

Risk Review continued

Risk	Description	Comment and outlook	Mitigating actions
Data ownership, use and governance	The risks associated with the ownership, use and governance of data which could impact on the delivery of the Group Strategy. This includes the risks associated with data privacy and of failing to use the data we do have to deliver the strategy.	<ul style="list-style-type: none"> Data is fundamental to the delivery of the Group strategy and will continue to remain a key area of focus for some time. 	<ul style="list-style-type: none"> We have a range of initiatives and programmes in place across the Group focused on the ownership, use and governance of data. This included introducing Bupa's Responsible AI Principles which guide our decision making for using AI tools. We have also reviewed and enhanced our data retention practices.
Strategic workforce risks	The strategic risks associated with a lack of available workforce, particularly clinical staff.	<ul style="list-style-type: none"> In many markets this has been an enduring risk for some time but has been exacerbated by cost-of-living challenges. An inability to recruit and retain the required skills may impact our ability to deliver services to our customers and delivery of the strategy. 	<ul style="list-style-type: none"> Workforce availability remains a key area of focus for senior management with a range of activities under way in each market to address challenges. For more information, see People and Culture on pages 29 to 32.
Operational resilience including supply chain disruption and third-party reliance	The risks associated with failure to ensure our businesses remain resilient to operational and supply chain challenges including those presented by third-party suppliers. This includes the risks associated with complying with the associated regulatory requirements.	<ul style="list-style-type: none"> Operational resilience capabilities are key to being able to maintain operations in the face of many challenges including third-party and supply chain risks, workforce fatigue, information security and other operational risks and the challenges presented by business growth. As we grow, these challenges will continue to become more pronounced, particularly where we increase our reliance on third parties. 	<ul style="list-style-type: none"> We continue to focus on heightening our supplier monitoring, management and communications to help minimise future disruption. Our businesses have well-established and tested disaster recovery plans. We have a range of activities underway to develop our operational resilience capabilities and to ensure we comply with relevant regulation.

Other risk themes monitored

In addition to the principal risks set out above, a range of other risks related to the delivery of our strategy are monitored. These are assessed to determine the potential impact the risks may have on Bupa's individual businesses and the Group and the appropriate actions to take to mitigate these risks and monitor them.

Strategic and Emerging risks

Strategic and Emerging Risks that may affect Bupa are monitored through extensive reviews of relevant external reference material and internal consultation with subject matter experts. Through this process the themes set out below were identified. These themes are highly interlinked and how they evolve will affect, and be affected by, each other. They will also develop and evolve over different time frames, with some impacts already being experienced to some degree, but overall, the challenges these themes present will continue to increase the further out they are assessed.

- Customer and societal demands/expectations will inexorably increase;
- Geopolitical and economic uncertainty and deglobalisation focus will continue to rise;
- Workforce expectations are changing, alongside evolving requirements from the workforce and workforce availability challenges will persist;

- Global standards of regulation will continue to increase;
- Overall medical treatment and technologies will continue to advance rapidly and often at great cost;
- Advances in technology will be a critical underpin and influence (with a particular focus on Artificial Intelligence);
- Trust in healthcare, and particularly AI, systems and data, will be a key factor in the adoption of new technologies; and
- Climate change and how the world response to this threat will have a significant and rapidly growing strategic impact.

Financial risks associated with climate change

Climate risk management is integrated into our existing Group-wide Risk Management Framework ('RMF'), which sets out how risks are identified, assessed, managed and reported on. Bupa will continue to ensure that climate-related risks are considered appropriately throughout our governance arrangements, including the policy framework and management committees' responsibilities. It will continue to reflect on changes in regulatory expectations while embedding climate risk management through the RMF.

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As a result, the financial risks from climate change do not appear separately in Bupa's principal risks above, as they are already captured within these risks. The table below does show how different risks are potentially impacted by different key climate risk drivers.

Risk drivers	Relevant risks and potential impact	Mitigating actions
Transition: Policy and legal	<p>Government, legal and regulatory change risk</p> <p>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.</p> <p>We are also exposed to potential non-regulatory litigation risk, including the risk of class actions.</p> <p>Short, medium and long term.</p>	<ul style="list-style-type: none"> ■ 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.
Transition: Reputation	<p>Brand and Reputation Management</p> <p>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.</p> <p>Short, medium and long term.</p>	<ul style="list-style-type: none"> ■ The sustainability strategy focuses on building a healthier future for people and planet. There are governance structures in place to oversee the delivery of the sustainability strategy. ■ Bupa engages in industry coalitions and partnerships to accelerate the delivery of net zero, patient-centric health systems through collaboration and innovation. ■ Communication policies and procedures, and disclosure governance in place to reduce likelihood of publishing misleading sustainability claims.
Transition: Market	<p>Property valuation risk</p> <p>Changes in severity, frequency, and variability in weather patterns may result in decreases in property valuations. This could be caused by reduced demand for services in areas more prone to climate change, additional operating costs and capital expenditure required to adapt properties to either meet or anticipate increasing market demands and future regulation in response to changes in weather-related events and decarbonisation agenda, and/or by the availability and affordability of insurance.</p> <p>Medium and long term.</p> <p>Market risk</p> <p>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.</p> <p>Medium and long term.</p>	<ul style="list-style-type: none"> ■ 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. ■ Merger and Acquisition decision-making process also incorporates climate risk (physical) as a factor to consider. ■ We concluded a facilities-related global scope 1 and 2 decarbonisation modelling project which provided insights to enable the planning of our decarbonisation efforts in order to meet our 2030 Science-based Target and Net Zero ambition. These insights are now being adopted within business planning. ■ Decarbonisation underway at appropriate selected sites. ■ We place exposure limits on the sectors and countries most at risk from climate change. Our primary target for our investment portfolio, which has been validated by the Science Based Targets Initiatives (SBTi), is to achieve Temperature Alignment of 1.5°C by 2040. We are taking action to reduce the GHG emissions of our investments, while helping to finance the transition to a low-carbon economy.

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Risk drivers	Relevant risks and potential impact	Mitigating actions
Physical: Acute and chronic	<p>Operational resilience including supply chain disruption and third-party reliance</p> <p>Climate change may increasingly cause operational disruption (directly or indirectly through, for example, third parties and supply chain), 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.</p> <p>Short, medium and long term.</p> <p>Insurance</p> <p>Shifts in global temperatures and weather patterns will affect the acute and chronic healthcare needs of our customers and may lead to increased insurance claims via changes to frequency or disease severity requiring shifts in the treatments required. This impact could be more pronounced in markets with multi-year policy contracts in place. Separately, decarbonization and other sustainability-related efforts by third-party healthcare providers used by Bupa to service insurance claims may also contribute to higher claims inflation.</p> <p>Medium and long term</p>	<ul style="list-style-type: none"> ■ The Operational Resilience Framework considers broader customer disruption and the same principles apply to extreme weather events. ■ Business Continuity Plans are produced and updated in accordance with the Enterprise Operational Resilience Policy and associated Standards. ■ Guidance documents are in place for managing the potential impact of heatwaves and flooding across our aged care facilities. ■ Governance forums and communication channels are in place to enable the timely reporting and escalation of any climate change related risks or incidents. ■ We know that people will be more unwell in a world that experiences greater weather variability due to climate change. The short-tailed nature of most of our insurance 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. Overall, the impact is likely to vary by type of product and coverage (comprehensive; complementary/supplementary) and based on the interactions between private medical insurance and the public health system. ■ Bupa is currently deepening its understanding of the potential long-term impacts of climate change on customers' health and claims in some markets, and based on the assessment will consider how best to respond and adapt its insurance product offerings accordingly (e.g. product benefits, financial incentives, target market).

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

Financial risks from climate change have been incorporated into Bupa's wider stress-testing programme. The results of the scenario analysis carried out to-date suggested that the strategy is resilient to the financial risks of climate change. Bupa will continue to evolve and mature its climate scenario analysis along with its disclosure approach, and scan for developments and improvements in scenario methodology and data.

The following sets out some of the key highlights from tests performed in 2024:

The latest Stress and Scenario Testing programme helped Bupa 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 planning period. Scenarios assessed included: 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); impacts of strategic workforce risks (including workforce shortages, increased attrition, and higher staff costs), supply chain disruption risk, and regulatory changes.

In 2024, a number of Business Units selected a climate-related narrative to guide their annual local scenario and stress testing. The future health impact of climate change was assessed in several markets, including the potential impacts on insurance claims, as well as potential impacts for provision businesses (hospitals and clinics mostly) should these be able to respond to the changing population health needs given physical risks from climate change. Beyond extreme weather events, the impacts of air pollution and water shortages were also considered though to a lesser extent. This work compliments results from scenario analysis performed in prior years, including a 'Late Action': a -2C global warming by 2100; a disorderly transition scenario; and 'No Additional Action', a 4C global warming by 2100 scenario with high physical risk. The results of these remain relevant.

Bupa will continue to focus on building and assessing its specific climate scenarios in 2025.