions £m	Government debt securities £m	Corporate debt securities, other loans and equities £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

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 2022 (2021: £nil) or at any time during the year. The remuneration of the Group's Directors is disclosed on pages 82-96 of this report.

The total remuneration of the Market Unit Chief Executive Officers is as follows:

	2022 £'000	2021 £'000
Short-term employee benefits	**3,777**	4,332
Long Term Incentive Plan awards	**–**	2,749
Post-employment benefits	**104**	101
Total	**3,881**	7,182

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 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 £40m (2021: £45m) of cash deposits (see Note 8).

Notes to the Consolidated Financial Statements continued

Note 28: Commitments and contingencies

Commitments and contingencies in brief

A commitment is future expenditure that is committed to as at 31 December 2022. 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 2022 but for which no provision has been made in the Consolidated Financial Statements amounted to £40m (2021: £68m). Of this, £40m (2021: £67m) relates to aged care facility and retirement village project commitments in Australia and New Zealand and care homes in the UK; specifically £21m (2021: £29m) in relation to property, plant and equipment and £19m (2021: £38m) in relation to investment property.

(ii) Contingent assets and liabilities

The Group currently has no contingent assets.

The Group has contingent liabilities arising in the ordinary course of business. 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 other than the item below will have a significant adverse impact on the financial condition of the Group.

In December 2022, a ruling was issued by the Supreme Court in Chile that obliges Isapres to make use of a table of risk factors (used to adjust the price of insurance contracts based on risk factors such as age) prepared by the Chilean Superintendent of Health in 2019. Like other Isapres, Isapre Cruz Blanca uses product-specific risk factor tables rather than the statutory table. The ruling requires the statutory table to be applied going forward, and that where the statutory table is applied to previous contracts entered into over the previous 3 years, the excess amount is to be returned to the customer to the extent the application of the statutory table results in a lower price than that price charged during that period. Any retrospective payments finally determined to be due in respect of historic policies as a result of this ruling would be liabilities for Isapre Cruz Blanca.

The calculation of the impact of the ruling is not possible without detailed application guidance which needs to be specified by the regulator. The Chilean Superintendent of Health has six months to determine how to apply this ruling to Isapre businesses and there is currently significant uncertainty around how it will be applied and therefore its potential impacts. In the absence of the necessary application details, Bupa Chile is unable to reliably estimate the value of the future retrospective payments, therefore, no provision has been recognised as at 31 December 2022. The regulator has confirmed publicly that as at 31 December 2022, the Isapres are not able to reliably estimate the amount and this should be disclosed as a contingent liability considering the requirements of IAS 37.

There are a broad range of possible outcomes in respect of the potential retrospective payments arising from the recent Supreme Court decision, however, in contrast to the requirements of IFRS, under Solvency II the Group is required to include a value for contingent liabilities, even if the amount of the obligation cannot be measured with sufficient reliability. The Group has included an allowance of £100m for this contingent liability for retrospective payments within the Solvency II regulatory balance sheet. The final impact is likely to differ materially from this value and this is a calculation for Solvency II purposes and not a pre-estimate of all actual or potential losses relating to Isapre Cruz Blanca.

Financial Statements of the Company

Statement of Financial Position
as at 31 December 2022

	Note	2022 £m	2021 £m
Assets			
Intangible assets	A	**63**	84
Property, plant and equipment	B	**24**	23
Investment in subsidiaries	C	**200**	200
Post-employment benefit net assets	D	**404**	541
Trade and other receivables	E	**159**	130
Current taxation asset		**21**	23
Total assets		**871**	1,001
Liabilities			
Lease liabilities	F	**(6)**	(6)
Post-employment benefit net liabilities	D	**(44)**	(60)
Provisions for liabilities and charges	G	**(14)**	(9)
Deferred taxation liabilities	H	**(76)**	(143)
Trade and other payables	I	**(208)**	(170)
Total liabilities		**(348)**	(388)
Net assets		**523**	613
Equity			
Income and expenditure reserve		**523**	613
Total equity		**523**	613

Approved by the Board of Directors and signed on its behalf on 1 March 2023 by

Roger Davis
Chairman

James Lenton
Group CFO

Notes A-L form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in notes 1-28, 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 2022

The loss for the year recorded within the financial statements of the Company, The British United Provident Association Limited (Bupa), is £6m (2021: £30m). 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 2,294 (2021: 2,055).

Financial Statements of the Company continued

Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Operating activities			
Loss before taxation expense		**(32)**	(62)
Adjustments for:			
Net financial expense		**1**	–
Depreciation, amortisation and impairment		**36**	26
Other non-cash items		**(9)**	(7)
Changes in working capital and provisions:			
Funded pension scheme employer contributions	D	**(1)**	–
Increase/(decrease) in provisions for liabilities and charges		**5**	(11)
(Increase)/decrease in trade and other receivables, and other assets		**(9)**	4
Increase in trade and other payables, and other liabilities		**18**	55
Cash generated from operations		**9**	5
Income taxation payments received for group relief		**7**	15
Net cash generated from operating activities		**16**	20
Cash flow from investing activities			
Purchase of intangible assets	A	**(13)**	(20)
Purchase of property, plant and equipment	B	**(3)**	–
Net cash used in investing activities		**(16)**	(20)
Net change in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–

Notes A-L form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in notes 1-28, except as described in notes A-L below.

Financial Statements of the Company continued

Statement of Changes in Equity
For the year ended 31 December 2022

	Note	**Income and expenditure reserve £m**	**Total equity £m**
2022			
Balance as at 1 January 2022		**613**	**613**
Loss for the year		**(6)**	**(6)**
Other comprehensive income/(expense)			
Remeasurement loss on pension schemes	D	**(131)**	**(131)**
Taxation credit on income and expense recognised directly in other comprehensive income	H	**47**	**47**
Other comprehensive expense for the year, net of taxation		**(84)**	**(84)**
Total comprehensive expense for the year		**(90)**	**(90)**
Balance as at 31 December 2022		**523**	**523**

		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

Notes A-L form the associated notes to the Company financial statements.

The Company accounting policies are aligned with those of the Group, described in notes 1-28, 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.

	2022 £m	2021 £m
Cost		
At beginning of year	**160**	147
Additions	**13**	20
Disposals	**(4)**	(7)
Other	**(3)**	–
At end of year	**166**	160
Amortisation and impairment loss		
At beginning of year	**76**	63
Amortisation for year	**31**	20
Disposals	**(4)**	(7)
At end of year	**103**	76
Net book value at end of year	**63**	84
Net book value at beginning of year	**84**	84

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.

	2022				2021			
	Right-of-use asset property £m	**Leasehold improvements £m**	**Owned equipment £m**	**Total £m**	Right-of-use asset property £m	Leasehold improvements £m	Owned equipment £m	Total £m
Cost or valuation								
At beginning of year	**6**	**16**	**35**	**57**	6	21	42	69
Additions	**–**	**–**	**3**	**3**	–	–	–	–
Disposals	**–**	**–**	**–**	**–**	–	(5)	(7)	(12)
Other	**–**	**(2)**	**5**	**3**	–	–	–	–
At end of year	**6**	**14**	**43**	**63**	6	16	35	57
Depreciation and impairment loss								
At beginning of year	**–**	**9**	**25**	**34**	–	13	27	40
Depreciation charge for year	**–**	**1**	**4**	**5**	–	1	5	6
Disposals	**–**	**–**	**–**	**–**	–	(5)	(7)	(12)
At end of year	**–**	**10**	**29**	**39**	–	9	25	34
Net book value at end of year	**6**	**4**	**14**	**24**	6	7	10	23
Net book value at beginning of year	6	7	10	23	6	8	15	29

Financial Statements of the Company continued

C. Investment in subsidiaries

Investments in subsidiaries are carried at cost less impairment in the Company's financial statements.

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 2022, the Company held investments in subsidiaries of £200m (2021: £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 subsidiaries, the registered addresses and the effective percentage of equity owned, as at 31 December 2022, 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 pension scheme and a post-retirement medical benefit scheme.

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 since 31 December 2020. Following the closure of this scheme to future accrual, existing members 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 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.

During the year, deficit reduction contributions of £1m were paid and further deficit reduction contributions of £1m per annum are due for 2023 and 2024, in respect of the smaller defined benefit scheme.

The Company is the sponsoring employer for The Bupa Pension Scheme, the unfunded pension scheme and post-retirement medical benefit scheme described in Note 7.1. 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	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Present value of funded obligations	(ii)	**(1,109)**	(1,887)	**–**	–	**(1,109)**	(1,887)
Fair value of plan assets	(iii)	**1,512**	2,425	**–**	–	**1,512**	2,425
Net assets of funded schemes		**403**	538	**–**	–	**403**	538
Present value of unfunded obligations	(ii)	**(39)**	(51)	**(4)**	(6)	**(43)**	(57)
Net recognised assets/(liabilities)		**364**	487	**(4)**	(6)	**360**	481
Represented on the Statement of Financial Position:							
Net assets						**404**	541
Net liabilities						**(44)**	(60)
Net recognised assets						**360**	481

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	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
At beginning of year	**1,938**	1,997	**6**	8	**1,944**	2,005
Interest on obligations	**35**	29	**–**	–	**35**	29
Gain arising from changes to financial assumptions	**(784)**	(10)	**(1)**	–	**(785)**	(10)
Loss/(gain) arising from changes to experience assumptions	**21**	(22)	**–**	(2)	**21**	(24)
(Gain)/loss arising from changes to demographic assumptions	**(2)**	10	**–**	–	**(2)**	10
Benefits paid	**(60)**	(66)	**(1)**	–	**(61)**	(66)
At end of year	**1,148**	1,938	**4**	6	**1,152**	1,944

(iii) Fair value of funded schemes' assets:

The movements in the fair value of the funded schemes' assets are:

	2022 £m	2021 £m
At beginning of year	**2,425**	2,487
Interest income	**43**	36
Return on assets excluding interest income	**(897)**	(33)
Contributions by employer	**1**	–
Administration expenses	**(2)**	(2)
Benefits paid	**(58)**	(63)
At end of year	**1,512**	2,425

The market value of the assets of the funded schemes are as follows:

	2022 £m	2021 £m
Pooled investment funds	**616**	1,174
Corporate bonds	**511**	803
Loans	**189**	164
Cash/other assets	**154**	130
Government bonds	**75**	140
Derivatives	**(33)**	14
Total market value	**1,512**	2,425

1. Certain assets have been reclassified within the table above and prior year amounts have been updated to reflect this.

Aside from corporate bonds and government bonds in the table above, no other assets have a quoted market price.

Aside from sole investor funds reported in the pooled investment funds line above, amounts reported include those held through pooled investment funds in which Bupa is not the sole investor as well as direct investments.

(iv) Amounts recognised in the Income Statement

The amounts (credited)/charged to other operating expenses for the year are:

	2022 £m	2021 £m
Net interest on defined benefit liability/asset	**(8)**	(7)
Administrative expenses	**2**	2
Total amount credited to the Income Statement	**(6)**	(5)

Financial Statements of the Company continued

(v) Amounts recognised directly in other comprehensive income

The amounts charged/(credited) directly to equity are:

	2022 £m	2021 £m
Actual return less expected return on assets	**897**	33
Gain arising from changes to financial assumptions	**(785)**	(10)
Loss/(gain) arising from changes to experience assumptions	**21**	(24)
(Gain)/loss arising from changes to demographic assumptions	**(2)**	10
Total remeasurement losses charged directly to equity	**131**	9

E. Trade and other receivables

Trade and other receivables are carried at amortised cost less impairment losses.

	2022 £m	2021 £m
Amounts owed by subsidiaries	**119**	100
Other receivables	**4**	1
Prepayments	**36**	29
Total trade and other receivables	**159**	130
Non-current	**2**	1
Current	**157**	129

There are currently no lifetime expected credit losses held in respect of these receivable balances. For further details see Note J.

F. Lease liabilities

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 amount of lease liabilities at the beginning and end of the year is £6m and is non-current.

G. Provisions for liabilities and charges

Provisions for liabilities and charges relate specifically to insurance and are amounts that require settlement in the future as a result of a past event.

2022	Total £m
At beginning of year	**9**
Charge for year	**16**
Utilised in year	**(11)**
At end of year	**14**
Non-current	**10**
Current	**4**

Financial Statements of the Company continued

H. Deferred taxation assets and liabilities

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.

Recognised deferred taxation assets and liabilities

Deferred taxation assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £m	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Accelerated capital allowances	**23**	17	**–**	–	**23**	17
Post-employment benefits	**–**	–	**(130)**	(174)	**(130)**	(174)
Employee benefits (other than post-employment)	**14**	12	**–**	–	**14**	12
Provisions	**5**	2	**–**	–	**5**	2
Taxation value of losses carried forward	**12**	–	**–**	–	**12**	–
Deferred taxation (before allowable netting)	**54**	31	**(130)**	(174)	**(76)**	(143)
Allowable netting of deferred taxation	**(54)**	(31)	**54**	31	**–**	–
Net deferred taxation liability	**–**	–	**(76)**	(143)	**(76)**	(143)

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 only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

Movement in net deferred taxation (liabilities)/assets:

	At beginning of year £m	Recognised in Income Statement £m	Recognised in other comprehensive income £m	At end of year £m
2022				
Accelerated capital allowances	**17**	**6**	**–**	**23**
Post-employment benefits	**(174)**	**(3)**	**47**	**(130)**
Employee benefits (other than post-employment)	**12**	**2**	**–**	**14**
Provisions	**2**	**3**	**–**	**5**
Taxation value of losses carried forward	**–**	**12**	**–**	**12**
Total	**(143)**	**20**	**47**	**(76)**
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)

Financial Statements of the Company continued

I. Trade and other payables

Trade and other payables are carried at amortised cost.

	2022 £m	2021 £m
Amounts owed to subsidiaries	**50**	24
Other payables	**1**	2
Social security and other taxes	**1**	–
Accruals	**156**	144
Total trade and other payables	**208**	170
Non-current	**48**	30
Current	**160**	140

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 is the sponsoring employer of The Bupa Pension Scheme; risk management for this scheme is outlined within Note 7.

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 £40m (2021: £30m), which comprises total trade and other receivables. This excludes amounts owed by subsidiaries; 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 £160m (2021: £140m) falling due within one year and £57m (2021: £40m) 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 subsidiaries (refer to related undertakings on pages 208-219).

(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 (see Note 2.3).

(ii) Transactions in relation to the non-registered pension arrangements

These transactions are disclosed in Note 27.

(iii)Transactions and balances with subsidiaries

	2022 £m	2021 £m
Income Statement		
Management charges received	**327**	280
Expenses paid (including rental expense £1m (2021: £5m))	**(13)**	(15)
Dividends received	**89**	52

	Transactions during the year		Balance as at 31 December	
	2022 £m	2021 £m	2022 £m	2021 £m
Statement of Financial Position				
Amounts owed by subsidiaries	**19**	(3)	**119**	100
Amounts owed to subsidiaries	**(26)**	1	**(50)**	(24)

Financial Statements of the Company continued

L. Commitments, guarantees and contingencies

Commitments to future expenditure at the reporting 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 2022 but for which no provision has been made in the Company financial statements amounted to £nil (2021:£nil).

(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.

The Company is party to a £900m revolving credit facility. The revolving credit facility was drawn down by £70m as at 31 December 2022 (2021: £150m drawn down). Drawings under the facility are guaranteed by the Company, and the Company has joint and several liability for other overdraft facilities across the Group.

(iii) Contingent assets and liabilities

The Company has no contingent assets and liabilities.

(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 the Company's related undertakings as at 31 December 2022, 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 and the Group and the proportion of the nominal value of the shares of that class represented by those shares.

Refer to Notes 1.2 and 6 for further information on basis of consolidation and accounting policies.

Subsidiaries

Unless otherwise stated, the subsidiaries listed below are wholly owned indirectly by the Company with 100% of the nominal value of each share class held by Group subsidiaries. Where a subsidiary is not wholly owned, the proportion of the nominal value of each share class held by the Company or the Group, together with the Group's effective ownership, calculated by reference to the voting rights, is shown below. All subsidiaries are included in the Group consolidation.

Name	Share class	Proportion of class held (%)	Effective % ownership
Australia			
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 Pty Ltd	AUD Ordinary		
Bupa Foundation (Australia) Limited	Guarantee Membership Interest		
Bupa Health Services Pty Ltd	AUD Ordinary		
Bupa HI Holdings Pty Ltd	AUD Ordinary		
Bupa HI Pty Ltd	AUD Ordinary		
Bupa Innovations (ANZ) Pty Ltd	AUD Ordinary		
Bupa Medical (GP) Pty Ltd	AUD Ordinary		
Bupa Medical Services Pty Limited	AUD Ordinary		
Bupa Optical Pty Ltd	AUD Ordinary		
Bupa Telehealth Pty Ltd	AUD Ordinary		
Bupa Wellness Pty Limited	AUD Ordinary		
DC Holdings WA Pty Ltd	AUD Ordinary		
Dental Care Network Pty Ltd	AUD Ordinary		
Dental Corporation Australia Fair Pty Ltd	AUD Ordinary		
Dental Corporation Cox Pty Ltd	AUD Ordinary		
Dental Corporation Gerber Pty Ltd	AUD Ordinary		
Dental Corporation Holdings Pty Ltd	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		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
Australia continued			
Larry Benge Pty Limited	AUD Ordinary		
Scott Petrie (Dental) Pty Ltd	AUD Class E, AUD Class F, AUD Ordinary		
Bahrain			
Office 207, Building 114, Road 385, Block 304, Manama, Bahrain			
Bupa Middle East Holdings Two W.L.L.	BHD50.00 Ordinary	75.00	75.00
Bermuda			
Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton, HM11, Bermuda			
Amedex Insurance Company (Bermuda) Limited	BMD1.00 Ordinary		
Bolivia			
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			
Alameda Mamoré, No. 678, 11th Floor, Room 1104, Alphaville, 06454-040, 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, 06454-040, 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		
Chile			
Anabaena N° 336, Comuna Viña del Mar, Region Valparaiso, Chile			
Clinica Renaca S.A.	CLP Ordinary	100.00	95.89
Desarrollo E Inversiones Medicas S.A.	CLP Ordinary	97.56	93.45
Promotora De Salud S.A.	CLP Ordinary	67.03	67.03
Sociedad Medica Imageneologia Clinica Renaca Limitada	CLP Social Rights	80.00	76.70
Av. Matta No 1868, Comuna Antofagasta, Region Antofagasta, Chile			
Sociedad Medico Quirurgica De Antofagasta S.A.	CLP Ordinary	100.00	72.98
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		
Examenes De Laboratorio S.A.	CLP Ordinary	100.00	99.99
Grupo Bupa Sanitas Chile Uno, SpA	CLP1,000.00 Ordinary		
Inversiones Clinicas CBS S.A.	CLP Ordinary		
Isapre Cruz Blanca S.A.	CLP Ordinary	99.79	99.41
Cerro Colorado N° 5240, Piso 6, Comuna Las Condes, Region Metropolitana, Chile			
Bupa Servicios de Salud SpA	CLP Ordinary	100.00	99.99
Integramedica S.A.	CLP Ordinary	99.99	99.99
Recaumed S.A.	CLP Ordinary	58.40	58.40
Sonorad II S.A.	CLP Ordinary	100.00	99.89
Dr. Juan Noe N° 1370, Comuna Arica, Region Arica y Parinacota, Chile			
Corporacion Medica de Arica S.A.	CLP Ordinary	68.97	68.97
Sociedad De Inversiones Pacasbra S.A.	CLP Ordinary	100.00	69.19

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
Chile continued			
Manuel Antonio Matta N° 1868, Comuna Antofagasta, Region Antofagasta, Chile			
Inmobiliaria Centro Medico Antofagasta S.A.	CLP Ordinary	99.99	88.94
Manuel Antonio Matta N° 1945, Comuna Antofagasta, Region Antofagasta, Chile			
Centro Medico Antofagasta S.A.	CLP Ordinary	100.00	88.95
Inversiones Clinicas Pukara S.A.	CLP Ordinary	88.95	88.95
Servicios Y Abastecimiento A Clinicas S.A.	CLP Ordinary	100.00	88.92
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	68.98
China			
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			
Palaegade 8, 1261 Copenhagen K, Denmark			
Bupa Denmark Services A/S	DKK100.00 Ordinary		
Dominican Republic			
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			
Av. Republica de El Salvador N34-229, 4th Floor, Quito, Ecuador			
Bupa Ecuador S.A. Compania de Seguros[1]	USD1.00 Capital Stock		
Egypt			
Building 55, Street 18, Maadi, Cairo, Egypt			
Bupa Egypt Insurance S.A.E.	EGP10.00 Ordinary		
Mivida Business Park, Building 3/B1, 5th Settlement, New Cairo, 11835, Egypt			
Bupa Egypt Services LLC	EGP100.00 Ordinary		
Guatemala			
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			
PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey			
Bupa Holdings (Guernsey) Limited	£1.00 Ordinary		
UK Care No. 1 Limited	£1.00 Ordinary		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
Hong Kong			
6/F & Unit Nos. 701B, 702-704 of Tower 2, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong			
Bupa (Asia) Limited	HKD10.00 Ordinary		
Bupa International Limited[2]	HKD Ordinary		
Bupa Limited	HKD1.00 Ordinary		
Horizon Health and Care Limited	HKD Ordinary		
6/F, and Unit Nos. 701-702 and 704, Tower 1, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong			
Allied Medical Practices Guild Limited	HKD1.00 Ordinary		
Central Medical Diagnostic Centre Limited	HKD1.00 Ordinary	74.49	74.49
Central MRI Centre Limited	HKD1.00 Ordinary	100.00	74.49
Central PET/CT Scan Centre Limited	HKD1.00 Ordinary	100.00	74.49
DB Health Services Limited	HKD1.00 Ordinary		
Eplushealth Limited	HKD1.00 Ordinary		
Jadeast Limited[3]	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		
Quality Healthcare TPA Services Limited	HKD1.00 Ordinary		
Ireland			
1st Floor, 9 Exchange Place, I.F.C.S, Dublin 1, Ireland			
GK Medical and Dental Services 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		
Macao			
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			
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)		
Avenida Ejercito Nacional Numero 843-B, Edificio Corporativo Antara I, Piso 9, Colonia Granada, Alcaldia Miguel Hidalgo, C.P. 11520, Mexico			
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)		
Bupa Servicios de Evaluacion Medica, S. de R.L. de C.V.	MXN Ordinary, MXN Ordinary (Variable)		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
Mexico continued			
Prolongacion Paseo de la Reforma No. 9, Paseo de las Lomas, Alvaro Obregon, C.P. 01330, Mexico City, Mexico			
Promotora de Hospitales y Servicios Integrales, S.A.P.I. de C.V.	MXN Fixed Capital Class I, MXN Variable Capital Class II		
New Zealand			
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		
Panama			
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			
Av. Guardia Civil N° 664, Comuna San Isidro, Region Lima, Peru			
Anglolab S.A	PEN Ordinary-A PEN Ordinary-B	100.00 50.00	85.00
Integramedica Peru S.A.C.	PEN Ordinary		
MediPeru S.A.C	PEN Ordinary	99.97	99.97
Poland			
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			
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			
Hifu Clinic Sp. z.o.o.	PLN50.00 Ordinary	70.16	70.16
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		
Obornicka 262 Street, 60-693, Poznan, Poland			
Med-Polonia 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, Warsaw, Poland			
Centrum Medyczne Mavit Sp. z.o.o.	PLN100.00 Ordinary		
Porebskiego 9 Street, 81-185, Gdynia, Poland			
Niepubliczny Zaklad Opieki Zdrowotnej Przychodnia Lekarska "POGORZE" Sp. z.o.o.	PLN200.00 Ordinary	95.80	95.80
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, PLN1.00 Ordinary-K		
Pulawska 48, 05-500 Piaseczno, Poland			
Silver Dental Clinic Sp. z.o.o.	PLN50.00 Ordinary		
Rowninna 6 Street, 87-100, Torun, Poland			
Citomed Nieruchomosci Sp. z.o.o.	PLN100.00 Ordinary		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
Poland continued			
Szamocka 6 Street, 01-748, Warsaw, Poland			
LUX MED Onkologia Sp. z.o.o.	PLN50.00 Ordinary		
ul. Aleje Jerozolimskie 99/44 Street, 02-001, Warsaw, Poland			
ApteGo Sp. z.o.o.	PLN50.00 Ordinary	51.00	51.00
ul. Dluga 43, 05-510 Konstancin Jeziorna, Poland			
LUX MED Tabita Sp. z.o.o.	PLN100.00 Ordinary	88.00	88.00
ul. Elblaska 135, 80-718, Gdansk, Poland			
Centrum Opieki Medycznej Comed Sp. z.o.o.	PLN500.00 Ordinary		
ul. Kamienna 21, 31-403, Krakow, Poland			
Medtour Sp. z.o.o.	PLN50.00 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, PLN50.00 Series D		
ul. Rakoczego 19/U5, 80-286, Gdansk, Poland			
Mediss Dental Clinic Sp. z.o.o.	PLN250.00 Ordinary		
ul. Stefana Batorego 17/19, 87-100 Torun, Poland			
Tomograf Sp. z.o.o.	PLN500.00 Ordinary		
Wileńska , 44 Street , 80-215 , Gdańsk			
Fundacja Promedicine	Founder Contribution		
Swissmed Centrum Zdrowia S.A.	PLN10.00 Ordinary	91.98	91.98
Swissmed Nieruchomosci Sp. z.o.o.	PLN500.00 Ordinary	100.00	91.98
Swissmed Opieka Sp. z.o.o.	PLN1,000.00 Ordinary	99.24	91.28
Wladyslawa Broniewskiego 3, 01-785, Warsaw, 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			
Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis			
Amedex Services Ltd. (St Kitts)	US$1.00 Capital Stock		
Singapore			
600, North Bridge Road, #05-01 Parkview Square, 188778, Singapore			
Bupa Singapore Holdings Pte Ltd	SGD Ordinary		
Spain			
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		
Fundacion Sanitas[4]	€1.00 Contribution	100.00	99.92
Fundacion Sanitas Hospitales Para el Desarrollo de la Investigacion y la Innovacion Medica	Founder Contribution		
Grupo Bupa Sanitas S.L.U.	€100.00 Ordinary		
Sanitas Emision S.L.U	€1.00 Ordinary		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
Spain continued			
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.A. de Seguros	€0.68 Ordinary	99.92	99.92
Sanitas S.L. de Diversificacion S.U.	€6.02 Ordinary		
Sanitas, S.A. de Hospitales S.U.	€6.01 Ordinary		
Sweden			
Box 27093, 102 51, Stockholm, Sweden			
LMG Forsakrings AB	€1,000.00 Ordinary		
Türkiye			
Küçükbakkalköy Mah. Basar Sok, No: 20 Atasehir, Istanbul, 34750, Türkiye			
Bupa Acibadem Sigorta A.S.	TRY1.00 Ordinary		
Bupa Turkey Sağlık Hizmetleri A.S.	TRY1,000.00 Ordinary		
Sencard Direkt Satis Sigorta Araciligi A.S.	TRY1.00 Ordinary		
United Arab Emirates			
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			
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		
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) Limited	£1.00 Ordinary		
Bupa Care Homes (PT Links) 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		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom continued			
Bupa Finance plc[5]	£1.00 Ordinary		
Bupa Foundation	Guarantee Membership Interest		
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		
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		
Cromwell Hospital Retirement Plan Trustee Limited	£1.00 Ordinary		
Occupational Health Care Limited	£1.00 Ordinary, £1.00 Redeemable Preference		
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		
13 Queens Road, Aberdeen, Aberdeenshire, AB15 4YL, United Kingdom			
Hillington Park Dental Practice Limited	£1.00 Ordinary		
MFM Community 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		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom continued			
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		
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		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom continued			
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 Ordinary-A		
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		

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
United Kingdom continued			
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		
Pinsent Masons Llp, 13 Queens Road, Aberdeen, AB15 4YL, United Kingdom			
Martin and Martin Dental Care Limited	£1.00 Ordinary		
Partick Dental Ltd.	£0.01 Ordinary		
United States			
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. 0.000015% held by nominee
2. 0.000001% held directly by the Company
3. In de-registration
4. The Sanitas Foundation
5. Held directly by the Company

Other related undertakings

The related undertakings listed below comprise joint ventures, associated undertakings and other significant holdings. Unless otherwise stated, the proportion of the nominal value of each share class held indirectly by the Company is shown below, together with the Group's effective ownership, calculated by reference to the voting rights. All joint ventures are included in the Group consolidation using the equity method.

Name	Share class	Proportion of class held (%)	Effective % ownership
Australia			
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia			
Mobile Dental Pty Ltd	AUD Ordinary	49.00	49.00
Chile			
Manuel Antonio Matta N° 1945, Comuna Antofagasta, Region Antofagasta, Chile			
Sociedad Instituto De Cardiologia Del Norte Limitada	CLP Social Rights	50.00	44.47
Pedro Aguirre Piso 5, Cerda N° 843, Comuna Arica, Region Arica y Parinacota, Chile			
Centro De Imagenes Medicas Avanzadas San Jose S.A.	CLP Ordinary	70.00	48.28
Hong Kong			
6/F, and Unit Nos. 701-702 and 704, Tower 1, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong			
Alpha Medical MRI (TST) Limited	HKD10,000.00 Ordinary	65.00	65.00

Related undertakings continued

Name	Share class	Proportion of class held (%)	Effective % ownership
India			
C-98 Lajpat Nagar, Part 1, New Delhi, 11002, India			
Niva Bupa Health Insurance Company Limited[1]	INR10.00 Ordinary	44.39	44.39
Poland			
Marszalkowska 55/73/42 Street, 00-676, Warsaw, Poland			
MC2 Innovations Sp. z.o.o.	PLN100.00 Ordinary	31.87	31.87
Marszalkowska 99 A lok. 5B Street, 00-693, Warsaw, Poland			
Centrum Edukacyjne Medycyny Sportowej Sp. z.o.o.	PLN50.00 Ordinary shares	50.00	50.00
Saudi Arabia			
7764 Prince Sultan St, Al Mohammediyah Dist., PO Box 260, Jeddah, 21411, Saudi Arabia			
My Clinic Global Medical Company	SAR100.00 Ordinary	100.00	50.00
My Clinic International Medical Company Limited	SAR100.00 Ordinary	100.00	50.00
Nazer Bupa Medical Equipment Company Limited	SAR1,000.00 Ordinary	50.00	50.00
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	43.25
United Kingdom			
1 Angel Court, London, EC2R 7HJ, United Kingdom			
Fulford Grange Medical Centre Limited	£1.00 'A' Ordinary	100.00	50.00
4th Floor, 167 Fleet Street, London, EC4A 2EA, United Kingdom			
Healthbox Europe 1 LP	£1.00 Partnership Capital	37.04	37.04
Swan Court, Waterman's Business Park , Kingsbury Crescent, Staines, Surrey, England, TW18 3BA, United Kingdom			
Healthcode Limited	£1.00 A Ordinary £1.00 E Ordinary	100.00 20.00	20.00
Wilson House Waterberry Drive, Waterlooville, Hampshire, PO7 7XX, United Kingdom			
London Oncology and Wellbeing Centre Limited	£1.00 B Shares £1.00 Ordinary	100.00 17.91	38.90
United States			
745 Fort St, Ste 1100, Honolulu HI 96813, United States			
HTH Re, Ltd	US$1.00 Ordinary	100.00	49.00
933 First Avenue, King of Prussia PA 19406, United States			
Highway to Health, Inc	US$0.01 Ordinary	49.00	49.00
HTH Worldwide, LLC	US$1.00 Ordinary	100.00	49.00
Worldwide Insurance Services, LLC	US$1.00 Ordinary	100.00	49.00

1. Part held by nominees

Five-year financial summary (unaudited)

The five-year financial summary is presented to better understand trends.

	2022 £m	2021 £m	2020 (restated)[1] £m	2019 (restated)[1] £m	2018 (restated)[1] £m
Revenue - segmental analysis					
Bupa Asia Pacific	**5,638**	5,498	5,249	5,136	5,069
Europe and Latin America	**4,560**	4,004	3,765	3,853	3,499
Bupa Global and United Kingdom	**3,752**	3,396	3,122	3,323	3,288
Other businesses	**7**	5	6	4	4
Net reclassifications to other expenses or financial income and expenses	**–**	–	–	–	(1)
Consolidated total revenues	**13,957**	12,903	12,142	12,316	11,859
Claims and expenses					
Operating expenses (including claims)	**(13,365)**	(12,410)	(11,623)	(11,846)	(11,224)
Impairment of goodwill	**(609)**	(6)	–	(422)	(35)
Impairment of other intangible assets arising on business combinations	**(285)**	(21)	(19)	(21)	(4)
Other income and charges	**(39)**	49	1	(42)	(53)
Total claims and expenses	**(14,298)**	(12,388)	(11,641)	(12,331)	(11,316)
(Loss)/profit before financial income and expense	**(341)**	515	501	(15)	543
Net financial expense	**(86)**	(92)	(105)	(63)	(41)
(Loss)/profit before taxation expense	**(427)**	423	396	(78)	502
Taxation expense	**(91)**	(62)	(175)	(133)	(190)
(Loss)/profit for the year	**(518)**	361	221	(211)	312
Attributable to:					
Bupa	**(521)**	358	219	(213)	306
Non-controlling interests	**3**	3	2	2	6
(Loss)/profit for the year	**(518)**	361	221	(211)	312
Equity					
Property revaluation reserve	**634**	655	699	692	700
Income and expenditure reserve	**5,812**	6,502	6,147	6,059	6,306
Cash flow hedge reserve	**–**	–	21	21	20
Foreign exchange translation reserve	**453**	(13)	263	237	464
Equity attributable to Bupa	**6,899**	7,144	7,130	7,009	7,490
Restricted Tier 1 notes	**297**	297	–	–	–
Non-controlling interests	**20**	17	18	17	20
Total equity	**7,216**	7,458	7,148	7,026	7,510

1. Amounts for 2018-2020 are shown on the current segmental basis.

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Registered office

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Registered in England

No. 432511

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