Longer, healthier, happier lives
Bupa 2020 is our strategic vision outlining how we will fulfil our purpose and support millions of people to enjoy better health.

Our purpose: longer, healthier, happier lives

Bupa 2020

Making quality healthcare affordable and accessible

A healthcare partner to millions more people around the world

Providing access to advice and care that’s right for me

People love working at Bupa

Extraordinary business performance

Tackling the toughest challenges in healthcare – making a difference

To find out more about Bupa’s purpose, go to: bupa.com/annualreport
A purposeful, commercial business

Our status as a private company, limited by guarantee, means we have no shareholders and are not driven by short-term profit. So we behave commercially and focus on our customers, while taking a long-term view and reinvesting our profit to provide more and better healthcare, fulfilling our purpose: longer, healthier, happier lives.

To find out more about Bupa’s status, go to: bupa.com/status

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1 Constant Exchange Rates (CER) are used to aid comparison and provide clarity on trading performance. All figures presented are CER unless otherwise stated.
2 Actual Exchange Rates.
3 See financial review page 22 for our definition of underlying profit.
We have 84,000 people who support our 32 million customers in 190 countries around the world.

Bupa around the world

Bupa Global
2m insurance customers
Through Bupa Global we provide international health insurance, medical assistance and travel insurance to customers in 190 countries around the world.

UK
5.1m insurance and provision customers
51 clinics
1 hospital
31 dental centres
288 care homes
6 retirement villages
9 corporate on-sites

Spain
2.4m insurance and provision customers
20 clinics
6 hospitals
180 dental centres
40 care homes
3 day care centres
18 corporate on-sites

Chile
2.8m insurance and provision customers
33 clinics
3 hospitals
33 dental centres

Bupa around the world
**Globally, we run...**

<table>
<thead>
<tr>
<th></th>
<th>Clinics</th>
<th>Dental Centres</th>
<th>Care Homes</th>
<th>Optical Centres</th>
<th>Retirement Villages</th>
<th>Corporate On-Sites</th>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>320</td>
<td>628</td>
<td>456</td>
<td>5</td>
<td>98</td>
<td>75</td>
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*This includes combined sites that offer both dental and clinic services. There are 192 of these sites across Bupa.*

### Poland
- 5.3m insurance and provision customers
- 142 clinics
- 30 corporate on-sites
- 143 dental centres
- 1 care home
- 7 hospitals

### Saudi Arabia
- 3.7m insurance customers
- 2.5m insurance and microinsurance customers

### India
- 2.5m insurance and microinsurance customers
- 65 clinics
- 11 dental centres
- 9 corporate on-sites

### Hong Kong
- 1.3m insurance and provision customers
- 9 corporate on-sites

### Thailand
- 400k insurance customers

### Local health insurance and/or healthcare provision services
- **Principal Bupa offices**
  1. Australia: Adelaide, Brisbane, Melbourne, Perth, Sydney
  2. Bolivia: La Paz, Santa Cruz
  3. Brazil: São Paulo
  4. Chile: Santiago
  5. China: Beijing, Shanghai
  6. Denmark: Copenhagen
  7. Dominican Republic: Santo Domingo
  8. Ecuador: Guayaquil, Quito
  9. Egypt: Alexandria, Cairo
  10. Guatemala: Guatemala City
  11. Hong Kong
  12. India: New Delhi
  13. Mexico: Mexico City, Monterrey, Puebla
  14. New Zealand: Auckland
  15. Panama: Panama City
  16. Peru: Lima
  17. Poland: Warsaw
  18. Saudi Arabia: Jeddah, Khobar, Riyadh
  19. Singapore
  21. Thailand: Bangkok
  22. UAE: Dubai
  24. USA: Miami, Philadelphia
Growing our business to improve the health of people around the world

How we do it

Our business model, combining health funding, provision and engagement, means we deliver world-class health and care.

**Domestic health insurance**
funding quality healthcare for our customers where they live

**Clinics**
including outpatient, diagnostic, dental, optical, primary care, and other wellness services

**International health insurance**
for people who want access to premium insurance products and healthcare services worldwide

**Other funding products**
including medical subscriptions, cash plans, travel and micro health insurance

**Hospitals**
17 around the world

**Aged care**
including specialist dementia care, retirement villages, respite care, and long-term care

**Partnerships**
with NGOs, companies and others to reach millions more people

**Health and wellbeing services and tools**
including telephone helplines, apps and online tools to encourage healthier choices

**Consumer advocacy and campaigns**
on subjects including healthy lifestyles, health system improvements and dementia care

**Funding**
Domestic health insurance, international health insurance, other funding products

**Provide**
Clinics, hospitals, aged care, partnerships

**Engage**
Health and wellbeing services and tools, consumer advocacy and campaigns, partnerships
Healthcare remains a growing market worldwide, but the sector is faced with continuous pressure to contain rising costs, particularly given the impact of the current economic environment on consumers, businesses and governments.

The rising cost of health insurance is a global trend and we are increasingly working with providers to ensure better health outcomes for customers at sustainable prices.

Care environments are shifting as hospitals are not designed to manage long-term conditions and integrated care models are emerging that combine primary and intermediate care services in new ways.

People’s health and care needs continue to evolve. Long-term conditions including heart disease, cancer, diabetes and dementia are rising due to unhealthy lifestyles and an ageing population.

We have partnered with the World Heart Federation, Union for International Cancer Control, Alzheimer’s Disease International, World Health Organization, the Non-communicable Disease Alliance and the International Telecommunications Union to work together to tackle the toughest challenges in healthcare.

Customers are increasingly looking for greater personalisation and flexibility to receive care in their chosen setting. We are investing to enhance customer experience through digital innovation, improving processes and developing new propositions.
We fund care through insurance, subscriptions, and other funding products, supporting our customers to stay healthy and treating illness and injury.

We fund healthcare

1. We develop
   We develop and market health insurance products in line with people’s needs

2. We assess risk
   We assess insurance risks and use our experience and expertise to determine whether we can offer cover, and how much it will cost

3. We manage
   We manage healthcare partners on behalf of our customers, negotiate competitive rates with healthcare providers and quality assure both the patient experience and health outcomes

4. We finance
   We safeguard our financial assets and customers’ premiums so that we are able to pay for the care our customers need and support them through their treatment

5. We reinvest
   We reinvest our profits into the business to fund and provide better health and care for millions more people
Experienced sailor Lola was involved in an accident while aboard her boat in Antigua. Already covered by Bupa Global, her husband Daniel called us for help.

“I knew I needed to get Lola to the US and that’s when I called Bupa. They arranged an air ambulance and when the two guys came I felt at ease – we were being rescued. Sharon, the head nurse at Bupa, was like an angel – a friend. When you need them, Bupa is going to be there.”

Daniel, Bupa Global customer

Helping customers wherever they are

To meet the needs of an increasing number of globally minded and mobile customers, we launched new global health plans. The plans are active in Hong Kong, the UK, Mexico, Chile, Panama, Mainland China and the UAE. In Chile, we are the country’s first insurance company to offer health insurance with international coverage. The plans were developed following extensive research to understand the needs and wants of our customers.

Innovating to meet our customers’ needs in Spain

In Spain, we launched Blua, which gives our Sanitas customers a platform to manage all of their healthcare needs through their mobile phones, including video consultations and online prescription and medical record management. We also launched Sanihub, a pay-as-you-go health marketplace, which offers access to diagnosis and treatments without the need for health insurance.

We provided health insurance to 19.4m people in 2015
71% of our revenue is from health insurance

Making private healthcare more affordable in the UK

We know that customers value the benefits of health insurance, but cost is one of the main barriers that stops them accessing it. We have continued our drive to improve affordability for health insurance customers and successfully negotiated the lowest price increases from hospitals for the last five years. This, together with our drive to ensure hospitals deliver appropriate care, and our work on payment integrity and fraud detection, has enabled us to contain premium rises for our customers.

Our focus on keeping premium increases as low as possible has helped us achieve the best customer retention rates for the past decade and has given a number of our major corporate customers the confidence to extend their schemes to the whole of their workforce.

Increasing our stake in Max Bupa

This year, we announced our intention to increase our stake in our Indian health insurance joint venture, Max Bupa, following the relaxation of Foreign Direct Investment rules. With market penetration of health insurance still relatively low in India, we see significant opportunities for growth working in partnership with Max India, bringing our global healthcare funding expertise to bear to create products and services that improve the lives of people in India.

Bupa is a leading health insurance provider in Australia focused on providing sustainable healthcare solutions through a commitment to quality. Our Pay-for-Quality initiative, alongside private hospital provider Healthscope, shows the benefits of collaboration across the health sector, as we continue to improve the customer experience. This unique funding model focuses on value-for-money healthcare by facilitating better outcomes in the areas of clinical quality and safety.

Helping customers

We provided health insurance to 19.4m people in 2015
71% of our revenue is from health insurance

Strategic Report

Bupa Annual Report 2015

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Around the world, we provide health and care services through our clinics, dental and optical centres, hospitals and care homes.

We provide healthcare

1. **We build or acquire**
   We identify opportunities to provide health and care services, including the development of specialist services. Where there is demand and we can make a difference, we acquire or build, or manage new hospitals, care homes, clinics and dental centres.

2. **We market**
   We make sure our potential customers understand how Bupa can help them and ensure millions of people around the world can enjoy better health and care.

3. **We operate**
   We run our health and care provision businesses with the customer at the heart, focusing on high quality patient experience and health and care outcomes.

4. **We reinvest**
   We reinvest our profits into the business to fund and provide better health and care for millions more people.

- **Clinics** including outpatient, diagnostic, dental, optical, primary care, and other wellness services
- **Hospitals** 17 around the world
- **Aged care** including specialist dementia care, retirement villages, respite care, and long-term care
Taking a holistic approach to cancer

We recognise the importance of delivering a truly holistic approach to cancer, from prevention and treatment, to supporting cancer survivors with advice and care that’s personal to them.

Cancer self-referral in the UK

In the UK, we have launched a first-of-its-kind cancer direct access service for breast and bowel cancer. The service provides our customers with access to a breast or bowel specialist, without the need for a GP referral. If cancer is diagnosed, our support team provides advice and care throughout and beyond treatment.

Specialist cancer care in Poland

In Poland, this year we acquired leading private oncology provider Magdolent, based in Warsaw. This included two specialist cancer hospitals and an outpatient clinic providing full cancer treatment from consultations and diagnostics through to surgery, chemotherapy and rehabilitation. This means we can deliver better coordinated oncology care, making a difference for people living with cancer in Poland.

Round the clock support in Spain

In Spain, our care and advice unit (UCCO) includes round-the-clock support and access to a cancer counsellor. We make sure we support our customers emotionally, providing advice about nutrition, pain management and nursing tailored to their individual needs. We also involve our patients’ families in treatment so they are fully supported in both physical and psychological recovery.

“For me and my family, Sanitas UCCO was everything; it was like our home.”

Enrique, patient at Hospital Universitario Sanitas La Zarzuela

Access to advice and care that’s right for our customers

We are focused on innovation, continually looking for new ways to meet our customers’ health and care needs.

Growing our dental provision

We are one of the world’s biggest dental providers, with 628 dental centres across Australia, New Zealand, the UK, Spain and Poland. This year, we added 32 new centres to our global portfolio, including our new purpose-built health and dental centre in Canary Wharf. Bupa Dental Hobart was one of nine clinics to be branded Bupa Dental in Australia.

Quality care in our hospitals

Clinical quality is at the heart of the promise that we make to our customers and to patients. Our aim is to support and drive continuous improvement in quality of care and patient safety standards throughout our hospitals. In Spain this effort has been recognised by the award of the prestigious Joint Commission International accreditation for our two hospitals in Madrid. Our hospitals are the first in the city to achieve this distinction.

Also this year, we launched a family assistance service to address some of the main concerns of customers in Spain. Through this service, we help them to run their daily lives, supporting families with childcare, personal and school transportation, housework and home delivery of medicines. This allows our patients to focus on their recovery, knowing that their families are cared for.

Digital access to health services

We work to ensure our customers can access health and care services in the way that best suits their individual needs. In 2015, we announced a partnership with Babylon so UK corporate customers can purchase virtual GP services for their employees, enabling them to book same day video consultations with doctors and have prescriptions sent directly to their chosen pharmacy or delivered to their home.
We develop
We identify the issues where we can make the greatest difference

We partner
We partner with others including non-governmental organisations, businesses and governments

We engage
We create points of health and care engagement, raising awareness and developing programmes, services and tools

We measure engagement
We measure points of health and care engagement with our people, our customers and wider society

As part of delivering on our purpose, we work to make a positive impact on the world’s health and the environment, engaging people in their health and wellbeing.

We engage people in their health and wellbeing

1. We develop
   We identify the issues where we can make the greatest difference

2. We partner
   We partner with others including non-governmental organisations, businesses and governments

3. We engage
   We create points of health and care engagement, raising awareness and developing programmes, services and tools

4. We measure engagement
   We measure points of health and care engagement with our people, our customers and wider society

Health and wellbeing services and tools including telephone helplines, apps and online tools to encourage healthier choices

Consumer advocacy and campaigns on subjects including healthy lifestyles, health system improvements and dementia care

Partnerships with NGOs, companies and others to reach millions more people
Transforming health through workplaces

With over half of the world’s population in employment and spending more time at work than ever before, we believe workplaces have the potential to transform health.

Global networks for change

Powered by Bupa, the global Chief Medical Officer network is a group of clinicians from over 40 companies committed to improving the world’s health through the workplace. The network aims to improve employee health and wellbeing worldwide in four focus areas: physical activity, nutrition, smoking cessation and workplace energy.

Hearts at Work

Our Hearts at Work campaign, in partnership with the World Heart Federation, saw over 125,000 people take our free heart age check across Australia, Poland, Chile, Spain and the UK to find out their heart age and how to improve it.

On World Cancer Day, educational materials developed with the Union for International Cancer Control (UICC) were shared with over 500,000 of our customers around the world.

Healthy age check

125,000 people took our heart age check

Healthy cities

In Spain, our Madrid Healthy City project is bringing together large Spanish and international businesses to create a healthier environment and healthier workforces. The project is focused on an eight-week physical activity programme, including weekly training sessions, access to digital tools and health advice, and measurement of their progress through wearable devices.

Health and wellbeing tools and advice

This year we have launched a number of new online content hubs to help people to manage their own health and wellbeing.

Our Australian ‘Blue Room’ has been visited by over half a million people since it launched in May and gives a wealth of health and wellbeing advice and information. We have also launched a Spanish version of the Blue Room – Muy Saludable.

In the UK, through partnership with businesses, we created Bupa Boost, a mobile health and wellbeing solution. Bupa Boost puts engagement at the heart of workplace health by encouraging sustained behavioural change and focuses on four key areas: fitness, nutrition, relaxation and mindfulness. This provides businesses with an engagement tool to reach their employees in and out of the work environment and insight through data that supports the development and management of wellbeing programmes.

In the UAE, our digital wellness assessment encourages people to prioritise their health and make a positive change, with free, tailored wellbeing plans on physical and mental wellbeing.

Healthy ageing

Living well with dementia

As part of our ‘person-first’ approach to dementia, we have partnered with Alzheimer’s Disease International (ADI), advocating for countries to develop national dementia plans to enable people to live well with dementia. In 2015, this resulted in the announcement of the Pan American Health Organization Dementia Action Plan and National Dementia Plans for 15 countries in the region.

Age UK partnership

This year, we formed a partnership with Age UK, the UK’s largest charity working with older people. Money raised by our employees, customers and suppliers will enable the charity to deliver a national wellness programme of activities, support, information and advice to empower more older people to live well and age well.

A healthier planet

“Good health is dependent on a healthy planet and we firmly believe that tackling climate change is one of the biggest health opportunities of the 21st century”

Paul Zollinger-Read
Chief Medical Officer, Bupa

Since 2009, we’ve reduced our carbon footprint by 23%. We know we can make an even bigger difference to health and the environment by advocating for a low-carbon economy. This year, we participated in a number of collaborative events with other businesses during COP21 Paris, the UN’s climate change summit, putting health issues at the forefront of the environmental agenda. We also spoke at the launch of The Lancet health and climate change report. Find out more about our carbon reduction on page 25.

125,000 people took our heart age check

Steve and team cycled from Manchester to Brighton to raise money for Age UK

As a provider of elderly care, Bupa UK offers a support line to help people make difficult decisions. The Elderly Care Support Line is available to anyone and offers free advice on all aspects of elderly care: including finding a care home, accessing care at home or even how to pay for care.
Performance
This year we continued to focus on understanding and meeting the changing needs of our customers around the world. We are investing for the future, increasing our sales and marketing capabilities and developing products with a particular focus on digital tools and services.

It has been a year of political and regulatory change in a number of our markets, as well as ongoing challenging economic conditions. In Australia, the economy is growing more slowly than in the past, with consumer and business confidence remaining unsettled. In the UK, increased Insurance Premium Tax (IPT) has added more pressure to the affordability of health insurance. Political and legislative changes in Spain have adversely impacted the outlook for our Public Private Partnership (PPPs) operations.

Despite this challenging environment, we have made steady progress, growing revenue by 6% and delivering profit growth across four out of five Market Units (see pages 18-21).

We have moved to strengthen ownership of our businesses in Chile and India and made a number of small strategic acquisitions in Poland, Australia and the UK.

On 1 January 2016, the Solvency II (SII) regime came into effect for European insurance companies. During 2015, substantial work was carried out to prepare Bupa for its implementation. This included approving the Company’s first Own Risk and Solvency Assessment (ORSA) which is fully owned by the Board and is now part of the governance and decision making framework. (See page 38).

We have maintained our key credit ratings with Fitch (A-) and Moody’s (Baa2). Moody’s moved our outlook from stable to positive during the second half of the year, reflecting our continued profitability, global expansion and strong track record in generating capital.

Back in 2010, we committed to reducing absolute carbon emissions by 20% by 2015. We exceeded this by 3% in a period where the business grew over 40% in revenue.

Status and governance
Bupa’s status as a company limited by guarantee means that we are not driven by the need to make short-term profits; we behave commercially and plan for the long term. Having no shareholders means that our profits are reinvested into the business to fund and provide more and better healthcare, fulfilling our purpose. In 2015, we reinvested £550m back into Bupa, building and developing care homes, upgrading medical provision, constructing a new hospital in Santiago in Chile and making some small strategic acquisitions to strengthen our business.

Association Members (AMs) perform a crucial oversight role for Bupa that would ordinarily be carried out by shareholders for a plc. During the year, the international experience of the Association Membership was significantly enhanced by appointing 26 new AMs with a broader mix of international experience.

In the spirit of the UK Corporate Governance Code, we engage with our AMs throughout the year, including at the AGM, an induction session for newly-appointed AMs, financial results calls and a series of briefing sessions (see page 43). The AGM is preceded by a seminar focusing on one of Bupa’s business areas and the briefing sessions are an opportunity for engagement with management and representatives of the Board on matters of strategy and performance.

For 2016, we have established a new Medical Advisory Council to advise on health horizon scanning and to support Bupa on key medical risks and opportunities relevant to delivering Bupa’s purpose. This will undertake some of the work previously done by the Medical Advisory Panel (MAP) following the decision to reshape Bupa’s approach to clinical risk and governance (see page 43). Former Chairman of the MAP, Sir John Tooke, was appointed to the Risk Committee on 1 January 2016 to further strengthen its clinical membership. I would like to take this opportunity to thank the MAP members (Sir John Tooke, Rita Clifton, Stuart Fletcher, Tessa Green, Professor Gillian Leng, Baroness Mary Watkins and Anita Donley) for their contribution and advice to the Board.
Board and executive changes
A number of changes in Board membership occurred in 2015. George Mitchell (Senior Independent Director and member of the Audit, Nomination & Governance, Remuneration and Risk Committees) and John Lorimer (Chair of the Audit Committee and a member of the Risk Committee) retired from the Board. George Mitchell and John Lorimer had served as Non-Executive Directors for eight and four years respectively and their invaluable contributions were greatly appreciated during their time at Bupa. John continues to serve on a number of Bupa’s subsidiary boards. Lawrence Churchill succeeded George Mitchell as the Senior Independent Director at the AGM in May 2015.

Clare Thompson (Chair of the Audit Committee and a member of the Risk Committee) and Roger Davis (member of the Audit and Risk Committees) were appointed to the Board during 2015. Clare brings deep experience from her career in professional services. Roger has extensive business and international experience. In January 2016, Simon Blair and Janet Voûte were appointed, bringing substantial international experience and understanding of insurance and health and care to the Board.

Theresa Heggie, Bupa’s Chief Marketing and Strategy Officer, left Bupa in December 2015. In February 2016, we announced that Penny Dudley becomes Chief Legal Officer from 1 April, succeeding Paul Newton who retires at the end of 2016 following 29 years of outstanding service.

Culture and people
Bupa is powered by the hard work and commitment of each of our 84,000 employees. Our aim is for our people to love working at Bupa. This is core to our ability to deliver for our customers and to fulfilling our purpose. We are committed to fostering a culture where our people are happier and healthier because they work at Bupa. We focus on leadership to ensure that Bupa’s values are present in everything we do.

I am proud that Bupa has a diverse culture. This is essential to ensure that we remain inclusive, innovative and focused on the needs of our extremely diverse customer base across multiple geographies. Board and executive recruitment this year has helped us maintain variation in nationalities, international experience and gender: 33% of our Board members are female, as are 31% of Bupa executives and 42% of our senior management team. The representation of women in our global workforce is over 70%.

Bupa’s success is built on our people’s commitment and their relentless focus on improving our customers’ experience. The Board and I would like to thank each one of them, for their passion and hard work in delivering another successful year in 2015.

Our 2015 Strategic Report, from pages 3-11, was reviewed and approved by the Board of Directors on 2 March 2016.

By order of the Board.

Lord Leitch
Chairman
CEO’s statement

Stuart Fletcher
Chief Executive Officer

We made steady progress this year, despite challenging economic conditions and political and regulatory changes in a number of our markets. By focusing on meeting the needs of customers across our diversified geographic footprint offering health insurance as well as providing health and care, we maintained strong market positions and grew revenue and customer numbers in 2015.

Bupa 2020
Bupa 2020 is our strategic vision for how we will deliver our purpose: longer, healthier, happier lives, and help millions of people enjoy better health. We have three strategic goals: being a health and care partner to millions more people, delivering extraordinary business performance, and being an organisation where people love to work (see inside front cover).

Performance
In 2015, we focused on driving performance by innovating to meet the needs of our customers, with a particular focus on continuous improvement of customer experience and making health and care more affordable and accessible. The operating environment was challenging in many of our markets, but we continued to grow and maintain our strong market positions. We delivered revenue growth, up 6% to £9,628.4m with good progress in our Market Units. Customer numbers grew 12% to 32.2m with a particularly strong contribution from the UK Market Unit, where health insurance customers grew significantly during the year, partly as a result of our strategic partnership with Benenden. Growth in Bupa Arabia also contributed to increased customer numbers.

We delivered solid underlying profit growth across most of Bupa with Australia and New Zealand, the UK, IDM, and Bupa Global all up. Political and regulatory changes in Spain, particularly the changing sentiment towards private participation in public services, have impacted the outlook for our PPPs. As a result, we have made a non-cash adjustment of £52m to reflect reassessed profitability over the life of the contract (including previously reported profits). This was the key factor behind the 2% fall in group underlying profit.

Cash generation remained strong during the period. Our status as a company limited by guarantee, with no shareholders, means that this is all available to reinvest into the business in service of our purpose.

Statutory profit was down 39% at AER due mainly to the impact of the impending introduction of the National Living Wage in the UK from April 2016, which represents a significant increase in the operating costs of UK care homes. This, combined with ongoing funding pressures experienced by local authorities, means there are significant margin pressures in the UK care services market. Although we are actively renegotiating fees to ensure that they cover the true costs of care, we cannot at this stage be confident we will mitigate the impact in its entirety. As a result, there has been a partial write down of the value of our UK care services business. This impacts our statutory profit by £181.9m.

In 2010, we committed to reduce absolute carbon emissions by 20% by 2015 versus our 2009 baseline, so this was a significant year for our carbon reduction programme. I am delighted to say that we exceeded this target, delivering a 23% reduction over the six-year period, at the same time as growing the business by over 40% in revenue, tripling our customer numbers and employing 32,000 more people. During 2014 and 2015, we invested a total of £50m through our Energy Saver Fund, which we created for projects that deliver a reduction in ongoing operating costs as well as in carbon. Over 950 projects with strong investment returns were implemented over the two years, including more than 230 solar installations on our buildings in 2015. We purchased electricity from certified renewable sources, which now accounts for more than 35% of our annual electricity consumption.

During 2015, a substantial amount of work was carried out to prepare for Solvency II implementation which came into force on 1 January 2016. We strengthened our understanding of risks and risk management and developed the Bupa-specific insurance premium risk parameter. This was approved by the Prudential Regulation Authority in November in recognition of our size, experience and geographical diversity, and enables us to reduce capital requirements compared with the Standard Formula.

We are focused on improving the customer experience across the business, in line with our ambition to become the most trusted and recommended health and care company in the world. This included redesigning the customer journey for our Global Health propositions in Bupa Global, and proactively contacting our customers in Australia to gain feedback and shape product development and process improvements.

Healthcare partner to millions more people
We are growing our provision businesses across a number of geographies. In dental we added 18 new centres in Australia, six in the UK, and eight in Spain, bringing our total to 628 globally. We have expanded in aged care with new homes or services in all
In Australia, we are piloting services of our care services businesses.

We are growing our partnerships with others. In the UK, we signed a major partnership agreement with Benenden Health to provide underwriting, customer service and claims management to their 900,000 members. In Spain, we partnered with Santa Lucía, a leader in family protection insurance, to develop four new products for our customers. Our partnership with Hang Seng Bank in Hong Kong is performing well. In the US, we are deepening our engagement with the Blue Cross Blue Shield Association.

We are focused on innovating to meet the needs of our customers and improving customer experience which led to a significant reduction in the number of lapses compared to 2014. New sales were also up by 28%.

We continue to innovate to enhance our customers’ experience. Blua, our first wholly digital health insurance product for customers in Spain, launched in November. It gives customers access to one of our healthcare professionals through video consultations, offering them personalised advice and giving them another option should they not wish or be able to access a doctor or nurse in person. It also includes an online prescription management tool.

In November, we opened our second GP Clinic in Sydney and over the course of the year, we launched Bupa Hearing in three of our retail stores in Melbourne.

We are focused on innovating to meet the needs of our customers with an increased focus on digital products and services. We launched Bupa Boost in the UK, a digital platform for employers to engage their entire workforces in health and wellbeing. In Spain, we introduced Blua, a health insurance product that enables customers to manage their health via their mobile devices and access medical consultations through video conference, as well as Sanihub, a pay-as-you-go marketplace for health services. We created online health and care hubs in Australia (the Blue Room) and Spain (Muy Saludable) to provide a wide range of health and wellbeing advice and information. These are available to everyone, not just our customers, helping us to engage millions more people in their health and wellbeing.

Sanitas Seguros

We delivered good performance in our Spanish health insurance business, Sanitas Seguros, in 2015. We focused on satisfying the health needs of our customers and improving customer experience which led to a significant reduction in the number of lapses compared to 2014. New sales were also up by 28%.

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We have purchased additional shares in Bupa Chile, taking our ownership to 73.7% at the year end. In 2016, we increased this to 100%. This creates a strong foundation for us to become a health and care partner to people in Chile and Latin America more broadly.

In May, we announced a new partnership with the global NCD (non-communicable diseases) Alliance – a network of 2,000 organisations working to prevent diseases such as cancer, diabetes and heart disease. This partnership is focused on encouraging employers to become more active partners in their people’s health and wellbeing and complements our existing partnerships with the World Heart Federation, Union for International Cancer Control, Alzheimer’s Disease International and Be He@lthy Be Mobile.

With over half of the world’s population in employment and spending more time at work than ever before, we believe workplaces have the potential to transform health. Our Hearts at Work campaign, developed in partnership with the World Heart Federation, saw over 125,000 people take our free heart age check across Australia, Poland, Chile, Spain and the UK. In Spain, our Madrid Healthy City project is bringing together businesses to create a healthier environment and healthier workforces, measuring participants’ cardiovascular risk and providing tailored health recommendations to help them reduce it. In April, we formally launched our global Chief Medical Officer (CMO) Network, bringing together CMOs from 40 companies across a range of sectors including technology, pharmaceutical, financial services and FMCG. Together we are exploring how we can combine our experience to improve employee health and wellbeing.

A place where our people love to work

Each and every one of our 84,000 people makes the difference. They contribute in extraordinary ways every day to deliver on our purpose. This year we have strengthened our focus on our Bupa values – caring, accountable, authentic, passionate, open, courageous and extraordinary. They are key to driving performance and delivering our purpose.

We want Bupa to be one of the very best employers in the world – we have a compelling purpose and with no shareholders, reinvest profits to provide more and better health and care. We want our people to love working at Bupa and be healthier and happier for it. In the past year, our employee engagement index has increased by 3% to 71%. Our commitment to continual performance improvement, a culture of ongoing communication and feedback, as well as employee health and wellbeing programmes have helped to deliver this.

Personal growth is vital to our success and I’m proud of our talented people working together to deliver funding and provision of health and care, to drive sustainable, profitable, purposeful growth. This year there was a 10% increase in the completion of online learning activity with 50,000 of our employees having access to our global online learning platform. We have also further strengthened our focus on talent management and succession planning, building deeper and more diverse pipelines of future leaders.

Our success is a result of the efforts of each and every one of our 84,000 people as well as our many partners who are an essential part of what we do every day. I thank our people for their hard work and dedication and our customers for putting their trust in us and I appreciate the contribution of our partners.

Outlook

Looking forward, we anticipate market conditions will remain challenging, particularly in Australia, the UK, and Spain. However, our strategic discipline, international scale, strong brand and market-leading positions, supported by our robust balance sheet, mean we are positioned for continued sustainable revenue and profit growth.

Stuart Fletcher
Chief Executive Officer
Our target to reduce absolute carbon emissions by 20% by the end of 2015 is based on a 2009 baseline and is reported in line with the measurement requirements of the Carbon Trust Standard and the market-based methodology of GHG Protocol Scope 2 Guidance and in accordance with the principles of the WRI/WBcSD GHG Protocol. 2009 and 2015 data has been verified by the Carbon Trust.

<table>
<thead>
<tr>
<th>Strategic goal</th>
<th>KPI</th>
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<tbody>
<tr>
<td>Healthcare partner to millions more people</td>
<td>Customer numbers</td>
</tr>
<tr>
<td></td>
<td>32.2m</td>
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<tr>
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<td>↑ 12%</td>
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<tr>
<td>Health and care engagement</td>
<td></td>
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<tr>
<td></td>
<td>160m</td>
</tr>
<tr>
<td></td>
<td>↑ 19%</td>
</tr>
<tr>
<td>Performance</td>
<td>Revenue</td>
</tr>
<tr>
<td></td>
<td>£9.8bn</td>
</tr>
<tr>
<td></td>
<td>↑ 6% CER ↓ 1% AER</td>
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<tr>
<td>Underlying profit</td>
<td></td>
</tr>
<tr>
<td></td>
<td>£582.5m</td>
</tr>
<tr>
<td></td>
<td>↓ 2% CER ↓ 9% AER</td>
</tr>
<tr>
<td>Carbon footprint reduction</td>
<td></td>
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<tr>
<td></td>
<td>23%</td>
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<td></td>
<td>↓ 9%</td>
</tr>
<tr>
<td>A place where our people love to work</td>
<td>Employee engagement</td>
</tr>
<tr>
<td></td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>↑ 3%</td>
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<tr>
<td>Performance excellence</td>
<td></td>
</tr>
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<td></td>
<td>77%</td>
</tr>
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<td></td>
<td>↑ 2%</td>
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<tr>
<td>Leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>↑ 2%</td>
</tr>
<tr>
<td>Trend (AER)</td>
<td>Performance commentary</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>2015 32.2m</td>
<td>In 2015, we made significant progress on our journey to be a healthcare partner to millions more people. We added 3.5m customers, up 12% on 2014, mainly through organic growth. We saw significant growth in many of our businesses. The UK made a very strong contribution to this, partly as a result of our strategic partnership with Benenden. Our International Development Markets business also showed strong growth, primarily driven by Saudi Arabia.</td>
</tr>
<tr>
<td>2014 28.7m</td>
<td></td>
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<tr>
<td>2013 21.9m</td>
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</tr>
<tr>
<td>2015 160m</td>
<td>We continued to engage our people, customers and wider society in their health and wellbeing. In 2015 we created 160m points of health and care engagement, up 19%. This measure includes each occasion someone engages with a health and wellness awareness raising campaign, for example through our social media activities or health events. It also includes deeper engagements with specific programmes, services and tools that we have developed to help people make simple changes to their behaviour and positively impact on their health. See page 11.</td>
</tr>
<tr>
<td>2014 134m</td>
<td></td>
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<tr>
<td>2013 99m</td>
<td></td>
</tr>
<tr>
<td>2015 £9.8bn</td>
<td>We are committed to delivering solid and sustainable financial performance and investing in activities that create long-term economic value. We continue to grow revenue, up 6% at CER to £9.8bn, reflecting good progress across our Market Units. Over 65% of Bupa’s revenue is generated by international operations, reflecting our global footprint. Strong business performance means we are well-resourced to be a healthcare partner to millions more people.</td>
</tr>
<tr>
<td>2014 £9.8bn</td>
<td></td>
</tr>
<tr>
<td>2013 £9.1bn</td>
<td></td>
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<tr>
<td>2015 £582.5m</td>
<td>We delivered solid underlying profit growth across most of Bupa. Following regulatory changes leading to a revised outlook for our PPPs in Spain, we have recognised an adjustment to reflect the reassessed profitability over the life of the contract. This was the primary cause of a fall in group underlying profit, down 2% at CER to £582.5m. As we have no shareholders, our profit is reinvested into the business. This helps us to provide more and better healthcare for our current and future customers to fulfil our purpose. See page 22 for our definition of underlying profit.</td>
</tr>
<tr>
<td>2014 £637.8m</td>
<td></td>
</tr>
<tr>
<td>2013 £638.5m</td>
<td></td>
</tr>
<tr>
<td>2015 23%</td>
<td>In 2015, we invested a further £25m in low carbon and renewable energy projects on many of our sites through our Energy Saver Fund. This brought the total number of projects invested in to over 950 in two years. We also continued to source electricity from renewable sources totalling 35% of our electricity requirement in 2015. These actions have contributed to us reducing our carbon footprint by 23% since 2009, exceeding our target of 20%. Going forward we will continue to invest in environmental improvement opportunities and increase the amount of electricity we purchase and use from renewable sources. See page 25.</td>
</tr>
<tr>
<td>2014 14%</td>
<td></td>
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<tr>
<td>2013 13%</td>
<td></td>
</tr>
<tr>
<td>2015 71%</td>
<td>2015 saw more people than ever before participating in our Global People Survey (GPS), with 60,412 (76%) of our people responding. This year’s GPS also saw the inclusion of all employees from our recently acquired Bupa Chile, Dental Corporation and Highway to Health businesses for the first time. Within the GPS we measure pride, satisfaction, advocacy and commitment, and from this we develop our employee engagement index. This year, employee engagement improved by 3% to 71%, demonstrating a belief in the future of Bupa, a strong connection to our purpose and the continued commitment of our people to achieving our ambitious goals.</td>
</tr>
<tr>
<td>2014 68%</td>
<td></td>
</tr>
<tr>
<td>2013 67%</td>
<td></td>
</tr>
<tr>
<td>2015 77%</td>
<td>Within our GPS, our performance excellence index measures our commitment to delivering high quality products and customer service and how enabled our people feel in delivering for our customers. It draws from a cross-section of indicators including training, speed of response to customers and perception of leadership commitment to high quality products, services and care. We have made good progress in our performance excellence index again, up 2% to 77%.</td>
</tr>
<tr>
<td>2014 75%</td>
<td></td>
</tr>
<tr>
<td>2013 73%</td>
<td></td>
</tr>
<tr>
<td>2015 71%</td>
<td>Our leadership index, introduced last year, saw good progress with a 2% increase to 71%. This index measures the extent to which our people see our leaders are committed to continuously growing themselves, growing others and growing the business to improve the health of the world. We continue to focus on our Bupa Leaders Are framework, which has been further embedded across Bupa in 2015. We see this as key to attracting new leaders to the business, growing our existing leadership capability, and rewarding our leaders for their contribution to Bupa.</td>
</tr>
<tr>
<td>2014 69%</td>
<td></td>
</tr>
</tbody>
</table>
Our Market Units

We operate our business through five Market Units. Our structure enables us to better serve our customers where they are and support our growth.

Our five Market Units comprise individual businesses that reflect our services:

Australia and New Zealand
- Bupa Health Insurance (health insurance in Australia)
- Bupa Health Services (including dental and optical provision, Bupa Medical Visa Services, TeleHealth and GP clinics)
- Bupa Aged Care Australia
- Bupa Care Services New Zealand

UK
- Bupa Health Funding
- Bupa Care Services
- Bupa Health Clinics (clinics, occupational health services and dental centres)
- Bupa Home Healthcare
- Bupa Cromwell Hospital

Spain and Latin America
- Sanitas Seguros (health insurance in Spain)
- Sanitas Hospitales and New Services (including hospitals and clinics)
- Sanitas Dental
- Sanitas Mayores (previously known as Sanitas Residencial)
- Bupa Chile (including health insurance, hospitals and medical clinics)

International Development Markets
- Bupa Arabia (health funding business in Saudi Arabia in which Bupa has a 26.25% stake)
- LUX MED (health funding and provision in Poland)
- Max Bupa (26:74 health insurance joint venture between Bupa and Max India Limited)
- Bupa Hong Kong (health insurance)
- Quality HealthCare (private clinic network in Hong Kong)
- Bupa Thailand (health insurance)
- Bupa China (representative office in China)

Bupa Global
International health insurance, travel insurance and medical assistance provided worldwide to individuals, small businesses and global corporate customers through three operating units:
- Bupa Global North America
- Bupa Global Latin America
- Bupa Global Business Unit

Australia and New Zealand

Dean Holden

Revenue
£3,648.4m
↑ 8% CER

Underlying Profit
£279.5m
↑ 2% CER

Customers
6.2m
↑ 9%

Operating environment
- The Australian economy is growing more slowly than historically, with consumer and business confidence remaining unsettled
- We are seeing increasing downgrades and discontinuances in health insurance as affordability pressures continue and competition intensifies
- In New Zealand, government health policies encouraging care at home have led to lower care home occupancy across the sector
- In Australia, we have focused on mitigating the effect of the removal of dementia and payroll tax supplements, implemented on 1 January 2015
- We contributed to a range of major Federal Governmental reviews of the health sector, including the private health insurance, primary healthcare and aged care sectors, focused on the long-term affordability of the system
- During 2015, prudential supervision of our Australian insurance business transferred to a new regulator, Australian Prudential Regulation Authority (APRA). In 2016, we will be monitoring any changes to the regulatory regime and potential impact on Bupa.
Performance
Our focus this year has been on the long-term affordability of health insurance, improving customer experience across all business areas, and enhancing digital capability. We are expanding our provision businesses through acquisitions, opening new aged care homes and developing new services. As a result, we saw good revenue growth over the year, up 8% overall with growth in all four Business Units. Customer numbers also increased to 6.2m, up 9%. In our health insurance business, we increased resources in our retention teams to proactively reach out to customers. We also introduced a range of initiatives to enhance the customer experience and improve customer retention, including real-time credit card payments. Underlying profit, up 2%, benefited from this focus, showing good year-on-year growth, particularly in light of the previously reported risk margin release in 2014.2

We continued to grow our aged care business across Australia and New Zealand by opening new homes. As a result, our occupancy dropped marginally, as new homes take time to reach full occupancy, to 89.1% in New Zealand and to 92.9% in Australia.

We acquired 18 dental practices across Australia and branded nine clinics as Bupa Dental. We opened six Bupa Optical stores. Bupa Medical Visa Services expanded to include medical assessments in Australia for visa applicants to Canada and New Zealand. We launched a pilot of Bupa Hearing in three of our retail stores in Melbourne, and in the second half of the year, we opened our second GP clinic in Sydney. Our new digital Blue Room, provides a range of health and wellbeing advice and information. Launched in May, it is available to everyone, not just our customers.

We are focused on improving customer experience to mitigate the impact of the sector-wide trends for downgrades and discontinuances in the insurance business. In our provision businesses, we have enhanced sales capability to give our customers a consistent experience across all of our products and services.

United Kingdom

Richard Bowden

Revenue
£2,857.8m
↑ 5% CER

Underlying Profit
£182.6m
↑ 4% CER

Customers
5.1m
↑ 28%

Operating environment
° We are seeing growth in the Corporate segment despite overall decade-long decline in the health insurance market
° Reduced affordability of health insurance due to higher Insurance Premium Tax (IPT) – we are focused on containing healthcare costs, including those charged by private hospitals
° Local authority fees for care services are often below the true cost of delivering care, compounded by rising operating costs
° The move to a National Living Wage will increase the cost of delivering care – we are making the case that local authority fees will need to increase to cover this.

Performance
Our priority in 2015 was growing our business by meeting customers’ changing needs and making private healthcare more affordable and accessible. Revenue increased 5% with growth across all Business Units for the first time in five years. Health insurance saw improved customer retention, and growth in new business in the small and medium-sized enterprises (SME) and corporate segments. This was partially offset by the continued, but lower rates of, decline in the individual health insurance segment. Home Healthcare1 contract wins and growth from dental centres acquired in 2014 also made a positive contribution to revenue. Overall, customer numbers grew by 28%, a significant proportion due to our strategic partnership with Benenden. Underlying profit growth was 4%, due to strong management of costs and growth in our health insurance business, Home Healthcare and Richmond Villages.

The ongoing funding challenges in the care sector, compounded by the introduction of the National Living Wage in the UK from April 2016, contribute to significant pressures on margins. As we cannot at this stage be confident we will mitigate the whole of the impact, there has been a partial write down of the value of our care services business. This is comprised of goodwill impairment of £114.1m and a write down in the value of property and equipment of £179.7m, of which £67.8m has been recognised in the Income Statement, with the balance taken to the revaluation reserve.

We have continued our drive to improve affordability for health insurance customers. We negotiated the lowest price increases from hospital providers for the last five years, resulting in lower premium rises. Our focus on containing premium increases has led to record levels of customer retention for the past decade and a number of major corporate customers extending schemes to the whole of their workforce.

We remain committed to extending our range of services for older people. We refurbished 27 care homes and acquired Hadrian Healthcare Limited, including five care homes and two development sites. Richmond Villages has continued its strong performance. Richmond Witney brings our portfolio to six villages in 2016.

As part of our focus on meeting the changing healthcare needs of our customers, we continue to invest in digital innovations and new propositions. We partnered with babylon1 to provide virtual healthcare services and launched Bupa Boost, a digital platform for UK employers to engage their entire workforces in health and wellbeing (see page 11). We launched a first-of-its-kind cancer self-referral service for breast and bowel cancer, allowing our customers quick, direct access to specialist diagnostics without the need for a GP referral. We also expanded our dental provision during the year (see page 9).
Spain and Latin America

Domestic

Iñaki Ereño

Revenue
£1,824.5m
↑ 9% CER

Underlying Profit
£70.1m
↓ 40% CER

Customers
5.2m
↑ 6%

Operating environment

° While still a challenging environment, the economy has outperformed GDP growth forecasts and unemployment rates have fallen

° The Spanish health insurance market saw lower growth rates when compared to historic levels and is experiencing intense price competition

° Operating conditions for PPPs have become more challenging, driven by decisions made by regional governments in a context of budget constraints and political change

° The Free Choice Act was introduced, allowing people from the catchment area of our Manises hospital greater choice of hospitals, adversely impacting our revenue

° In Chile, we are actively engaged in ongoing government discussions on the reform of the Isapres health insurance system.

Performance

This year we have focused on innovation and new product development to meet our customers’ needs, as well as responding to the political uncertainty affecting PPPs by demonstrating clinical excellence and cost-efficiency to local governments. Revenue increased by 9% over the year, driven by a continued strong performance from Sanitas Dental as well as the full year contribution of our 2014 acquisitions, Bupa Chile and the Virgen del Mar hospital. Customer numbers increased 6%, benefiting from the full year contribution of our 2014 acquisitions, and Sanitas Dental where we reached one million dental insurance customers. We saw record occupancy in Sanitas Mayores, almost at full capacity with an average occupancy rate of 95.7%.

Health insurance made a strong contribution to profit, particularly due to action on claims costs. However underlying profit for the Market Unit as a whole declined primarily as a result of a non-cash adjustment of £52m to reflect a reassessment of the profitability of our PPPs. In Chile, increased operating costs and higher claims also impacted profit. We are investing for the long term in Latin America and have taken action to improve cost efficiency. In December, we purchased an additional 17.3% shareholding in Bupa Chile and since the period end, we have acquired a further 26.3% of the shares. This brought our total shareholding to 100% giving us greater control over Bupa Chile and reinforcing our commitment to the Chilean market.

We launched a number of insurance products including digital products and services that allow our customers to manage their individual health needs wherever they are. This included Blua, a health insurance product that enables our customers to manage their health via their mobile devices and access medical consultations through video conference, and Sanihub, a pay-as-you-go marketplace for health services. In Chile, we introduced Salud Global, the first tiered range of international private medical insurance products in the Chilean market, in partnership with the Bupa Global Market Unit.

We have launched Muy Saludable, a Spanish-language version of the Blue Room hub launched in Australia this year, and Care Well, a website focused on the care needs of people living with dementia.

International Development Markets

David Fletcher

Revenue
£551.1m
↑ 8% CER

Underlying Profit
£43.1m
↑ 169% CER

Customers
13.7m
↑ 13%

Operating environment

° Emerging markets have seen slowing growth

° In Poland, new laws voted through before the recent election saw positive developments in e-health and expansion of the responsibilities of nurses and midwives, which are favourable for our LUX MED business

° In Hong Kong, India, and Thailand we are seeing regulatory developments that look to meet the changing healthcare demands and funding needs of their ageing societies

° Following a change in legislation to liberalise foreign investment limits for insurance in India, we signed an agreement with Max India to increase our shareholding in our health insurance joint venture, Max Bupa, to 49%. This application is now being considered by regulatory authorities.

Performance

IDM performed very well in 2015, with good revenue growth, a double-digit increase in customer numbers, and excellent profit growth of 169%. We are focused on growing and developing our existing markets while exploring opportunities to
enter new territories where we see potential to deliver strong growth and increase healthcare choices for consumers. Expansion of our clinic and hospital network in Poland made a good contribution to revenue4, up 8% overall, supported by growth in our Hong Kong insurance business as a result of strong sales in the corporate sector and our distribution partnership with Hang Seng Bank. Growth in customer numbers was driven primarily by our businesses in Saudi Arabia and Poland. Despite Saudi Arabia’s cooling economic conditions Bupa Arabia made a very significant contribution to underlying profit due to growth in the Corporate and SME sectors.

This year we completed a series of acquisitions in Poland to strengthen our presence in the market and develop our clinical offering. In July we acquired Magodent, a leading Warsaw-based oncology provider with two hospitals and an outpatient clinic. This allows us to deliver the type of coordinated oncology care which we know makes a difference to outcomes for people living with cancer. We are expanding our clinic footprint in Poland, extending our geographic reach to customers through organic growth and acquisition of new sites across the territory.

We have introduced a number of new products across both our insurance and provision businesses to meet our customers’ needs. In Saudi Arabia, we launched a new wellness programme, Tebtom, a free telephone helpline offering customers access to doctors for advice on a diverse range of healthcare issues. This aims to improve health outcomes, drive customer loyalty and retention and raise awareness of Bupa as a healthcare leader. In Hong Kong, we launched Bupa Health Plus, a more flexible and affordable product that customers can tailor to their individual needs. We ended the year winning our largest ever corporate account in Hong Kong. In Poland, we continue to grow our fee-for-service clinics under the Profemed brand offering a range of services including sports and rehabilitation services, dental treatment and aesthetic medicine.

Bupa Global

Robert Lang

<table>
<thead>
<tr>
<th>Revenue</th>
<th>£947.5m</th>
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<tr>
<td>Growth</td>
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<table>
<thead>
<tr>
<th>Underlying Profit</th>
<th>£103.9m</th>
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<tbody>
<tr>
<td>Growth</td>
<td>2% CER</td>
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</table>

<table>
<thead>
<tr>
<th>Customers</th>
<th>2m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>5%</td>
</tr>
</tbody>
</table>

Operating environment

- The market for international private medical insurance continues to grow, with an increasing number of people seeking access to premium healthcare at home or as they study, live, travel or work abroad
- We anticipate that the continued growth of this customer segment will drive demand for both Individual and Corporate international private health insurance
- Bupa Global operates in a wide range of countries around the world, with differing legal and regulatory requirements. We remain focused on understanding the application of these requirements to our products and services as well as tracking and responding to any changes. We are seeing a trend towards mandatory health cover regimes in a number of countries and are monitoring these developments closely.
- Bupa Global will continue to focus on providing high-quality healthcare and demonstrating our commitment to delivering the best possible outcomes for our customers. We are also committed to being a leader in the field of health and wellbeing, and will continue to invest in research and development to improve our offerings and services.

Performance

In Bupa Global, we have been focused on regionalising the business to better serve our customers in their own language, culture, and time zone, and launching our tiered international health insurance products. As previously reported, we are beginning to see the impact of our decision to exit non-strategic markets and re-price previously loss-making corporate accounts. The re-pricing has led, to some of those contracts lapsing. This had a positive impact on underlying profit which rose 2% year on year, although it contributed to a decline in revenue and customer numbers5. Revenue was also impacted by a challenging period for new sales in some segments.

Profit improved due to our focus on improving operational effectiveness, delivering cost efficiencies and reducing claims costs. This profit growth was achieved alongside significant investment in a programme of organisational change to enhance capabilities in sales, health and benefits, actuarial, and risk and compliance, and to deliver our regionalisation strategy. In 2015, we completed the establishment of new operating regions for Greater China and the Middle East.

In the US, we are deepening our strategic global partnership with Blue Cross Blue Shield Association6, which created the largest combined healthcare provider network ever formed in the IPMI market. The new global provider network became available in January 2015 through co-branded products sold outside of the US to new Bupa Global customers, as well as existing customers transitioning to co-branded products throughout 2015.

We launched our international tiered products in seven markets in 2015: Chile, China, Mexico, Panama, Hong Kong, the UAE and the UK. A number of these launches were conducted in partnership with other Market Units to benefit from Bupa’s in-market capabilities and brand presence.

We are now starting to see signs of positive momentum for revenue in the Market Unit, particularly in the Individual segment as a result of our investment in new sales capabilities, a positive contribution from our recently launched tiered products and the impact of our new distribution partnership with Hang Seng Bank.

See page 18 for footnotes.
Financial review

Evelyn Bourke
Chief Financial Officer

Against a backdrop of challenging market conditions in our larger markets, we are pleased with the steady progress that Bupa has made in 2015. We grew revenue and saw solid underlying profit growth across most of Bupa.

Group revenue
(actual exchange rates, AER)

£9.8bn

2015  £9.8bn
2014  £9.8bn
2013  £9.1bn
2012  £8.4bn
2011  £8.0bn

Underlying profit before tax\(^1\) (AER)

£582.5m

2015  £582.5m
2014  £637.8m
2013  £638.5m
2012  £609.5m
2011  £559.0m

Summary of results (AER)

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<tr>
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<th>2014</th>
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<tbody>
<tr>
<td>Total revenue</td>
<td>£9,828.4m</td>
<td>£9,777.8m</td>
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<tr>
<td>Underlying profit before taxation</td>
<td>£582.5m</td>
<td>£637.8m</td>
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<tr>
<td>Profit before taxation</td>
<td>£374.3m</td>
<td>£609.2m</td>
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<tr>
<td>Profit for the year</td>
<td>£278.3m</td>
<td>£522.8m</td>
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Currency

<table>
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<tr>
<th></th>
<th>2015</th>
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<tbody>
<tr>
<td>AUD average rate</td>
<td>2.0370</td>
<td>1.8265</td>
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<td>AUD closing rate</td>
<td>2.0210</td>
<td>1.9082</td>
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<tr>
<td>EUR average rate</td>
<td>1.3782</td>
<td>1.2411</td>
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<td>EUR closing rate</td>
<td>1.3560</td>
<td>1.2877</td>
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<tr>
<td>USD average rate</td>
<td>1.5288</td>
<td>1.6475</td>
<td>-7%</td>
</tr>
<tr>
<td>USD closing rate</td>
<td>1.4734</td>
<td>1.5581</td>
<td>-5%</td>
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</table>

1 Profit before taxation is adjusted for amortisation and impairment of intangible assets arising on business combinations, impairment of goodwill, net property revaluation gains or losses, realised and unrealised foreign exchange gains or losses, gains or losses on return seeking assets, profits or losses on the sale of businesses and fixed assets, restructuring costs and transaction costs on acquisitions and disposals.

We achieved good revenue growth of 6% at constant exchange rates (CER). Despite solid growth across most of Bupa, our underlying profit\(^1\) before tax declined by 2% to £582.5m (2014: £592.6m). This was primarily driven by a change in legislation resulting in a revised outlook for our PPPs in Spain, with a non-cash adjustment to reflect this reassessed profitability over the life of the contract in line with IFRIC 12\(^2\).

After the impact of foreign exchange is considered, notably a weakening of the Australian dollar and the Euro and a strengthening of the US dollar compared with Sterling (see currency table below), we delivered 1% revenue growth, while underlying profit declined by 9%.

Our statutory profit of £374.3m (2014: £609.2m) was down 39% due mainly to ongoing funding pressures on local authorities and the impact of the impending introduction of the National Living Wage in the UK, resulting in an impairment of goodwill and a write down in the value of property and equipment in Care Services UK.

We enhanced our governance structure ahead of the implementation of Solvency II from 1 January 2016. We maintained a strong capital position and we are well capitalised under the Solvency II regime.

Our 2010 target of reducing our carbon footprint by 20% from a 2009 baseline by 2015, has been exceeded by 23%, despite significant business growth.

Revenue by Market Unit (AER)

| 1. Australia and New Zealand  | 37% |
| 2. United Kingdom  | 29% |
| 3. Spain and Latin America Domestic  | 18% |
| 4. International Development Markets (IDM Owned subsidiaries)  | 6% |
| 5. Bupa Global  | 10% |

Number of customers by Market Unit

| 1. Australia and New Zealand  | 19% |
| 2. United Kingdom  | 16% |
| 3. Spain and Latin America Domestic  | 16% |
| 4. International Development Markets (IDM Owned subsidiaries)  | 22% |
| 5. International Development Markets (IDM JVs & Associates)  | 16% |
| 6. International Development Markets (IDM Micro health insurance)  | 5% |
| 7. Bupa Global (BG Owned subsidiaries)  | 3% |
| 8. Bupa Global (BG Associates)  | 3% |
Revenue and customers
Customer numbers increased by 12% to £32.2m, with revenue up 6%, reflecting growth in all Market Units except Bupa Global, where we exited a number of non-strategic markets and a number of significant, although loss-making, Corporate contracts lapsed.

For our joint ventures and associates, we recognise the total population of customers, but in accordance with IFRS accounting standards, we do not recognise any revenue where we have a non-controlling interest, and only report our share of profit. This affects our International Development Markets and Bupa Global Market Units.

Underlying profit by Market Unit (AER)

| 1. Australia and New Zealand | 41%   |
| 2. United Kingdom            | 27%   |
| 3. Spain and Latin America Domestic | 10% |
| 4. International Development Markets | 7% |
| 5. Bupa Global               | 15%   |

Underlying profit
Underlying profit has declined by 2% at CER despite increased profits in all Markets Units except Spain and Latin America Domestic.

Within our underlying profit is a £52m adverse non-cash adjustment under IFRIC 12 relating to our PPPs in Valencia and Madrid, due to the impact on our profit projections of customers from within our catchment area seeking treatment at other facilities, accentuated by the introduction of the Free Choice Act in Valencia in the year.

Despite the challenging trading conditions that persist in Australia and prior year profit benefiting from a change in regulation which enabled us to reduce our claims provisions, our Australia and New Zealand Market Unit achieved 2% profit growth (CER). This was driven by higher revenue in Health Insurance and supported by expansion of the Health Services businesses including the full year impact of Bupa Medical Visa Services.

In the UK, steady profit growth of 4% is driven by higher premiums in Bupa Health Funding and increased volumes in Bupa Home Healthcare, coupled with a focus on cost reduction across the Market Unit.

The impact of IFRIC 12 on the PPPs is the most significant driver of the Spain and Latin America Domestic result, which is down by 40% (to £70.1m at CER). This is partly offset by an improved loss ratio in the Sanitas private medical insurance business.

Over 100% higher profit in International Development Markets is driven by exceptional performance in Bupa Arabia which has benefited from rapid growth of the business, although lower global oil prices are starting to impact adversely on trading conditions.

Despite the revenue shortfall, Bupa Global Market Unit has achieved 2% underlying profit growth (CER) due to improved loss ratios following the re-pricing of previously loss-making Corporate contracts which led to some of those contracts lapsing.

Lower commission, as a result of fewer customers, and a focus on cost reduction also contribute.

Our net financial expense increased in the year primarily due to lower interest rates on cash held in Australia.

Statutory profit
Our statutory profit was £374.3m, a 39% decline on 2014, impacted by non-trading items, as presented in the table above.

Most notably, due to ongoing funding pressures experienced by local authorities and the impending introduction of the National Living Wage in the UK from April 2016, there has been a write down in the value of our Care Services UK business. This is comprised of a partial impairment of goodwill of £114.1m and a write down in the value of property and equipment of £179.7m, of which £67.8m has been recognised in the Income Statement, with the balance being taken to the revaluation reserve.

The return seeking assets generated lower gains of £7.0m (2014: £13.8m). We made various changes to our portfolio in 2015, which enhanced its risk return profile. In 2016, we will continue to actively manage the portfolio, consistent with our investment risk appetite and in line with our views of prospective asset class returns.

Receipt of deferred consideration of £25.5m in relation to the 2007 sale of Bupa Ireland increases the 2015 results. The comparative benefit of this is broadly offset by profits on disposal of Health Dialog, Surgichem and Continuing Care in 2014.

2015 also benefits from lower restructuring costs, with 2014 impacted by Bupa Global transformation in particular.

Non-underlying profit items (AER)

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 £m</th>
<th>2014 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation of intangible assets arising on business combinations</td>
<td>(46.5)</td>
<td>(51.5)</td>
</tr>
<tr>
<td>Impairment of goodwill and intangible assets arising on business combinations</td>
<td>(14.1)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Net property revaluation losses³</td>
<td>(61.7)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>(1.1)</td>
<td>(14.5)</td>
</tr>
<tr>
<td>Transaction costs on acquisitions and disposals</td>
<td>(3.7)</td>
<td>(5.4)</td>
</tr>
<tr>
<td>Net (losses) gains on disposal of businesses</td>
<td>(0.1)</td>
<td>27.1</td>
</tr>
<tr>
<td>Deferred consideration in relation to the sale of Bupa Ireland Limited</td>
<td>25.5</td>
<td>–</td>
</tr>
<tr>
<td>Realised and unrealised foreign exchange (losses) gains</td>
<td>(10.5)</td>
<td>71</td>
</tr>
<tr>
<td>Gains on return seeking assets, net of hedging</td>
<td>7.0</td>
<td>13.8</td>
</tr>
<tr>
<td>Other⁴</td>
<td>(3.0)</td>
<td>(3.8)</td>
</tr>
<tr>
<td><strong>Total non-underlying profit items</strong></td>
<td>(208.2)</td>
<td>(28.6)</td>
</tr>
</tbody>
</table>

² Under IFRIC 12, which applies to service concession contracts such as PPPs, we use the average operating margin for the life of the contract (based on historic performance plus projections) as a means for recognising results. Once there is a change in performance compared to expectations, the operating margin is reassessed and an adjustment made to the current year results to bring the contract performance to date in line with the revised margin.

³ 2015 includes a write down in Care Services UK of £67.8m, of which there is an equipment write down of £8.7m.

⁴ Includes central non-underlying items, impairment of investment in associate and net losses on disposal of fixed assets.
Financial review

Taxation
Bupa’s taxation expense of £96.6m (2014: £86.4m) represents an effective tax rate of 25.6%. The effective rate is higher than the UK statutory rate of 20% mainly due to goodwill impairments and property write downs, offset by prior year credits.

Stripping out the impairments, write downs and prior year credits, Bupa’s 2015 current year effective tax rate is 23.7%, reflective of the prevailing corporate tax rates in the markets we operate in, ranging from 16.5% to 35%.

Funding
We manage our funding prudently to secure a sustainable platform for our continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa debt, over the long term.

In 2015, there was a change to our Bupa Finance plc rating by Moody’s from Baa2 (stable) to Baa2 (positive). The Fitch rating was unchanged at A- (stable).

Our continued focus on cash generation and repatriation enabled us to fund growth in the business and end the year with an undrawn £800m committed bank facility as well as holding £163m cash centrally.

We focus on managing leverage in line with our rating target. Leverage remained steady throughout the year, notwithstanding adverse currency movements and impairments impacting Bupa’s net assets. At year end, leverage stood at 27.7% (2014: 27.6%), compared to 28.0% at half year.

We have given notice, on 29 February 2016, to redeem our existing £235m care home securitisation via the early redemption option, funding through cash and bank borrowings.

Cash flow
Net cash generated from operating activities remains strong at £788.1m (2014: £789.5m). This reflects the impact of the weakening Australian dollar on foreign currency operating cash flows offset by an increase in accommodation bond receipts in Australia due to regulatory change and accelerated opening of new homes in the year.

During the year we acquired a further 17.3% interest in Bupa Chile for £59.2m, building on our original acquisition of 56.4% in February 2014, which took our ownership to 73.7% at 31 December 2015. We issued a Mandatory Tender Offer for the remaining shares in the company, which closed in January 2016, increasing our shareholding to 99.7%. We acquired the final 0.3% shareholding in February 2016, bringing our ownership of Bupa Chile to 100%.

We also invested £386.4m in capital expenditure across Bupa including the continued expansion and refurbishment of our care homes.

Overall cash and cash equivalents increased marginally to £1,194.1m (2014: £1,187.6m). These funds, in addition to our financial investments and longer-term deposits, continue to be managed conservatively, in line with a clearly articulated risk appetite. We actively manage our counterparty exposures as part of our ongoing risk management, and cash is only invested with counterparties rated A/A2 or higher, unless approved by the Investment Committee.

Bupa is conservative in its investment management and has a preference for low-risk asset classes, with modest holdings of corporate and other bonds. Therefore it is not significantly exposed to market movements.

Solvency
Bupa maintains regulatory capital in line with its capital management objective as set out in note 5.3.

At 31 December 2015, the Insurance Group Directive (IGD) regime applied. Bupa’s IGD capital resources were £2.3bn (2014: £2.6bn), which was in excess of a capital requirement of £0.9bn (2014: £0.8bn). This represented a solvency coverage ratio of 267% (2014: 319%).

Since 1 January 2016, the Group has been subject to the Solvency II Directive which supersedes the IGD and requires the Group to hold sufficient eligible Own Funds (‘Own Funds’) to cover its Group Solvency Capital Requirement (SCR) which takes account of all the risks in the Group, including those related to non-insurance businesses. The Solvency II surplus capital as at 31 December 2015 is £1.4bn5.

The key items of the reconciliation are:

- Goodwill and intangibles on the IFRS balance sheet are not recognised as Own Funds under Solvency II
- Subordinated debt is treated as Own Funds under Solvency II but as a liability under IFRS
- Pension surplus in excess of the pension risk contribution to the SCR is not included in Own Funds.

Capital Structure

The Group’s Own Funds comprise the net assets valued on a Solvency II basis, exclusive of any non-controlling interests, together with eligible subordinated debt. The Group has £330m (fair value £382m) of callable subordinated perpetual guaranteed bonds and a £500m (fair value £502m) dated hybrid bond which matures in April 2023. These bond issues are accounted for as debt in the financial statements, but are treated as solvency capital for regulatory and management purposes.

Solvency II Capital Position

<table>
<thead>
<tr>
<th></th>
<th>2015 £bn5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Funds</td>
<td>3.1</td>
</tr>
<tr>
<td>Solvency Capital Requirement</td>
<td>1.7</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>1.4</td>
</tr>
<tr>
<td>Solvency Coverage Ratio</td>
<td>180%</td>
</tr>
</tbody>
</table>

Own Funds

Reconciliation of IFRS equity to Solvency II Own Funds

<table>
<thead>
<tr>
<th></th>
<th>2015 £bn5</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS equity attributable to Bupa</td>
<td>5.4</td>
</tr>
<tr>
<td>Goodwill and intangibles</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Valuation differences</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Pension surplus adjustment</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>0.9</td>
</tr>
<tr>
<td>Solvency II Own Funds</td>
<td>3.1</td>
</tr>
</tbody>
</table>
Solvency Capital Requirement

The Group SCR is calculated in accordance with the Standard Formula specified in the Solvency II legislation. Bupa has obtained approval from the Prudential Regulation Authority to substitute the insurance premium risk parameter in the formula with an Undertaking Specific Parameter (USP) which reflects Bupa’s own loss experience. Replacing the standard parameter for insurance premium risk with our own reflects the lower risk that Bupa’s size, experience and geographic diversification brings.

Analysis of the SCR

Market risk sensitivities

Reducing carbon emissions

In 2010, we made an ambitious commitment to reduce our absolute carbon footprint by 20% by the end of 2015. We have successfully reduced our global carbon emissions by 23%; from 198 ktCO₂e in 2009 to 152 ktCO₂e last year. This is calculated on an absolute basis against a backdrop of significant business growth. Our 2015 and 2009 carbon footprints have been verified by the Carbon Trust and are in accordance with the measurement requirements of the Carbon Trust Standard and Greenhouse Gas Protocol – the global standard of measurement.

In 2015, we continued to execute energy efficient and renewable projects across our Market Units. During 2014 and 2015 we invested £50 million through our Energy Saver Fund to support over 950 low-carbon technology projects and renewable energy projects in Bupa buildings in Australia, the UK, Spain, New Zealand, Poland, Hong Kong and India. These investments show that we can contribute significantly to reduced carbon emissions, and still grow as a business. We now have over 100 solar installations in the UK, and are the largest operator of rooftop solar in Australia. We have also continued to purchase electricity from certified renewable sources. In Spain we source over 99% of our electricity in this way, and overall 35% of our global electricity needs are from green sources.

Our investments also provide long-term financial returns. To secure funding, projects needed to demonstrate not only energy savings, but also a financial return. We ensured projects delivered a positive impact on our financial performance, the planet and the health of the world. This is just one example of how we are embedding ‘purposeful performance’ across Bupa in service of our purpose: longer, healthier, happier lives.

Outlook

Looking forward, we will continue to focus on growing and developing our businesses, driving operational efficiencies across Bupa whilst maintaining a strong capital position under Solvency II and managing our funding to ensure a sustainable platform for continued growth.

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5 The Solvency II Capital Position (Own Funds and Solvency Capital Requirement) and related disclosures are estimated values.
6 The pension scheme surplus in excess of the pension risk contribution to the SCR is sufficient to cover the sensitivity analysis stress such that the Group solvency capital surplus is unchanged.
7 Kilo tonnes of equivalent carbon dioxide.
Our risks
The risk profile of Bupa differs across our Market Units and between the funding of and the delivery of healthcare. Bupa’s geographic reach also exposes us to a wide range of political, legal and economic contexts. We manage the risks to Bupa as a whole by understanding the risk drivers for our individual Business Units and our balance sheet and assessing how they interact. By understanding the risks we face, we seek opportunities to benefit from risk diversification, to identify emerging risks and to understand and manage any concentrations of risk.

The most significant quantifiable risks facing Bupa are: property risk arising from our provision businesses, chiefly UK care homes; insurance risk reflecting the potential volatility of claims experience in our insurance businesses, and; exchange rate risk reflecting our global presence and the volatility of FX rates. Finally, operational risk brings together a number of diverse risks including cybersecurity risk and clinical risks.

Other significant risks we face include those that cannot readily be quantified, such as the risks to brand value and reputation, and the potential impact of future changes in government and regulatory policy.

During 2015 prudential supervision of our Australian insurance business transferred to a new regulator, APRA. In 2016, we will be monitoring any changes to the regulatory regime and potential impact on Bupa.

Risk appetite
Our Board risk appetite reflects Bupa’s purpose and expresses the degree of risk we are prepared to accept as we work to deliver on our strategy.

Our core risk appetite statements are focused on:
• management of our financial strength;
• how we treat our customers and employees;
• the sustainability of our business; and
• internal controls and operational risk.

Our risk appetite statements are a central reference point for key decisions and provide a governance and assessment framework for these decisions. They are not intended to automatically prevent activity outside of Bupa’s risk appetite, but rather to help identify such instances in a timely manner so that the Board can consider its response.

Risk framework and governance
We adopt a ‘three lines of defence’ approach to risk management. The first line of defence entails management and staff in our Operating Units, our Market Units, Business Units and the Centre, being responsible for the identification and management of their risks. In each Market Unit, executive risk committees, chaired by Market Unit Managing Directors scrutinise their risk profiles and generate mitigating actions where necessary. This process culminates in the Bupa CEO chairing an enterprise-wide committee, the Bupa Enterprise Risk Committee (BERC), which brings the whole picture together. The BERC own the whole of Bupa’s risk profile and are responsible for risk culture. For some key categories of risk there are specific risk forums. These include the Clinical Governance and Quality Steering Committee, shown on page 48.

The second line of defence is comprised of risk management professionals both at the Centre and within Market Units. Their role is to advise and challenge the first line on risk issues and to collate reports for management and the Board on their independent views on risk issues.

The third line is Internal Audit. Bupa has a global Internal Audit led by the Chief Internal Auditor at Centre. Internal Audit is responsible for providing assurance over the effectiveness and adequacy of governance, risk and controls, including the activities undertaken by the first and second lines in accordance with the Global Internal Audit Plan approved by the Board Audit Committee. Further information on the activities of third line are outlined on page 45.

Each of the large insurance entities has a Board Risk Committee composed entirely of independent Non-Executive Directors to oversee the execution of the risk management framework. Subsidiary boards receive reports from local management and local Risk Directors. The Bupa Board Risk Committee sees the minutes from subsidiary board committees, the BERC, and receives reports from the Chief Risk Officer and other Bupa executives as appropriate. It is accountable for the oversight of risk by the Board and recommends risk appetite to the Board for approval.

Our business standards and policies define the way we do business and apply to the whole of Bupa. These standards and policies are reviewed on an annual basis.
**What we did in 2015**

During 2015, we continued to strengthen our risk management approach and capability in response to Bupa’s growth and the increasing expectations of our regulators around the world. Readiness for the implementation of the Solvency II Directive has been a particular focus. This has involved embedding all aspects of our risk management framework, including: our policies; updating our risk appetite statements; continuing to strengthen the skills and capabilities in our businesses and risk and audit functions; and enhancing our ongoing reporting, particularly in regards to internal controls assessments and conduct risk reporting.

**Managing cybersecurity risk**

The current environment means no organisation is safe from cybersecurity threats. We have closely monitored the rising frequency, sophistication and impact of cyber threats to the healthcare sector, and in response we have embarked on a global cybersecurity improvement programme. This began with an assessment of our readiness, both in our technical capability and our people and processes, against scenarios closely modelled on recent large-scale breaches at other companies.

This work is being used to identify improvement opportunities across a range of capabilities, including cybersecurity, incident response and crisis management, people capabilities and post-incident customer care. Where we identify opportunities to improve, we will do so to ensure we reliably and rapidly identify, manage and defeat these threats.

**Bupa risk governance structure**

**Senior insurance managers’ regime**

Bupa fully supports the UK Prudential Regulation Authority’s (PRA) expectation that those who run UK insurance firms should behave with integrity, honesty and skill, and have clearly defined responsibilities. A new individual accountability regime for UK insurers has been introduced by the PRA and the Financial Conduct Authority (FCA), aligned to broader regulatory reform in the UK and the provisions of EU Solvency II regulation.

The new regime has introduced higher standards that must be met by individuals, further strengthening good governance and risk management. The most senior executives and non-executives have to be pre-approved by the PRA and the FCA, and have a number of new prescribed responsibilities allocated to them. A broader population of senior leaders, which includes those holding and performing ‘key functions’, are now subject to new conduct standards and enhanced checks on their ‘fitness and propriety’ to perform their roles.

The new regime requires organisations to develop and maintain a governance map, showing the responsibilities and lines of accountability of senior managers in the UK insurer, and in the wider Bupa group.

We have enhanced processes and controls to ensure we meet the new standards of ‘fitness and propriety’, conduct and accountability.
## Risks and uncertainties

The table below reflects the main risks for which Bupa holds economic capital.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Comment and outlook</th>
<th>Mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property risk</td>
<td>Bupa generally owns rather than rents property, which keeps lease commitments down but leaves Bupa exposed to falls in property values. If Bupa expands its care provision businesses and, if properties are owned rather than leased, its property risk exposure would increase.</td>
<td>By maintaining a geographic spread of businesses across the globe, Bupa is able to diversify exposure to individual property markets. Property risk is factored into any acquisition appraisal. Care Home valuations are based on underlying profitability of the individual homes.</td>
</tr>
<tr>
<td>Insurance risk</td>
<td>Bupa’s health insurance is short-tailed with lower overall risk and a percentage of revenue than most general insurers. Bupa retains most of its insurance risk rather than reinsuring it. Insurance risk exposure will grow with planned growth in premium income of the funding businesses.</td>
<td>The relatively short-tailed nature of Bupa’s products allows Bupa to respond to market changes quickly. Bupa has extensive control mechanisms in place to mitigate against the risk of higher than expected claims costs. The geographical diversity of Bupa provides further mitigation against insurance risk.</td>
</tr>
<tr>
<td>Currency risk</td>
<td>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 transactional risk relating to policies where premiums and claims are in different currencies.</td>
<td>Currency risk is partially mitigated through a hedging programme. Asset liability matching in local currencies helps ensure that sufficient funds are held in the local currency therefore limiting currency risk exposure.</td>
</tr>
<tr>
<td>Credit spread and counterparty default risks</td>
<td>Bupa’s funding 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 cash on deposit.</td>
<td>Bupa’s bond portfolio is small in relation to its other financial assets. Counterparty exposure is managed by dealing with highly rated counterparties with exposure limits as per Group Treasury Policy. In addition, Bupa does not permit securitised lending of its assets.</td>
</tr>
<tr>
<td>Operational risk (including conduct risk and clinical risk)</td>
<td>We are committed to managing operational risk effectively. This includes continued close attention to management of regulatory risk and proactive engagement with regulators. The inherent regulatory compliance and conduct risk profile for Bupa is high due to extensive geographical footprint, the increasing cybersecurity threat, and the volume of regulatory change. As Bupa expands its care provision businesses, there will be an increase in inherent exposure to this risk. This is being actively managed through continued refinement of our approach to clinical risk governance. Clinical risk is highest rated in the ANZ, UK and SLA MUs due to the size of the healthcare provision businesses. It is lowest rated in Bupa Global due to its focus on the funding business.</td>
<td>Whilst Bupa has a low tolerance for operational risk arising from the health funding and health provision business that it conducts, it seeks to minimise operational risk where it is cost effective to do so. Maintenance of robust internal control processes and governance frameworks, the approval of risk policies, and the assessment of compliance helps mitigate this risk. All Market Units have a Medical Director responsible for ensuring clinical quality and governance within the business. They are accountable to the Chief Medical Officer (CMO) for clinical governance. Our structure of clinical risk committees means that there is oversight both within Market Units and across Bupa. This oversight is informed by quarterly reporting of key quality indicators.</td>
</tr>
</tbody>
</table>

Liquidity risk is addressed not by capital but by holding liquid assets and through controls. With policyholder liabilities predominantly backed by cash, Bupa's liquidity risk exposure primarily relates to the funding risk associated with borrowings. This is mitigated by the Treasury Function actively managing borrowings, where the amount and timing of outflows are known, and maintaining a portion of the Bank Facility undrawn.

**Key:**
- **H**: High inherent exposure to this risk
- **M**: Moderate inherent exposure to this risk
- **L**: Low inherent exposure to this risk
Current principal risks and uncertainties
The table below lists the main risks and uncertainties that are of the greatest concern and debate for the Board and Enterprise Risk Committees.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance of information and data</td>
<td>Bupa is mitigating this risk through the finalisation and implementation of a new information risk operating model worldwide. This project is being led by the Chief Information Officer.</td>
</tr>
<tr>
<td>UK aged care sector</td>
<td>A structured transformation programme is planned to drive key initiatives into the business and secure benefits to potentially mitigate the impact of the NLW. Bupa is increasingly taking a firmer line when negotiating contracts with local authorities to ensure we recover the true cost of caring for our residents. A review of potential agency cost reductions through cross-functional support teams and functions is also being considered.</td>
</tr>
<tr>
<td>Organisational capacity and capability</td>
<td>This is an important area of focus for the Bupa Enterprise Risk Committee which owns the risk culture and drives action in relation to the factors that influence it. Management of transformational change is a key leadership accountability. Leaders are supported in this with specific change management resources and by the results of a regular Global People Survey which aims to capture the views of as large a proportion of Bupa people as possible.</td>
</tr>
<tr>
<td>Government and regulatory policy change</td>
<td>Bupa continuously tracks political/economic events and analyses their potential impact on our business. The impact of the NLW in the UK continues to be closely monitored with actions taken to seek to mitigate the impact. In Australia, Bupa continues its engagement with government departments and key figures on changes that affect the market it operates in, including the current proposed reform of the private medical insurance market.</td>
</tr>
<tr>
<td>Market and competitor activity</td>
<td>Bupa continues to explore partnership/collaboration opportunities to generate new sources of business. Market activity is monitored to identify new potential threats and opportunities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk that failure in our policies and controls over the management and security of information and data may result in Bupa not being able to achieve its strategic outcomes. It may cause harm to Bupa’s customers and employees, financial loss, regulatory censure or damage to Bupa’s reputation.</td>
<td>Bupa is mitigating this risk through the finalisation and implementation of a new information risk operating model worldwide. This project is being led by the Chief Information Officer.</td>
</tr>
<tr>
<td>Risk that external market and consequent commercial challenges faced in the UK lead to a further write down in the value of the UK care home properties and an associated adverse impact on the regulatory capital coverage and financial performance. The UK care home market is, at present, impacted by the funding pressures being experienced by local authorities. The introduction of the National Living Wage (NLW) is adding to these challenges.</td>
<td>A structured transformation programme is planned to drive key initiatives into the business and secure benefits to potentially mitigate the impact of the NLW. Bupa is increasingly taking a firmer line when negotiating contracts with local authorities to ensure we recover the true cost of caring for our residents. A review of potential agency cost reductions through cross-functional support teams and functions is also being considered.</td>
</tr>
<tr>
<td>Bupa’s growth agenda brings with it increased risk of failure to manage the overall volume and pace of organisational change. This could lead to excessive management stretch, inadequate capability within the organisation and failure to identify and manage key risks.</td>
<td>This is an important area of focus for the Bupa Enterprise Risk Committee which owns the risk culture and drives action in relation to the factors that influence it. Management of transformational change is a key leadership accountability. Leaders are supported in this with specific change management resources and by the results of a regular Global People Survey which aims to capture the views of as large a proportion of Bupa people as possible.</td>
</tr>
<tr>
<td>The risk that change to government or regulatory policy undermines the viability of the business model or reduces profitability.</td>
<td>Bupa continuously tracks political/economic events and analyses their potential impact on our business. The impact of the NLW in the UK continues to be closely monitored with actions taken to seek to mitigate the impact. In Australia, Bupa continues its engagement with government departments and key figures on changes that affect the market it operates in, including the current proposed reform of the private medical insurance market.</td>
</tr>
<tr>
<td>The risk that Bupa fails to identify threats from competitor innovation, competitor pricing strategies, new market entrants, changing customer demand, and changing market economics, and the risk that Bupa fails to identify and effectively exploit opportunities.</td>
<td>Bupa continues to explore partnership/collaboration opportunities to generate new sources of business. Market activity is monitored to identify new potential threats and opportunities.</td>
</tr>
</tbody>
</table>
The directors have assessed the ability of Bupa to continue in operation and meet its liabilities as they fall due over a period of three years.

The three-year assessment period was chosen to align with the internal strategic planning process. The planning process considers all key financial and capital metrics over the period. The plan is also stressed for risks facing individual Business Units, as well as for global macro risks impacting Bupa as a whole.

The Bupa own risk solvency assessment (ORSA) considers the appropriate level of capital that is required to meet overall solvency needs over the planning period, given the current risk profile and the strategy articulated in the Bupa business plan and risk appetite statements. It considers all risks to Bupa and covers Bupa as a whole. This assessment concluded that Bupa’s strategy and business plan are sound and that Bupa has sufficient capital and liquidity to continue to meet regulatory capital requirements and Bupa’s capital risk appetite over this period.

As part of the assessment of the viability of Bupa, the directors have considered the financial performance, capital management, cash flow, solvency and the future outlook. Bupa is well capitalised now and is expected to continue to remain so over the plan period. Our insurance businesses are cash generating and therefore we expect to be able to settle liabilities as they fall due. Bupa has no shareholders and therefore has no requirement to pay dividends. Instead Bupa can invest in growing organically and through acquisitions.

The directors considered each of the principal risks and uncertainties set out in ‘Risks and uncertainties’ on page 26 which include those that would threaten its business model, future performance, solvency or liquidity. They are satisfied that we have appropriate risk management and governance procedures in place to manage and mitigate these over the plan period. The recent enhancements to Bupa’s governance structure and the robust, regular reviews through the Internal Control Risk Management Assessment Framework (ICRMA) process give comfort in this regard.

Based on the results of this analysis and the 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 2018.

The going concern assessment within the Basis of Preparation in the financial statements section sets out Managements’ detailed assessment. As part of this assessment details are provided on Bupa’s revolving credit facility and Bupa’s short-term liquidity position.