Strong governance and risk management are key to achieving our vision of being the most trusted health insurer and provider. The Board’s role is to provide clear leadership in setting strategy and risk appetite, and to oversee management’s implementation of that strategy within a prudent and effective governance and risk management structure. The following pages explain how the Board and its Committees achieve this.

Board balance and diversity
The diversity and balance of skills, knowledge and experience on the Board bring different perspectives which challenge the ‘accepted view’. We have made a number of appointments to the Board during the year to maintain and broaden the Board’s diversity. Professor Melvin Samson’s appointment ensures continued medical expertise on the Board following Sir John Tooke’s retirement. Cath Keers’ appointment adds experience of digital technology and marketing, which is important for the future growth of our business.

Getting to know our people
In my first year as Chairman, I have enjoyed getting to know our Association Members better and spending time at our locations around the world, meeting the people at the heart of our business. During my individual visits, and also when travelling with the full Board, I have spent time with our people, to understand the issues important to them. I will continue to do this in 2020. We are also further strengthening our engagement with the boards of key subsidiaries through cross-directorships, attendance at each other’s meetings and regular calls between Group and subsidiary board and committee chairs.

Challenges in 2019
Bupa has faced significant challenges during the year in our Australian aged care and UK dental businesses. The Board and Committees have closely monitored these areas to ensure that the right actions are taken to address these issues in a sustainable way. The Audit Committee carefully considered the impairments of goodwill and intangible assets in our Australian aged care and UK dental care businesses, challenging management to ensure that the level of impairment is appropriate and the right actions are being taken to address the causes of the impairments. More detail on this can be found in the Audit Committee’s report on page 61.

Investing for the future
We have continued to invest in technology capabilities, with the Risk Committee overseeing progress on managing these key risks. The Remuneration Committee has worked hard during the year to review the effectiveness of our Remuneration Policy and establish the new Group Performance Plan. The revised Remuneration Policy will be submitted to our Association Members for approval at this year’s Annual General Meeting (AGM). More details can be found in the Directors’ remuneration report on page 70.

Ensuring good governance
We have applied the 2018 UK Corporate Governance Code (the Code) during the year and disclose in this report how we have met its requirements. The Board also conducted an externally facilitated evaluation of its effectiveness during the year which gave us some valuable insights and actions to work on during 2020. The results are summarised on page 59. During 2020, the Board will continue to focus on delivering our Five-Year Vision and strengthening our governance and risk management practices.

Roger Davis
Chairman
Board of Directors

Roger Davis
Chairman
Roger was appointed as Chairman in 2019 having joined the Board in 2015. He is a member of the Nomination and Governance Committee. He has extensive business experiences and an international mindset acquired during a wide-ranging career in financial services. Roger is a Chairman of Samba’s Bank Global RadioData Communications, a lodge in the Knights of Malta, and a Trustee of the Benevolent Fund of the British Bankers’ Association.

Joy Linton
Chief Financial Officer
Joy joined Bupa in 2011 and was appointed CFO in 2016. She is a member of our Corporate Responsibility and Sustainability Committee. She is also a member of two Bupa associated insurance businesses, Max Bupa in India and Bupa Arabia in Saudi Arabia. She was previously CFO of our Australian Health Insurance business, Finance and Commercial Director of Max Bupa AUI and then Interim Chief People Officer and General Manager Health Services, Bupa UK. Joy brings over 30 years’ experience in financial and strategic roles in Australia and the UK. Prior to Joining Bupa, she was CFO of National Foods, one of Australia’s largest food and beverage companies. She was also a Non-Executive Director of Bega Cheese Ltd, an ASX-200 listed company, serving as Chair of Audit and Risk Committee.

Evelyn Bourke
Group Chief Executive Officer
Evelyn was appointed as Group CEO in 2016 having joined Bupa as CFO in 2012. She is a member of our Corporate Responsibility and Sustainability Committee, a management advisory committee. Evelyn has served as Group Chief Executive of the Bank of Ireland Group, and before that Chairman and Chief Executive on the Board of London First.

Cath Keers
Non-Executive Director (Re)
Cath joined the Board in 2019 and is Chairman of the Remuneration Committee. Cath brings substantial digital consumer experience with a number of educational and charitable organisations.

Paul Evans
Non-Executive Director
Paul joined the Board in 2008 and is a member of the Audit, Nomination and Governance, and Risk Committees. He also joined the Board of Bupa’s UK regulated entities in 2019 and chairs their audit committee.

Nicholas Lyons
Non-Executive Director (A/N/Re)
Nicholas joined the Board in 2018 and is a member of the Audit, Nomination and Governance, and Remuneration Committees. He is also the Chair of the Corporate Responsibility and Sustainability Committee.

Michael Hawker AM
Non-Executive Director (A/Ri)
Michael joined the Board in 2019, is a member of the Risk Committee and is Deputy Chairman of Bupa Australia and New Zealand. Michael brings extensive knowledge and experience to the board having crossed over a long career in the banking and insurance industries, in both executive and non-executive roles in these industries.

Michael’s Lead Independent Director at Washington’s UNESCO Patron platy and Company Ltd, a Non-Executive Director of Macquarie Group Ltd, Chairman of the Investment Committee of the Order of the UK and the Independent Director of the University of Sussex. Michael is a member of the Audit Committee of Bupa and the Remuneration Committee of Bupa Australia.

Cath Kerrs
Non-Executive Director (Re)
Cath joined the Board in 2019 and is Chairman of the Remuneration Committee. Cath brings substantial digital consumer experience with a number of educational and charitable organisations.

Janet Voûte
Non-Executive Director
Janet joined the Board in 2018 and is a member of the Nomination and Governance, and Remuneration Committees. She is also a member of our Corporate Responsibility and Sustainability Committee.

Matias Rodriguez Inclaire
Non-Executive Director (Ri)
Matias joined the Board in 2019 and is a member of the Risk Committee and Deputy Chairman of Santas Singos, Bupa’s Spanish insurance subsidiary. Matias brings experiences of Spanish financial services, risk-management and government to the Board. He is Chairman of Unión de Dólares, S.A., EFC and a Non-Executive Director of Filankor, E.U. S.C., a SICAV investment fund. He is also a Non-Executive Director of Bupa’s Spanish wholly-owned subsidiary and a Non-Executive Director and Senior Independent Director of M&G plc. He is also a Trustee of the Victoria & Albert Museum.

Caroline Silver
Non-Executive Director
Caroline joined the Board in 2017. She is a member of the Risk Committee and a member of the Audit and Remuneration Committees. She brings over 30 years of experience in international investment banking as well as extensive experience in advising clients and regulating across Europe. She is a Managing Director at M&G plc and Company, Chairman and interim Executive Chairman of Phoenix Group Holdings, plc (NYSE: PZ) and a Non-Executive Director of Maggisk Gruppen AB, a Non-Executive Director and Senior Independent Director of M&G plc. She is also a Trustee of the Victoria & Albert Museum.

Melvin Samsom
Non-Executive Director
Melvin joined the Board in 2019 and is member of the Risk Committee. Melvin brings substantial clinical and management experience from his career in gastroenterology as both a consultant and researcher and more recently as a hospital chief executive. He is the Director of Health and Wellbeing and a member of the executive board of Nemo, a proposed new medical city in the north-west of Saudi Arabia.

Melvin began his clinical career at the University of Utrecht in the Netherlands and then at the Mayo Clinic in the US. Melvin was formerly Chairman of the Supervisory Board of Stockholm Care AB, a Supervisory Board member for Stadsklapa Bank for Business and Society, Chief Medical Officer and latterly Chief Executive of Radboud University Medical Center in the Netherlands and Chief Executive of Karolinska University Hospital in Sweden.

Nicholas Lyons
Non-Executive Director (A/N/Re)
Nicholas joined the Board in 2018 and is a member of the Audit, Nomination and Governance, and Remuneration Committees. He is also the Chair of the Corporate Responsibility and Sustainability Committee.

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

In his executive career, Nicholas spent 12 years at J.P. Morgan working in Debt and Equity Capital Markets and Mergers and Acquisitions, eight years at Lehman Brothers, as an Executive Director in both the European Financial Institutions Group and finally at Global Head of Recruitment with a focus on corporate culture.

He was previously the Chairman of Miller Insurance Services LLP, Senior Independent Director and Chairman of the Remuneration Committee of Pension Insurance Corporation plc, Senior Independent Director and Audit Chair at St. James's Place plc and a Non-Executive Director of Tower-Universal Investment Trust (Friends Life Group) Limited and Friends Life Group Limited and Friends Life Group of Companies. Nicholas is also an Alderman of the City of London and works voluntarily as a member of the UK, financial services and insurance industry.

Michael is Lead Independent Director at Washington’s UNESCO Patron platy and Company Ltd, a Non-Executive Director of Macquarie Group Ltd, Chairman of the Investment Committee of the Order of the UK and the Independent Director of the University of Sussex. Michael is a member of the Audit Committee of Bupa and the Remuneration Committee of Bupa Australia.

Evelyn is a trained Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. She is a Non-Executive Director of Bupa’s Spanish wholly-owned subsidiary and a Non-Executive Director of M&G plc. She is also a Trustee of the Victoria & Albert Museum.

Clare Thompson
Senior Independent Director (A/Ri)
Clare joined the Board in 2015 and is Senior Independent Director, Chairman of the Audit Committee and a member of the Nomination and Governance Committee. Clare is also a member of our Corporate Responsibility and Sustainability Committee, a management advisory committee.

Clare brings a wealth of experience, particularly in finance and insurance. She is a Non-Executive Director and Chairman of the Audit Committee of the University of London. Her executive career at PensionLife/Cooperatieve PwC included 23 years as audit lead/partner on major insurance groups during which time she served on UK InsureLead. She was formerly a Non-Executive Director and Chairman of the Audit Committees of Bupa UK regulated insurance subsidiaries, a Non-Executive Director of PensionLife/Cooperatieve PwC and Retail Charity Bonds plc and a Non-Executive Member of the Payments Committee of the Miller Insurance Services.

She is a Fellow of the Institute of Chartered Accountants in England and Wales.
Bupa’s system of governance

Our Board governance structure

- **Association Members (AMs)**: External oversight, hold Board to account
- **Board**: Group oversight, set strategy, risk appetite and culture, take major decisions

**Governance**
- Risk Management Framework
- Policies, standards, internal controls

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

**Bupa Executive Team (BET)**
- Supports the Group CEO in leading the business and managing risk

**First line of defence**
- Market Units and Functions: Implement strategy, identify, manage, monitor and report on risks
- **Australia and New Zealand**
- **Europe and Latin America**
- **Bupa Global and UK**

**Second line of defence**
- Risk, Compliance and Clinical Governance: Test, monitor and challenge risk governance

**Third line of defence**
- **Group Internal Audit**: Independent assurance of governance, risk management and internal controls

**System of governance**

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

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

The diagram opposite shows the key components of the RMF. The diagram on the preceding page shows how each of the ‘three lines’ reports to the Board or its Committees.
Bupa’s system of governance continued

First line accountability
All our people are responsible for managing risk and ensuring compliance with relevant laws, regulations, best practice and Bupa policies and processes within their roles. This ranges from care home employees following procedures to keep our residents safe, to senior managers ensuring that they have appropriate and up to date policies and procedures in place in their areas and that their people are following these and reporting any breaches or incidents quickly and fully. To assist our people to understand their responsibilities we have the Bupa Code which sets out how we expect our people to behave every day, and mandatory training on key issues and role-specific training for frontline people. We also run regular internal communications campaigns on key issues to maintain awareness. Each Business Unit proposes target risk outcomes for the year which are reviewed at Market Unit and Group management risk committees, monitored by local management and the outcomes reported to the Risk Committee. The Internal Control and Risk Management Assessment (ICRMA) process assesses compliance with our Enterprise Policies and is carried out by the first line and challenged by the second line. It requires continuous monitoring of risk management controls and real-time escalation of identified issues or gaps against Enterprise Risk Policies. Each Market Unit CEO and Enterprise Policy Sponsor provides an annual confirmation or opinion of compliance with each Policy.

Second line assurance
Risk and Compliance Function
The Chief Risk Officer (CRO) leads the Risk and Compliance Function and reports to the Group CEO. He has unrestricted access to the Chairman and to the Chair of the Risk Committee, which responsibility for approving the appointment (and removal) of the CRO. Each Market Unit has a CRO and a Risk and Compliance team.

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

The Function provides oversight and challenge of risk governance and risk management carried out by the first line and reports on the quality and sufficiency of these first line activities to the Risk Committee. This includes providing an opinion on the effectiveness of internal controls and the management of risks within appetite. Further information on our approach to risk management and details of the principal and other significant risks to the Group are set out in the Risks section on page 37.

Third line assurance
Group Internal Audit (GIA)
GIA provides independent and objective assurance to the Audit Committee over the effectiveness of governance, risk and internal controls throughout the Group. It reviews the effectiveness of controls by undertaking an agreed schedule of audits each year.

GIA supports Bupa in accomplishing its purposes by helping the Board to protect the assets, reputation and sustainability of the Group. It ensures that risk to our customers and businesses are appropriately managed in accordance with the risk appetite set by the Board. GIA reports to the Audit Committee and assists both the Board and management in improving the effectiveness of Bupa’s governance and internal control systems.

To maintain the function’s independence and objectivity, the primary reporting line for the Chief Audit Officer (CAO) is to the Chair of the Audit Committee, which has responsibility for approving the appointment (and removal) of the CAO. For administrative purposes, the CAO liaises with the Group CEO. GIA has no direct operational responsibility or authority over any of the activities audited. Co-source arrangements are in place with external providers in order to access specialist audit capability when that is deemed necessary. An Internal Audit Charter is in place setting out the function’s role, authority and independence. GIA operates in accordance with the Global Institute of Internal Auditors’ international standards and the UK Chartered institute of Internal Auditors Financial Services Code (FS Code). Following an annual review, the Internal Audit Charter was approved by the Audit Committee in December 2019 and is available on bupa.com.

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

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

Philip Smart has been our audit partner since 2017 and it is intended that he will remain in this role until Bupa rotates audit firms, to ensure a smooth handover. This is in accordance with Financial Reporting Council (FRC) standards on lead audit partner rotation. As part of the annual evaluation of the External Auditor, these Directors confirmed that they were satisfied that the External Auditor had maintained its independence during the year and to the date of this report.

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

The Board is responsible for the long-term effectiveness and sustainability of Bupa for the benefit of its customers, now and in the future. It does this by providing clear leadership in setting strategy, and risk appetite and by overseeing management’s implementation of strategy within a prudent and effective governance framework and ensuring that Bupa’s culture is aligned to our purpose, values and strategy. The diagram on page 46 shows how the Board and its Committees oversee the business through the three lines of defence model. The Board delegates certain activities to its Committees to ensure that there is sufficient time to design and provide challenge in these areas, and to allow the Board to focus on key strategic decisions. In turn, the Board is held to account by the AMs as set out in more detail in the Engagement with stakeholders section on page 34.

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

The Chairman has reviewed the frequency, timing and content of Board meetings in 2020 to ensure that sufficient time is devoted to strategic matters; regular site visits are held across the Group to deepen the Directors’ understanding of the business and build relationships with local management and for the Board to hear directly from our people through local town hall meetings.

The Chairman and the Group CEO

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

The Group CEO is responsible for the day-to-day leadership and management of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The Group CEO may make decisions in all matters affecting the operations, performance and implementation of strategy of Bupa’s businesses, except for those matters reserved for the Board or specifically delegated by the Board to its Committees, executive committees or subsidiary company boards.

The Group CEO leads the BET in driving the performance of the business and setting the overall strategic agenda.

Non-Executive Directors (NEDs)

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

The Board comprises a majority of independent NEDs, and all Directors offer themselves for annual re-election by the AMs. NEDs are appointed for an initial three-year term, and any term beyond six years is subject to rigorous renewal. A copy of the standard NED Terms of Engagement, setting out their annual time commitment, is available on bupa.com and at Bupa’s registered office. These are also available for inspection before and during the AGM. The Board, or the relevant Committee, is responsible for deciding who the independent NEDs are, based on their willingness to serve, and their independence and skills.

The appointments of Professor Melvin Samson, Samsom and Cath Keers during the year, and the removal of two NEDs, were approved by the Board. The appointments of Professor Melvin Samson and Cath Keers during the year, and the removal of two NEDs, were approved by the Board.

Non-Executive Directors (NEDs)

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

The Board comprises a majority of independent NEDs, and all Directors offer themselves for annual re-election by the AMs. NEDs are appointed for an initial three-year term, and any term beyond six years is subject to rigorous renewal. A copy of the standard NED Terms of Engagement, setting out their annual time commitment, is available on bupa.com and at Bupa’s registered office. These are also available for inspection before and during the AGM. The Board, or the relevant Committee, is responsible for deciding who the independent NEDs are, based on their willingness to serve, and their independence and skills.

The appointments of Professor Melvin Samson, Samsom and Cath Keers during the year, and the removal of two NEDs, were approved by the Board. The appointments of Professor Melvin Samson and Cath Keers during the year, and the removal of two NEDs, were approved by the Board.

Q&A with Professor Melvin Samson

“Bupa’s values resonated with me!”

Melvin joined the Board in April 2019 as a NED and is a member of the Risk Committee. Nearly one year in, we asked Melvin for his thoughts on Bupa.

What attracted you to Bupa and what do you bring to the Board?

Melvin: Bupa’s values resonated with me and align to my personal values. It is a customer and people-focused organisation that feels very supportive, with everyone working together to achieve Bupa’s purpose. The Five-Year Vision gives Bupa clear objectives that support this purpose. The mix of health insurance and provision across the Group is very important to the future development of healthcare due to the speed of medical developments and their cost, and the ability of governments to fund healthcare. This mix is also important to the development and growth of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board.

What do you think will be key focus areas for Bupa in 2020 and beyond?

Melvin: Bupa's BoD is focused on current issues but they need to continuously monitor and appraise opportunities and ensure that the business is on track to achieve its objectives, with a focus on the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The Board views succession planning, for senior executives to ensure the business is on track to achieve its objectives, and the ability of governments to fund healthcare. This mix is also important to the development and growth of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board.

What are your first impressions of Bupa?

Melvin: This is the first time I’ve been part of the Board. I’ve been working with Bupa for a number of years as a member of the Board and have been impressed by the Board’s approach to strategy within a prudent and effective governance framework. The Board is responsible for the long-term objectives approved by the Board. The Board is responsible for the long-term objectives approved by the Board.

Board diversity, skills and succession planning

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

Each of the Directors is required to keep up to date with material changes in law, government policies, rules and regulations, to which they are subject, and to keep abreast of technical or professional issues in their respective areas of expertise. All Board members receive regular updates on rapidly changing regulations and international developments during site visits on our operations in Asia Pacific, Europe and Latin America. We also provide regular briefings to Board members on our Five-Year Vision as set out on page 10, our Five-Year Vision, and the Bupa Code and our culture.

Leadership continued

Investing in technology capabilities

During the year, we have invested a significant amount in a multi-year strategic investment programme in technology capabilities across the Group to enhance security and privacy, and to digitise the customer experiences. Information security and cyber-resilience is a significant risk for the Group given the sensitive data we hold about our customers, and the sophistication of malicious attacks that have increased significantly. To further enhance Group governance, the Board had agreed to review the number of short- and long-term actions as well as taking a number of themes forward for further exploration during the year.

The Board received regular updates on management’s progress to implement the agreed actions. All the short and long-term recommendations were completed by the end of 2019 with some of the themes for further exploration remaining in progress. Implementing the recommendations has ensured that Bupa’s practices remain fit for purpose in a rapidly changing environment. One of the key recommendations was to review the Group’s Operating Model. This activity has also been completed and more detail is provided below. Other actions taken include requiring a Deputy Chairman or Senior Independent Director to be appointed by each of our major subsidiaries and all other Board committees to ensure the independence of the Group’s internal audit committees. In addition, the Group’s Code of Business Conduct has been strengthened to provide a foundational framework for other standards of conduct that apply to the Group and its subsidiaries. The Board continues to monitor the progress of the programme in 2020.

In conclusion, the Board recommends that the Group’s governance and risk management frameworks are fit for purpose.

Governance Effectiveness Review

During 2019, the Board asked the Group Risk Function to undertake a review of the effectiveness of governance across the Group and to prepare written reports for the Board, Annual General Meetings and the Group’s annual report. The review aimed to assess whether governance and risk management activities carried out across the Group are appropriate and effective in delivering the risk and control outcomes. To ensure that the review was objective, an external consultant was engaged to review and comment on the thoroughness and rigour of the review.

The Board agreed in December 2019 that the recommendations involved a programme of actions that would be led by the Chief Risk Officer to continue to monitor the recommendations and report to the Board on progress. The Board is considering ways to improve the governance and risk management framework for the Group.

The Board agreed in 2019 that the recommendations involved a programme of actions that would be led by the Chief Risk Officer to continue to monitor the recommendations and report to the Board on progress. The Board is considering ways to improve the governance and risk management framework for the Group.

Revised Operating Model

Following the recommendation in the Governance Effectiveness Review to refine the Group’s Operating Model, the Board agreed to simplify the Group’s structure to accelerate organic growth, strengthen governance for risk and accountability, and reduce the cost base. The Board will provide regular updates on progress against these initiatives in future years. The Board has established a formal governance structure for the Group’s major subsidiaries and for the Group as a whole, and engaged a third party to undertake a review of the Group’s corporate governance arrangements. The Board is committed to ensuring that the Group’s corporate governance arrangements remain fit for purpose.

Aged care in Australia

The Board and the Risk Committee have continued to monitor the Aged Care programme in 2018 to identify and implement enhancements across all our Australian care environments and to undertake specific remediation activity in those homes under sanction by the Australian Aged Care Quality and Safety Commission. The improvement programme is having an impact, with the number of care homes under sanction reducing. The Board will continue to monitor the progress of the programme in 2020.

In conclusion, the Board recommends that the Group’s governance and risk management frameworks are fit for purpose.

Engaging our people

The Board continues to support boards to understand the views of companies’ key stakeholders and recommends a number of methods to engage with our people. The Board acknowledges that we have an obligation to our people to listen to their concerns, and that we must listen to our people. Our existing engagement mechanisms have been effective in engaging with our people. The Board recommends that we continue to monitor the effectiveness of engagement with our people and to take appropriate action to improve the effectiveness of engagement with our people.

Workforce engagement

Culture and our people

The Board is responsible for establishing Bupa’s purpose, values and strategy and ensuring that our culture is aligned to these at all levels of the organisation. In order to do so, the Board encourages a customer-focused culture and takes leadership of our people and this will lead to strong and sustainable performance for the benefit of our purpose of helping people live longer, healthier, happier lives.

Our culture is shaped by our values and the Bupa Code which sets out what we expect from our people to help them live our values and achieve our purpose. As part of our Five-Year Vision, the Board has also recently agreed a number of leadership imperatives, a set of competencies specific to customer, people, performance and purpose. These will help our senior leaders across the business to deliver performance through putting customers at the heart of everything we do and helping our people be at their best. All Board members are required to undertake mandatory training on the Bupa Code and other areas including information security and privacy, risk management, conflicts of interest and financial crime.

The Board monitors behaviours in a number of ways including:

- measuring our people’s engagement level through our People Pulse survey tool semi-annually
- considering semi-annually the level of and themes arising from, reports received through our ‘Speak Up’ whistleblowing process and customer complaints
- taking into account how our people have lived our values and followed the Bupa Code in achieving their performance goals.

The Board monitors and considers our people’s engagement on a number of metrics including:

- People Pulse survey tool
- ‘Speak Up’ whistleblowing process
- Customer complaints
- Employee engagement surveys
- Leadership imperatives
- The Bupa Code
- Our values
- Our purpose
- Customer focus
- Healthier, happier, longer lives
- Leadership imperatives
- Competencies
- Our people
- Performance and purpose
- Information security
- Privacy
- Risk management
- Conflicts of interest
- Financial crime

Workforce engagement

Culture and our people

The Board is responsible for establishing Bupa’s purpose, values and strategy and ensuring that our culture is aligned to these at all levels of the organisation. In order to do so, the Board encourages a customer-focused culture and takes leadership of our people and this will lead to strong and sustainable performance for the benefit of our purpose of helping people live longer, healthier, happier lives.

Our culture is shaped by our values and the Bupa Code which sets out what we expect from our people to help them live our values and achieve our purpose. As part of our Five-Year Vision, the Board has also recently agreed a number of leadership imperatives, a set of competencies specific to customer, people, performance and purpose. These will help our senior leaders across the business to deliver performance through putting customers at the heart of everything we do and helping our people be at their best. All Board members are required to undertake mandatory training on the Bupa Code and other areas including information security and privacy, risk management, conflicts of interest and financial crime.

The Board monitors behaviours in a number of ways including:

- measuring our people’s engagement level through our People Pulse survey tool semi-annually
- considering semi-annually the level of and themes arising from, reports received through our ‘Speak Up’ whistleblowing process and customer complaints
- taking into account how our people have lived our values and followed the Bupa Code in achieving their performance goals.

The Board monitors and considers our people’s engagement on a number of metrics including:

- People Pulse survey tool
- ‘Speak Up’ whistleblowing process
- Customer complaints
- Employee engagement surveys
- Leadership imperatives
- Competencies
- Our people
- Performance and purpose
- Information security
- Privacy
- Risk management
- Conflicts of interest
- Financial crime
Leadership continued

inclusion with groups focusing on topics including gender, ethnicity, LGBTQ+, mental wellbeing, ability, faith and working families. We are also working with Thrive to harness LGBTQ+, mental health and male talent and help drive positive cultural change and increase diversity at all levels of our workforce and in the talent pipeline.

We are also members of Business Disability International which helps companies and individuals to adapt the workplace and challenge attitudes to disability. The recruitment, training, career development and promotion of all employees is based on the skills, knowledge and experience of the individual and takes no account of age, disability, race, belief, gender, sexual orientation or other characteristics. Should employees become disabled during employment, every effort is made to continue their employment and, if necessary, appropriate training is provided.

Having a diverse workforce and an inclusive, accessible working environment, brings fresh views to the table and reflects the customers we serve and communities within which we operate. The People pillar of our corporate responsibility and sustainability (CRS) strategy aims to promote diversity and inclusion during 2020 by further embedding a culture that gives our people the freedom to be their whole selves at work, empower diverse and high-performing teams and ensure that our people practices and policies support our people. See the People section on page 38 for more information on diversity and inclusion.

Mental health and wellbeing

Our approach to mental health focuses on raising awareness, creating supportive workplaces, encouraging open conversations and providing access to support and care.

We are raising awareness of mental wellbeing in the workplace, encouraging open conversations and providing access to support and care through regular internal communications campaigns such as for World Mental Health Day, online information, our Performance Energy resilience programme and training mental health first aiders.

Corporate responsibility and sustainability

CRS is a key focus for the Board. Embedding CRS in order to create shared value is an important element of how the Group will continue to fulfils our purpose as well as achieve strong and sustainable performance.

The Board sets the Group’s current approach to CRS matters as part of its approval of the Group’s refreshed Strategic Framework during 2019, including strengthening the nature and impact of our activity for the community by developing new community guidelines and making mental wellbeing and resilience a particular focus. Further details of the Group’s CRS activities are set out on page 22.

In order to enhance the governance of our CRS activities, the Corporate Responsibility and Sustainability Committee was set up in late 2019 as an advisory committee to management on CRS issues. The Committee held its first meeting in December 2019 and will receive updates on activity under each of the five pillars of our CRS strategy and provide guidance to management.

The People pillar of our Strategic Framework and CRS framework are sponsored by the Chief People Officer and are focused on making Bupa a place where people love to work and can make a difference. The priorities are leadership and talent, employee engagement, employee health and wellbeing, health and safety, and diversity and inclusion. The Committee also provides a more focused forum for the consideration by senior management and members of the Board of workforce engagement issues, which are escalated through the People pillar. This will be a focus of the Committee as its work develops in 2020. The Board will receive the minutes of each meeting and the Committee may make recommendations to management.

The interests of employees are taken into account in decision-making. See the Engaging our stakeholders section on page 54 for an example of this in relation to employees.

Complying with the UK Corporate Governance Code 2018

We aim, where appropriate, to operate to the same governance standards as are required of UK FTSE 100 companies and therefore we choose to apply the UK Corporate Governance Code 2018 (the Code). We have applied the UK Corporate Governance Code for a number of years, prior to the new requirement for large private companies to report which corporate governance code they follow, if any. We applied the Principles and complied with all the Provisions, to the extent they are applicable to a company without shares, in the Code throughout 2019. The Code is available at bupa.com/uk.

The table below sets out how we have complied with the Principles of the Code during 2019.

<table>
<thead>
<tr>
<th>Principle</th>
<th>How we apply the Principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. The board’s role</td>
<td>The Board is responsible for the long-term sustainable success of Bupa for the benefit of its customers and wider stakeholders, now and in the future. The Board works to achieve this by: - providing (a) leadership in setting the Group’s strategy, culture and risk appetite to achieve its purpose - overseeing management’s implementation of strategy within a prudent and effective governance structure using a three lines of defence model as described on page 46 - receiving regular management information on customers and their views of the Group and its products - reviewing the results of employee surveys and interacting with our people through site visits and town hall meetings. During 2019, the Chairman reviewed the frequency, timing and content of Board meetings for 2020 to ensure that sufficient time is devoted to strategic matters; regular site visits are held to discuss the Directors’ understanding of the business and build relationships with local management; and to hear directly from our people.</td>
</tr>
<tr>
<td>B. Setting purpose, values and strategy</td>
<td>The schedule of matters reserved to the Board includes: - ensuring that Bupa’s culture is aligned with its purpose, values and strategy - setting the Group’s strategic aims and reviewing management’s performance. The Board holds an annual strategy meeting with updates on progress and Market Unit deep dives taking place at least twice a year. During the year, the Board approved an updated Strategic Framework, with the vision to be the most trusted health insurer and provider, and set objectives to achieve this over the next five years. A new Corporate Responsibility and Sustainability Committee was established in late 2019 as a management advisory committee. It will have visibility of culture through the People and Responsible Business Conduct pillars of the CRS strategy.</td>
</tr>
<tr>
<td>C. Resourcing and risk management</td>
<td>The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. The Board annually approves the Group’s annual budget and base operating plan for the following three years ensuring that sufficient resources are available to achieve objectives. The Board retains ultimate responsibility for risk management and internal controls, with detailed oversight carried out by the Audit and Risk Committees. On the recommendation of the Risk Committee, the Board sets the Group’s risk appetite and RMF. These are the principal risks facing the Group and the nature and extent of risk the Board is willing for the Group to take in order to achieve the Group’s strategic objectives. The Group’s enterprise risk policies are approved by the Board or relevant Committee and overseen by the Risk Committee. During the year revised risk appetite statements were approved in relation to information technology and security and, investment risk. A revised risk appetite statement for clinical risk was also approved in early 2020 with improved risk indicators and reporting.</td>
</tr>
</tbody>
</table>
Leadership continued

1. Board leadership and company purpose continued

D. Stakeholder engagement
In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

We are a customer-focused business reliant on our people to deliver great service. The Board receives regular management information and considers the impact of decisions on relevant stakeholders. There is an active programme of engagement with our key stakeholders: our customers; our people; regulators; Association Members; and bondholders.

See the following for further information:
- Customer Service (in the report of the Customer, People and Engagement Committee)
- Stakeholder engagements (in the Governance Enterprise Risk Policy)
- Workplace engagement (on P16).

E. Workforce policies
The Board should ensure that workforce policies and practices are consistent with the company’s values and support its long-term sustainable success. The workforce should be able to raise any matters of concerns.

The Board receives detailed quarterly management information which includes metrics on people and culture issues. During the year, the Board approved revised people and CSR strategies. These include ensuring that the Group’s workforce policies and practices are consistent with our values and support our long-term sustainable success. The Board receives regular updates on the issues reported through Speak Up, and on investigations and actions taken. The Audit Committee annually reviews the Speak Up policy to ensure that it is sufficiently robust and operating effectively.

See the following for more information:
- The People section on P16
- Workplace engagement on P16
- Whistleblowing on P49.

F. Chair leadership
The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure, and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive timely and clear information.

Roger Davies leads the Board in an open and transparent manner, encouraging debate and challenge. He plays a pivotal role in fostering the effectiveness of the Board and the individual directors both in and outside the board room. The Chairman works with the Group Company Secretary to ensure that sufficient time is available to discuss agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.

See the Board evaluation discussion on P5 for further information on the annual evaluation of the Chairman.

G. Balance of the Board
The board should include an appropriate combination of executive and non-executive directors, and (in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board’s decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business.

The Board comprises the Group CEO, CFO, Chairman (who was independent on appointment), and nine independent NEDs. The roles of the Chairman and Group CEO are separate with distinct accountabilities set out in their role profiles. The Group CEO is responsible for the day-to-day leadership and management of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The Group CEO cascades her authority through a delegated authority framework which is approved by the Board annually.

The NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Group’s Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The NEDs are also the Group’s Whistleblowing Managers and are independent of the Board’s Whistleblowing Advisors.

The NEDs set out in more detail in the Leadership section on P50.

H. NEDs’ role and time commitment
Non-executive directors should have sufficient time to devote to their role at Bupa. This is re-assessed by the Nomination and Governance Committees annually and in light of any changes to a NED’s external commitments during the year.

Prior to his or her appointment as a director, the Board considers whether each NED has sufficient time to devote to their role at Bupa. This is re-assessed by the Nomination and Governance Committees annually and in light of any changes to a NED’s external commitments during the year.

The roles of the NEDs are set out in more detail in the Leadership section on P50.

2. Division of responsibilities

F. Chair leadership
The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure, and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive timely and clear information.

Roger Davies leads the Board in an open and transparent manner, encouraging debate and challenge. He plays a pivotal role in fostering the effectiveness of the Board and the individual directors both in and outside the board room. The Chairman works with the Group Company Secretary to ensure that sufficient time is available to discuss agenda items for each Board meeting and to ensure that papers are of a high standard and circulated in a timely manner.

See the Board evaluation discussion on P5 for further information on the annual evaluation of the Chairman.

G. Balance of the Board
The board should include an appropriate combination of executive and non-executive directors, and (in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board’s decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business.

The Board comprises the Group CEO, CFO, Chairman (who was independent on appointment), and nine independent NEDs. The roles of the Chairman and Group CEO are separate with distinct accountabilities set out in their role profiles. The Group CEO is responsible for the day-to-day leadership and management of the business, in line with the Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The Group CEO cascades her authority through a delegated authority framework which is approved by the Board annually.

The NEDs provide an independent view on the running of our business, governance and boardroom best practice. They oversee and constructively challenge management in its implementation of strategy within the Group’s Strategic Framework, risk appetite and annual and long-term objectives approved by the Board. The NEDs are also the Group’s Whistleblowing Managers and are independent of the Board’s Whistleblowing Advisors.

The NEDs set out in more detail in the Leadership section on P50.

H. NEDs’ role and time commitment
Non-executive directors should have sufficient time to devote to their role at Bupa. This is re-assessed by the Nomination and Governance Committees annually and in light of any changes to a NED’s external commitments during the year.

Prior to his or her appointment as a director, the Board considers whether each NED has sufficient time to devote to their role at Bupa. This is re-assessed by the Nomination and Governance Committees annually and in light of any changes to a NED’s external commitments during the year.

The roles of the NEDs are set out in more detail in the Leadership section on P50.

J. Board appointments
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nomination and Governance Committee regularly reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group.

During the year, the Board approved revised people and culture strategies. The Board receives detailed quarterly management information which includes metrics on people and culture issues. During the year, the Board approved revised people and CSR strategies. These include ensuring that the Group’s workforce policies and practices are consistent with our values and support our long-term sustainable success. The Board receives regular updates on the issues reported through Speak Up, and on investigations and actions taken. The Audit Committee annually reviews the Speak Up policy to ensure that it is sufficiently robust and operating effectively.

See the Board evaluation discussion on P5 for further information on the annual evaluation of the Chairman.

The Nomination and Governance Committee regularly reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group.

The Nomination and Governance Committee sets out the criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nomination and Governance Committee regularly reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group.

The Nomination and Governance Committee sets out the criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

See the Board diversity, skills and succession planning discussion in the Leadership section on P56.

See the Board’s role in the recruitment of Directors and the process followed in relation to the Board’s recruitment of Directors and the Board’s role in the appointment of the Chairman and Group Chief Executive Officer in full at topcom.com.

The roles of the NEDs are set out in more detail in the Leadership section on P50.

K. Skills, experience and knowledge
The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

The Nomination and Governance Committee regularly reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group.

The Nomination and Governance Committee reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group.

The Nomination and Governance Committee sets out the criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nomination and Governance Committee regularly reviews the balance, composition and structure of the Board, including reviewing the skills of each NED against a skills matrix. This identifies the key skills, knowledge and experience relevant to the markets in which Bupa operates and for the effective operation of the Board and leadership of the Group.

The Nomination and Governance Committee sets out the criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

See the Board diversity, skills and succession planning discussion in the Leadership section on P56.

See the Board’s role in the recruitment of Directors and the process followed in relation to the Board’s recruitment of Directors and the Board’s role in the appointment of the Chairman and Group Chief Executive Officer in full at topcom.com.

See the Board evaluation discussion in the Leadership section on P50.

L. Board evaluation
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

The annual Board evaluation considers the composition and diversity of the Board and how effectively members work together. In 2019, an externally facilitated Board evaluation was carried out which assessed the effectiveness of the Board and its Committees. The Chairman separately led an evaluation of each Director, with the Senior Independent Director leading the evaluation of the Chairman.
Leadership continued

M. Financial reporting integrity

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

N. Fair, balanced and understandable

The board should present a fair, balanced and understandable assessment of the company’s position and prospects.

O. Risk management and internal control

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

P. Remuneration

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company’s long-term strategy.

Q. Remuneration Policy

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

R. Independence of remuneration outcome decisions

Directors should exercise independent judgment and exercise all relevant internal and external factors to ensure that any exercise of the Committee’s discretion is suitable and justifiable.

Board and Committee performance

In 2019, a review of the effectiveness of the Board and its Committees was conducted by an independent external evaluator, Boardroom Review Limited (Boardroom Review), which was appointed following a selection process conducted by members of the Nomination and Governance Committee and which is summarised in that Committee’s report. The evaluation involved observations by Dr Tracy Long of the Board and each of its Committees, and interviews with all non-executive Directors and key employees who joined the Board following the conclusion of the evaluation process, and some members of senior management. Martin Houston was included in the interviews. An initial meeting to discuss the findings was held with Roger Davies prior to the final report being circulated to the Board and presented at the December 2019 Board meeting. Roger Davies and Clare Thompson then proposed specific actions for the Board’s approval and the final actions to be taken forward in 2020 were agreed at the February 2020 Board meeting.

The Board concluded that, overall, the Board and Committees had operated effectively during the year. In particular, it was found that the balance of skills, knowledge and experience on the Board and each Committee was appropriate and that the changes to the Board’s composition over the last year had ensured continued effectiveness on the Board in key areas. The appointment of an independent Chairman, the removal of an independent Director, the appointment of an independent Chair of the Remuneration Committee and the introduction of independent Directors onto the Audit Committee had all contributed to a more robust and effective Board.

Martin Houston was not included in this individual evaluation as he retired from the Board on 31 December 2019. Roger Davies’ evaluation of each of the other Directors concluded that each Director had carried out their duties effectively during the year by:

- constructively challenging management and building good relationships with management;
- adding value through diversity of perspective and deep areas of knowledge;
- demonstrating Bupa’s values and setting the tone in culture and risk management.

Each NED has sufficient time to commit to the role and remains independent and fit and proper to carry out their role. The Board and the membership of its Committees have been substantially refreshed over the last two years, and the overall level of the Board’s skills, knowledge and expertise has been enhanced.

No further changes to the composition of the Board and its Committees are planned at this time as a result of the evaluation and to ensure stability and continuity of corporate knowledge. The Nomination and Governance Committee regularly reviews the composition of the Board and each Committee.

External Board evaluation process

Selection

Nomination and Governance Committee agrees board and committee membership

Sub-committee evaluate shortlist through interviews

Board engages Boardroom Review

Boardroom Review complete report

Selection

Boardroom Review report issued and discussed at Board meeting

Outcomes and implementation

Preliminary findings discussed with Chairman and Group CEO

Report issued and discussed at Board

Actions for 2020 agreed

Action monitoring to take place

Board engages Boardroom Review

Governance

See the Directors’ remuneration report on page 107 for more information.

See the Directors’ remuneration report on page 107 for more information.

See the Directors’ remuneration report on page 107 for more information.

See the Directors’ remuneration report on page 107 for more information.
Leadership continued

The Board has agreed a number of actions to take forward during 2020 including in the areas of strategy and governance.

Agreed actions from 2019 Board evaluation

<table>
<thead>
<tr>
<th>Topic</th>
<th>Agreement action</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Build on the Five-Year Vision to define what success looks like</td>
<td>Board</td>
</tr>
<tr>
<td>Hold more frequent deep dives into the competitive environment and customer engagement</td>
<td>Board</td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>Continued focus on succession planning for the Board’s senior roles</td>
<td>Board/Risk Committee</td>
</tr>
<tr>
<td>Do more ‘lessons learned’ sessions to bring risk to life</td>
<td>Board/Risk Committee</td>
<td></td>
</tr>
<tr>
<td>Further strengthen interaction with and oversight of key subsidiaries including through more site visits for Directors outside of Board meetings</td>
<td>Board/Committees/Directors</td>
<td></td>
</tr>
</tbody>
</table>

Progress against actions from the 2018 Board evaluation

The Board reviewed progress against the 2018 evaluation actions during the year.

<table>
<thead>
<tr>
<th>Progress made</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Board reviewed progress against the 2018 evaluation actions during the year.</td>
<td></td>
</tr>
</tbody>
</table>
Audit Committee report continued

Significant issues and areas of Judgement

<table>
<thead>
<tr>
<th>Key Issue</th>
<th>Committee response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill and intangible asset valuations</td>
<td>The Committee initially reviewed and discussed management reports outlining the basis of the assumptions used for our most sensitive cash generating units (CGUs) and challenged the results in light of business performance and the external environment, particularly in respect of the goodwill impairments in Australian aged care, UK dental care and Bupa Cromwell hospice UK. The Committee challenged management on the elements included in the WACC methodology, the forecast cash flows and the terminal growth rates for the CGU. The Committee also considered the appropriateness of the proposed disclosures. The Committee also received from KPMG a report on their issues on the valuations performed by management. The Committee satisfied that the assumptions applied were reasonable and the carrying value of goodwill and other intangible assets, following impairments recognised in certain CGUs, is appropriate.</td>
</tr>
<tr>
<td>Claims provisioning</td>
<td>Calculation of the outstanding claims provision is based on assumptions including claims settlement patterns, the incidence of claim inflation, medical trends and seasonality, which require a high level of judgement and actuarial expertise. The Committee receives reports from the actuary setting out estimation of the technical provisions, including the margin of prudence held by each insurance entity; as well as the result of the annual review of compliance with Bupa's Claims Reserving and Liability Adequacy Standards. The Committee considered the appropriateness of the overall level of insurance technical provisions, including the level of prudential margin. In reviewing and approving the insurance technical provisions, the Committee also took into consideration the External Auditor's report to the Committee.</td>
</tr>
<tr>
<td>Property valuations</td>
<td>Bupa has a significant portfolio of care homes, villages and hospital properties which are valued to fair value on a periodic basis, with external valuations undertaken at least triennially. The underlying assumptions in the valuations, including earnings, property, occupancy levels and future trends are subject to a high level of judgement. The Committee received the results from the external valuations in UK, Poland, China and Brazil undertaken as part of the internal property review, and Directors' valuations performed in other market units. The Committee also reviewed reporting from the External Auditor addressing the valuations to assess their reasonableness and considered the appropriateness of disclosures made. The Committee satisfied that property values and disclosures for all properties are in compliance with financial reporting requirements and are appropriate.</td>
</tr>
<tr>
<td>Pension assets and liabilities</td>
<td>Bupa's principal defined benefit scheme in the UK is The Bupa Pension Scheme. Significant judgement is exercised in determining the actuarial assumptions used in valuing the pension asset/lability. The Committee considered the appropriateness of the assumptions used in the valuation of the related pension assets and liabilities performed to this independent scheme actuary and satisfied that the assumptions used in the valuation are appropriate. The Committee received information from HMG benchmarking the assumptions used in the valuation of pensioners' liabilities. The Committee concluded that the pension assumptions were appropriate.</td>
</tr>
<tr>
<td>Acquisitions and disposals</td>
<td>During 2019 Bupa completed the acquisition of Acibadem Sigorta in Turkey. Assessing whether the sale of businesses is sufficiently probable to require classification as held for sale can require significant judgement. The Committee considered the proposed accounting for the acquisition balance sheetrelates to the acquisition of Acibadem Sigorta, including the valuation of acquired customer relationships, distribution channels and brand intangible assets. The Committee critically reviewed and discussed management's judgements in respect of the fair value assessments for potential disposal group. The Committee challenged management and concluded that the approach and assumptions used were appropriate.</td>
</tr>
<tr>
<td>Provisions and contingent liabilities</td>
<td>The Group has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, disputes, and interpretation of tax law. The Committee received reports from management setting out the ratio applied to the consideration of the recognition and disclosure of provisions and contingent liabilities. The Committee concluded that management's assumptions were appropriate regarding the need or level for accounting provisions and the proposed disclosure in the financial statements was appropriate.</td>
</tr>
<tr>
<td>Operating segments</td>
<td>During 2019 the Group announced changes to its operating structure. This required reassessment of the external reporting structure as required by IFRS 8–Operating Segments. The Committee considered the application of key policy recommendations for IFRS 16, including the transitional impacts and disclosures and adoption of the standard and judged the need for disclosing the proposed breaches in respect of lease term and discount rates. The Committee concluded that the application of key policy recommendations and proposed disclosures made by management were appropriate.</td>
</tr>
<tr>
<td>IFRS 16 Leases</td>
<td>As discussed in the 2018 Annual Report and Accounts, the requirements of the standard have been assessed and applied from 1 January 2019. The Committee considered the application of key policy recommendations for IFRS 16, including the transitional impacts and disclosures and adoption of the standard and judged the need for disclosing the proposed breaches in respect of lease term and discount rates. The Committee concluded that the application of key policy recommendations and proposed disclosures made by management were appropriate.</td>
</tr>
</tbody>
</table>

Financial reporting

The Committee reviewed the Half-Year and Full-Year 2019 financial statements with both management and the External Auditor. This review considered the following areas:
- Fair, balanced and understandable: In assessing whether the 2019 Annual Report was fair, balanced and understandable, the Committee found as follows:
  - The narrative reporting in the Strategic Report is consistent with the financial statements, providing challenge and feedback throughout the compilation of the Annual Report and Accounts. The key judgement referred to in the narrative reporting and the significant issues reported in this Audit Committee report are consistent with the narrative statements.
  - Judgments and adjusted measures, such as underwriting profit, have been given equal prominence and are clearly explained.
  - The key performance indicators reflect those used to measure business performance and management is able to explain their relevance in assessing the results.
  - Clear, simple explanations are given of the business model, Bupa's strategy and accounting policies.
  - Key messages are clearly highlighted with consistent wording throughout the Annual Report.
  - The layout and presentation are clear with appropriate language used throughout.

Group Internal Audit

Details of the role of GIA is set out in Bupa's system of governance section on page 49. Annual Plan

The assurance provided by GIA is an important part of the Committee's consideration of Bupa's overall control environment during the year. GIA's annual plan is aligned to an assessment of risk across the Group and to the RGF, and also covers emerging risks. The application of the plan covers operational risk, reflecting Bupa's exposure in this area. The 2019 GIA annual plan and budget were approved by the Committee in December 2018. It included two global audits in relation to the Solvency Financial Condition Report and Regular Supervisory Report under Solvency II and the technology capabilities programme, which reflect issues prevalent throughout the Group where a global audit could provide additional insight. Data governance and the maturity of the three lines of defence risk management model were also aligned as themes for coverage in all audits planned for 2019. The Committee approved a half-year refresh of the 2019 plan, based on a renewed risk assessment in line with the GIA methodology in June 2019. The 2020 GIA annual plan and budget were approved by the Committee in January 2020 and aim to provide the Committee with assurance over key risks. Global audits will be carried out in a number of areas including clinical governance, financial reporting, whistleblowing and embedding risk management. The themes of risk culture, three lines of defence maturity and data governance will be built into all audits. The diagram below shows the key drivers of audit coverage across the business. The GIA regularly reports to the Committee on GIA's activities as well as management's progress in addressing audit findings and all GIA reports are made available to the Committee members.

Quality assurance

GIA maintains a quality assurance and improvement programme that includes an annual evaluation of the function's adherence to the relevant external standards. The external quality assessment carried out in 2018 highlighted further work to enhance the function's effectiveness and meet the best practices recommended in the FS Code. These have been implemented through a GIA development programme including changes to audit methodology, adopting function-wide objectives and developing the function's people, scale and capability. The Committee has received regular updates on the progress of the programme and is satisfied with the steps taken and that GIA conforms to the FS Code.

In 2019, GIA has assessed the nature, quality and quantity of its work through ongoing quality assurance activity carried out by PwC, stakeholder feedback and the employee engagement survey. The results were considered by the Committee who concluded that GIA operates effectively. Grant Thornton have been appointed to carry out quality assurance work in 2020. A more formal internal assessment of GIA's effectiveness is in progress and will be reported to the Committee during 2020, and the outcome will be disclosed in the next Annual Report.
Audit Committee report continued

External audit tender

The Audit Committee conducts the process to select the External Auditor and recommends their appointment, re-appointment or removal to the Board for approval by our Association Members at each Annual General Meeting (AGM). As discussed in last year’s report, the Committee agreed to put the external audit out to tender to comply with EU Audit Regulation (Regulation 537/2014/EU) transitional arrangements, which require the Group to rotate its audit firm at the time of next appointment on or after 17 June 2020.

The tender process ran from January to June 2019 and was run in compliance with statutory requirements that apply to a number of our UK subsidiaries and guidance issued by the FRC. The recommendations from the Competition & Markets Authority’s study on the statutory audit services market, published during the tender process, were taken into account.

Audit tender process and timeline

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreed to tender</td>
<td>Agreed firms to invite</td>
<td>Invitation for proposals</td>
<td>Set up data room</td>
</tr>
</tbody>
</table>

Shortlist

The three eligible ‘Big Four’ firms were invited to tender and all three submitted proposals. Medium-tier audit firms were considered ahead of medium-tier firms, which were invited to tender and subsequently included in the shortlist.

Process

The tender was led by a sub-committee comprising Nicholas Lyons, Clare Thompson, the CFO, Group Financial Controller and Corporate Governance Director. Nicholas acted as Chair of the sub-committee to mitigate any potential conflict of interest arising from Clare’s former position as a partner of PwC. Appropriate members of management attended meetings as required.

The firms were given access to a data-room providing information to help them understand our business and the scope of the audit and a period to ask questions to assist in preparing their submissions. Each firm was required to meet with specific stakeholders across the Group including the Chair of the audit committee of each of our major insurance subsidiaries. This included introducing the proposed senior team members for the audit of each business to relevant senior stakeholders.

Each firm submitted a written proposal and technology presentation and gave a presentation to the sub-committee who then asked questions. Separate submissions were requested outlining proposed fees; however, this did not form part of the key decision criteria.

Assessment criteria

Each firm was assessed on the following criteria using a scorecard with an overarching criteria of audit quality:
- Technical and professional fit
- Demonstrating understanding of the business
- Market/industry experience including regulatory experience
- Seamless transition.

Recommendation and decision

The Committee held an additional meeting in June 2019 to discuss the assessment of each firm against the agreed criteria and the feedback received from management during meetings with the firms. The Committee recommended two firms to the Board with PwC identified as the first choice. The Board noted that PwC could provide the high quality of audit required:
- Clearly demonstrated deep expertise and strong expertise in relevant markets
- Demonstrated high levels of competence, experience and a clear quality focus
- Clearly understood Bupa’s business in some depth
- Had good experience of transitioning audits and good potential value-add.

Therefore, the Board agreed to appoint PwC as the Group’s External Auditor from 1 January 2020, subject to AM approval at the 2020 AGM. The recommendation was made free from any influence by a third party and there are no contractual terms imposed on the Group of the kind mentioned in Article 16(6) of the EU Audit Regulation.

Transition

PwC will shadow KPMG during their audit of Bupa’s 2020 Annual Report and Accounts, and the Non-Audit Services Policy applied to PwC from January 2020 to ensure their independence at appointment. The lead PwC audit partner attended a Committee meeting following selection, to outline the firm’s progress on reaching independence from Bupa and the firm’s approach to transition.

The Company intends to tender the External Auditor appointment at least every ten years.

Chief Audit Officer

The Committee is responsible for the appointment and removal of the CAO, setting the CAO’s objectives and reviewing his performance, taking into account the views of the Group CEO. The CAO has access to the Audit Committee and Board Chairman and is directly accountable to the Committee. The previous Chief Internal Auditor moved to a new role within Bupa in early 2019 and the current CAO joined during the year following appointment by the Committee.

A contractor from PwC was engaged as interim CAO to support the Committee and the current CAO during the year. The Committee held one private meeting with the outgoing Chief Internal Auditor, one private meeting with the interim CAO and one private meeting with the new CAO. Management did not attend these meetings.

External Auditor

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

The Committee approved a revised Audit and Non-Audit Services Policy to comply with a revised Ethical Standard issued by the FRC for auditors relating to the provision of non-audit services which aims to safeguard the External Auditor’s independence. The changes place stronger restrictions on the engagement of the External Auditor for non-audit services and align with the principle that other providers will be used unless there is a clear and exception-based rationale for engaging the External Auditor. The Group has an annual cap on the value of non-audit engagements which aligns to the revised FRC Ethical Standard and EU regulations which come into force during 2020. The Committee has regularly reviewed the non-audit services provided by KPMG and other audit firms to assess any potential independence issues and the Committee also advised KPMG of terms of engagement and remuneration for the 2019 audit.

KPMG’s remuneration for the year ended 31 December 2019 is shown in note 2.3.3. The Committee held two meetings with the lead audit partner during the year without management present to ensure that there had not been any opportunity to raise any concerns and to assist the Committee in ensuring that KPMG’s work remains independent and objective.

The Committee approved the external audit plan for the audit of the 2019 Annual Report and Accounts and remains satisfied with the quality of services that KPMG provides, and accordingly recommends their reappointment at the 2020 AGM.

Subsidiary governance

The Committee has maintained its links with the audit committees of Bupa’s major insurance subsidiaries. Paul Evans, a Committee member also chairs the audit committee of the UK major insurance subsidiary and provides regular verbal updates to the Committee. The Committee met with members of the risk committee of the Spanish insurance subsidiary, Sanitas Seguros, during the Board’s annual strategy meeting held in Madrid in 2019. In addition, the CEO and development of the Group’s business in Hong Kong attended a Committee meeting to discuss management actions and their audit committee’s oversight of these in relation to improvements to the control environment.

During the year, the Committee Chair attended a meeting of the audit committee of the Bupa ANZ Board and has held calls or meetings with the Chair of the audit committee of each major insurance subsidiary.

A programme of attendance at subsidiary committee meetings by the Chair of the audit committees of each major insurance subsidiary is in the Group is being arranged for 2020.

Committee effectiveness review

As already disclosed, the 2019 evaluation of the effectiveness of the Board and its committees was externally facilitated by Boardroom Review and the results of the evaluation, including actions for the Committee, are set out on page 59.

In terms of addressing the actions arising from the Committee’s evaluation of its performance in 2018, the Group Company Secretary’s team has provided training for regular authors of Board and Committee papers to improve the quality of papers to help the Board and Committees and the current actions. To aid the remuneration Committee’s consideration of discretionary remuneration in the annual rewards cycle, the Committee looked at the quality of the Group’s underlying performance and the Committee Chair provided feedback to the Chair of the Remuneration Committee.

Focus for 2020

During 2020, the Committee will focus on the transition to PwC as the Group’s External Auditor, the project to implement accounting for IFRS 17 Insurance Contracts, further improvement to the Group’s control environment and greater engagement with the audit committees of the Group’s major insurance subsidiaries.

Clare Thompson
Audit Committee Chair
The Committee’s role and governance

The principal role of the Committee is to assist the Board in articulating and developing its risk management strategy and providing oversight of risk across the Group. This includes understanding current and future risks, exposure, recommending overall risk appetite and tolerance to the Board, reviewing the consistency of corporate strategy with the Company’s risk appetite, reviewing the RRF, considering the risk appetite of significant transactions, and ensuring a risk-aware culture throughout Bupa.

A full description of the Committee’s role is set out in its Terms of Reference on bupa.com and a detailed description of the principal risks to Bupa’s business are set out in the Risk section on page 37.

The Committee comprises solely independent NEs. The Group CEO, CFO, CRO, Chief Medical Officer, CAO and the lead partner of this External Auditor are invited to attend all meetings. The CRO has unrestricted access to all members of the Committee and has regular private meetings with the Committee, in the absence of management, to ensure that there is an opportunity for the CRO to raise any concerns. The Committee Chair is also a member of the Remuneration Committee, to assist with ensuring that risk management and culture are taken into account in remuneration decisions. Each year, the Committee considers whether to make any recommendations to the Remuneration Committee on making risk adjustments to variable remuneration outcomes for the year. For 2019, having regard to the executive performance evaluation process in place, the Committee did not recommend any further individual or Group-wide adjustments to remuneration.

Matías Rodriguez Inciarte, Michael Hawker and Professor Melvin Samson joined the Committee during the year. Matías continued his role as a Non-Executive Director of the Committee and Melvin ensures continued medical expertise on the Committee. Matías and Melvin are also NEs of our Spanish insurance and Australian businesses respectively, and bring to the Committee direct insight into our key markets.

2019 activities

Information security and technology risk and privacy risk have been a continuous focus for the Committee during 2019.

We have increased focus on clinical governance during the year, and the ongoing compliance and service issues in our Australian aged care business remain a priority.

During the year, the Committee received regular updates on our preparedness for a No-deal Brexit. The Committee has increased focus on and will continue to focus on the supervisory and technical aspects of major transactions, and approaching, or attending, the process of major transactions. The Committee has increased focus on and will continue to focus on the supervisory and technical aspects of major transactions, and approaching, or attending, the process of major transactions.

Information technology and security

During the year, the Board approved a multi-year strategic investment programme in the Group’s technology capabilities. The Committee has placed significant emphasis on information technology, security and privacy over recent years to ensure that the data of our customers, partners, employees and suppliers and that our systems are resilient. The Committee received regular updates from the Chief Information Officer during the year on the progress of the technology investment programme.

Second line assurance was provided by the Information Security and Technology Chief Risk Officer and the Board’s independent cyber advisor also attended the majority of Committee meetings. The Committee held a series of private meetings with the Board’s independent cyber advisor, without management being present.

The Committee challenged management to ensure continuous improvement and uplift in controls by addressing risk culture, resourcing and the target outcomes of the programme during the year. The Committee is satisfied that the programme is progressing to plan, and that there are few evidences of risk reduction.

The Committee remains focused on ensuring that the CRN has appropriate framework, policies and controls and reporting in place.

First line accountability for risk management

Managing risk continues to embed risk management in the first line of defence. The CRO provided an update at each meeting of the Committee which include his view of management’s progress in this area, and the Committee’s objectives to focus on which are validated and monitored by the risk function and reported to the Committee. The Committee is satisfied that senior managers across the Group understand the need to manage risk well but acknowledge that there is further work to do to fully embed this into the business.

The Committee has also considered the capability and capacity of the risk function during the year and noted that this is in line with our previous experience of issues in this area such as in our Australian care homes and informed by our previous experiences in this area such as in the Group’s Australian aged care business. The Group’s Clinical Governance Enterprise Risk Policy and clinical risk appetite statement have been refreshed and improved clinical risk indicators and reporting agreed. The Committee has supported the approach to developing and monitoring the risk appetite statement as this is appropriate to ensure that the Group is focused on the right risks and is informed by the updated clinical risk indicators.

Political risk

Political risk is increasingly important and the Committee held a deep dive on political risk during the year focusing on the risks associated with changes of government in Bupa’s key markets and the activities in place to mitigate these risks.

The Committee has considered the right quality and quantity of resource to effectively carry out its assurance role. The Committee was pleased to see activity moving to the first line of defence.

Emerging and strategic risks

The Committee regularly considers emerging and strategic risks, both internal and external, in the context of the current, and expected future, business and the impact on which we are operating. These risks inform strategy discussions and they can present strategic opportunities as well as threats to be mitigated. The risks considered include the impact of significant government or regulatory changes, changes in customer behaviours and expectations, significant changes in medical treatment or the way care is provided, digital disruption and climate change. There is significant uncertainty around these risks and it is unlikely that any one risk would emerge in isolation.

We have assessed the potential impact of climate change in a number of risk categories. Liability risk is the impact on health, which we see as a medium-term risk, which we are well placed to consider given our healthcare expertise. Exposure to physical risk is mainly in our provision businesses, and we have recently seen the impact of this with the bushfires in Australia. There is also risk associated with the transition to lower carbon economies and different ways of working which will have associated cost and will therefore put pressure on affordability. This could impact short-term economic growth but is an area all businesses must focus on.

Stress and scenario testing

Management carries out stress and scenario testing annually to test the impact of a range of uncertainties on our balance sheet and financial performance. The Committee agreed the scenarios to be tested during the year and reviewed the results of the tests. The Committee is designed to stress test the Group’s annual capital strength of our three-year basic operating plan and also form part of the Group’s Other Risk and Solvency Assessment (ORSA). The Committee noted that the Group operates in a more volatile external economy. The Group has previously been the case due to increasing political and regulatory risk, increased expectations of our products and services, as well as increasing expectations of the standards of corporate behaviour. The Committee was satisfied that, while those scenarios would have a significant impact on the Group, Bupa could withstand them, with recovery within a reasonable timeframe and with appropriate management actions being taken.

Subsidiary governance

The Committee has strengthened links with subsidiaries in a rolling programme that includes attendance by subsidiary risk committee chairs now in place to provide an update on the areas of focus of their respective committees, as well as details of any specific initiatives that they wish to raise with the Committee.

In addition, the Committee met with members of the Spanish insurance subsidiaries’ risk committee during the Board’s annual strategy meeting in December 2019. There is cross-membership between the Committee and the risk committees of our major insurance subsidiaries in Australia, the UK and Spain. The Committee Chair has regular calls with the appropriate risk committee chair and receives summaries and minutes of the meetings from our Spanish insurance subsidiaries. She also attended a meeting of the risk committee of the major insurance subsidiary during the year.

Other

In addition, the Committee has carried out other business as required under its Terms of Reference including recommending the Group’s ORSA to the Board for approval, reviewing the annual insurance compliance plan, reviewing the rules of reverse stress testing of Bupa’s business model, reviewing the modelling of economic capital as part of our annual ORSA process, and approving, or recommending to the Board, refreshed enterprise risk policies and risk appetite statements.

Effectiveness review

As already disclosed, the 2019 evaluation of the Committee’s effectiveness was carried out during the implementation of the evaluation, including actions for the Committee, are set out on page 59. In reviewing the addressing the actions arising from the Committee’s evaluation of its own performance in 2018, the Committee has continued to enhance oversight of a broader agenda, including the Group’s approach to corporate governance risk, and is engaged in a process to further embed risk management in the first line of defence and is satisfied with management’s progress during the year.

Focus for 2020

In 2020, the Committee will continue to focus on:

- maturing risk management accountability in the first line of defence
- overseeing the Group’s continued implementation of the risk appetite statement
- affordability of our products and services
- risks to achieving Bupa’s strategy.

Caroline Silver

Risk Committee Chair
The Committee’s role and governance

The Committee reviews the balance, structure and composition of the Board of directors, committees and leads the process for appointments to the Board, including succession planning to ensure that the Board has the skills and expertise it needs to lead and manage the Company in the future. The Committee takes the Board Diversity Policy into account in both succession planning and recruitment. As at the date of this report, 50% of the members of the Board of directors were women, including both Executive Directors. Succession planning for the CEO and other senior executives is done by the Board. The Committee also leads the process for the selection and appointment of AHS and approves the appointment of non-executive directors to subsidiary boards. Further information on the Board Diversity Policy can be found on pages 51 and the full policy is on bupa.com.

The Committee keeps Bupa’s corporate governance arrangements under review and makes recommendations, if required to ensure that, where appropriate, those arrangements are consistent with best practice in corporate governance standards. A full description of the Committee’s role is set out in its Terms of Reference on bupa.com.

The Committee currently comprises the Chairman and four independent NEDs including the Senior Independent Director. The Group CEO was a member of the Committee until 1 April 2019. Janet Vodie joined the Committee on 1 January 2019, and Nicholas Lyons and Paul Evans were appointed to the Committee in June. Martin Houston stepped down from the Committee on 31 December 2019 when he retired from the Board. The Group CEO, CFO and Chief People Officer regularly attend Committee meetings.

NED succession

Professor Sir John Tooke retired from the Board at the AGM on 10 May 2019 and Martin Houston retired from the Board on 31 December 2019. Sir John agreed to join the board of Bupa Chile, the holding company of our insurance subsidiary in Chile, following his retirement, and Martin remains on the board of Bupa Arabia for Cooperative Insurance Company, our associate business in Saudi Arabia. The Board appointed Russell Reynolds to lead on the recruitment of a Director with healthcare and clinical expertise to replace Sir John. This process resulted in the appointment of Professor Melvin Samson on 11 April 2019, on the Committee’s recommendation, following interviews with all Committee members. Melvin brings a wealth of international clinical and management expertise to the Board from his career in gastroenterology as both a consultant and researcher, an area of clinical leadership experience, and also serves on the Risk Committee.

Cath Keers joined the Board on 1 November 2019, and succeeded Martin Houston as Chair of the Remuneration Committee on 1 January 2020. During his tenure over those two decades, he has been a director of professional and leadership experience across the retail, consumer, digital and technology sectors. Cath was identified by the Committee as being able to enhance the Board’s digital and consumer expertise, which had been recognised by the Committee as an area where the Board’s collective expertise needed to be bolstered. In addition, she has the skills to replace Martin Houston as the Chair of the Remuneration Committee, having previously performed this role at other companies. Cath was appointed by the Board on the Committee’s recommendation, having been interviewed by the Chairman, Senior Independent Director and other Board members.

Russell Reynolds provides services to recruit NEDs and to identify potential AHS, and has an employee health insurance scheme provided by Bupa. Russell Reynolds is a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms. Mátis Rodríguez Rincante and Michael Hauser also joined the NEDs during the year. Their appointments were disclosed in more detail in the 2018 Annual Report and Accounts.

The Committee reviewed succession planning for the Board throughout the year and also reviewed the composition of the Board and its committees and recommended the changes in Committee membership described above.

“During the year we appointed deputy chairmen to the boards of our major insurance subsidiaries to enhance communication channels between these and the Bupa Board.”

Roger Davis
Committee Chair

Other Board matters

The Committee reviewed the Directors’ other commitments for potential conflicts of interest and possible conflicts to their independence, such as Caroline Silver’s and Clare Thompson’s roles as non-executive directors of Marks & Spencer. The Committee concluded this did not compromise their independence, and re-confirmed that they were able to meet the time commitment required as a NED of Bupa. Subsequently, Caroline Silver has announced that she will retire from the Board of Marks & Spencer in May 2020. The Committee also studied topical issues concerning new digital and training sessions during the year.

Corporate governance oversight

The Committee reviewed the Company’s compliance with the UK Corporate Governance Code and a statement of compliance is included on page 55. The Code sets out three ways in which companies can engage with the workforce but allows companies to adopt alternative arrangements. Bupa’s approach to employee engagement, and why it is considered effective, is set out on page 53. The Committee will continue to keep this approach under review in 2020.

During 2019, the Committee approved the establishment of the CRS Committee. The CRS Committee has initially been established as an advisory committee to the Group CEO. The Committee will monitor the CRS Committee’s activities and development, including whether it should, over time, be constituted as a standing committee of the Board.

The Committee receives regular updates on corporate governance developments across the Group’s key markets to ensure that the Group continues to maintain high standards of governance.

Subsidiary governance

In 2019, the Committee approved a new requirement for our major insurance subsidiaries in the UK, Australia, Spain and Chile to appoint a deputy chairman or senior independent director, who must be approved by the Committee in advance: new requirements for director training, and for the major insurance subsidiaries to maintain a board skills matrix and to consider succession planning at least annually. These requirements are contained in a newly commissioned Subsidiary Governance Enterprise Risk Policy, which is approved and overseen by the Committee. In line with the revised policy, the Committee approved the appointment of deputy chairs or senior independent directors for each of the four major insurance subsidiaries.

In June 2019 the Committee approved the new appointment of Bryan Hodgine ONZM, who was already a non-executive director of Bupa Australia and New Zealand, as Chairman of Bupa New Zealand and the Chair of the Audit Committee. Following the designation of the Hon Nicola Roxon, Bryan brings substantial experience, having served on the boards of a number of private and public companies in Australia and New Zealand over many years.

The Committee also reviewed the evaluations of effectiveness undertaken during the year by the boards of our major insurance subsidiaries in the UK, Australia and Spain.

Board and Committee effectiveness

As already disclosed, the 2019 evaluation of the effectiveness of the Board and its Committees was externally conducted by Boardroom Review. The results of the evaluation, including actions for the Committee are set out on page 59.

A list of providers was considered by the Committee and a sub-committee comprising the Chair, Senior Independent Director and Group CEO then compiled a shortlist. The Committee agreed the key factors that the shortlisted providers should demonstrate, including:

- experience of undertaking evaluations in large, global companies, including regulated financial institutions;
- ability to provide quality insight and recommendations;
- ability to provide insight into the Board’s oversight of its global operations.

The three shortlisted providers then presented to the sub-committee and were assessed using a pre-agreed scoring system that included the provider’s methodology and approach, cultural fit and the experience, capability and capacity of the evaluation team, which was shortlisted by Boardroom Review being identified as the preferred supplier. The Committee recommended Boardroom Review to the Board who endorsed the engagement. Boardroom Review has no other connection with the Group or individual Directors.

In terms of addressing the actions arising from the Committee’s evaluation of its own performance in 2019, the Board’s knowledge of information technology and security has been strengthened through the appointment of Cath Keers who has strong digital consumer experience and by the appointment of an independent cyber advisor to the Board.

The oversight of corporate governance matters across the Group was enhanced through the introduction of the requirement for our major insurance subsidiaries to appoint a deputy chairman or senior independent director.

The Committee continues to keep the composition of the body of AMs under review. There was no active programme of recruitment of new AMs in place during 2019, through the Committee refined an approach to recruiting and engaging with AMs in future.

Focus for 2020

In 2020, the Committee plans to continue the work on strengthening the governance arrangements for the Group’s subsidiaries, to refine the Board’s skills matrix as part of its ongoing succession planning work and to re-start a selective programme of recruitment of new AMs.

Roger Davis
Nomination and Governance Committee Chair

Why is good corporate governance important for Bupa?

Roger Davis
Committee Chair

Strong corporate governance is crucial to the sustainable long-term success of any organisation. At Bupa, our Board plays a vital part in ensuring that the tone for this Group’s values and culture is set from the top. Culture is at the centre of good governance – doing the right thing and putting customers first, in order to achieve our purpose of helping people live longer, healthier, happier lives.

What skills have the new directors brought to the Board?

Michael Hauser and Professor Melvin Samson joined the Board and the Risk Committee in April 2019. Michael brings significant international medical expertise, particularly in Australia, and is an esteemed chairman of our businesses there. Melvin brings extensive clinical and management experience to the Board. We welcomed Cath Keers to the Board and to the Remuneration Committee in November 2019, and she brings strong digital and consumer expertise, as well as experience of changing the remuneration committees of listed companies.

How does the Board ensure oversight of its subsidiaries across the world?

Roger Davis
We have a governance framework which is applicable throughout the Group, and compliance with that framework is overseen by the Remuneration Committee. We have these NEDs on the Board who are also NEDs of the major insurance subsidiaries in the Group. This has helped us to ensure the appointment of deputy chairman of these companies and to enhance communication channels between the Board and subsidiary boards.

Nomination and Governance Committee report

Annual Report 2019

Strategic Report / Governance / Financial Statements
Dear Association Members,

I am pleased to introduce my first Directors’ Remuneration Report as Chair of the Remuneration Committee (the Committee). I would like to thank Martin Houston for his stewardship of the Committee over the last six years and thoughtful guidance on handover.

Role of the Committee

The Committee is responsible for ensuring that Bupa adheres to the highest standards of governance and best practices in remuneration matters. The remuneration policy is structured to promote strong and sustainable performance of the Company and link reward to the delivery of Bupa’s strategic goals and purpose. A full description of the Committee’s role is set out in its Terms of Reference on Bupa.com. Committee membership was stable throughout 2019. Caroline Silver joined the Committee in January 2019. I joined the Committee in November 2019 and succeeded Martin Houston as Committee Chair from 1 January 2020.

New Group Performance Plan (GPP)

As a key initiative for 2019 and as disclosed in the 2018 Remuneration Report, the Company committed to undertake a redesign of the Long Term Incentive Plan (LTIP) to ensure that it remained effective. The LTIP was not fully achieving its key objectives of motivating, retaining and incentivising our people and did not have a clear line of sight between performance of the senior team and the LTIP outcome.

The 2019-21 LTIP grant was put on hold by the Committee in February 2019 until the review and redesign had been finalised and approved, with the intention of granting participants a 2019 award under a new plan. Through the course of the year the Committee met to discuss and design the new incentive. There were four key design principles:

- attract, motivate and retain senior leaders;
- capture a broad range of financial and non-financial measures to incentivise strong and sustainable performance;
- improve line of sight for participants to the LTIP measures and thereby improve the ability to influence the performance outcomes; and
- simplify the scheme to allow participants to understand how the scheme works and how the payout is calculated.

Rather than set absolute targets, as Bupa did under the previous LTIP, listed companies often use relative measures to determine payout, such as performance against an index or comparator group.

However, as we do not have a share price, the range of substitute relative performance measures is limited. In addition, given Bupa’s mix of business and geographies, it is challenging to find suitable comparators to compare ourselves with.

For these reasons, the Committee decided to use a balance of financial and non-financial measures against a single year’s performance, reflecting Bupa’s wide range of stakeholders, with the Committee retaining overall governance over the assessment of the outcomes. This is combined with a three-year deferral to be able to take account of any issues which might surface over a longer period.

The 2019 transition arrangement

Moving from the previous LTIP with a potential payout in year 4 of the award schedule, to the GPP with potential payout in year 5 of the award schedule, has created a payment gap with no award payout possible in 2022. To rectify this, a transitional one-off arrangement applies for 2019 only (the 2019 Transition Award):

- for the first cycle of the scheme only, two awards will be made to deliver potential payouts in 2022 and 2023 (with each award being equivalent to participants’ normal annual award opportunity);
- the payout will be communicated to participants once it has been determined by the Committee.

Group Performance Plan (GPP)

The GPP applies to Bupa’s senior leaders and Executive Directors and will work as follows:

- an individual will be invited to join the scheme at the beginning of the one-year performance period, subject to a minimum individual performance level;
- at the end of the one-year performance period, the Committee will assess Bupa’s performance using a balanced scorecard capturing financial and non-financial measures;
- the Committee will take a view of the overall performance of the Group, based on the performance of these measures and the scorecard outcome, and make a judgement on the overall level of payout;
- payout will be confirmed to participants after the one-year performance period and then defered in full for three years; and
- the defered award is subject to malus and clawback for a further three years.

Key GPP design features

Balanced scorecard

The Committee identified that Bupa’s remuneration approach could be strengthened further by having performance measures for variable remuneration appropriately weighted and a better balance between financial and non-financial performance weighted at 60% and 40%, respectively.

All the measures in a GPP scorecard are derived from key strategic reports the Board receives through the year so are linked to the regular performance updates the Board receives. We strongly believe that an assessment on these measures will provide a sound assessment of how Bupa has performed. The performance measures are open to review each year, and as with all good incentive schemes, will evolve where necessary.

In the Directors’ remuneration report

Part 1: Committee Chair’s letter

Part 2: Implementation

Part 3: Policy

Cath Keers
Committee Chair

Key items covered at scheduled meetings in 2019

7 February
2018 HRS outcome, BUPA annual reward review.

20 February
2019–21 LTIP outcome; review of 2019-21 LTIP targets resulting in decision to undertake an LTIP redesign, annual reward review for Group Designated Individuals below BUPA level.

15 May
Review of alternative LTIP designs.

16 July
Review of Committee advisor overview of general workforce, approval of 2019 Group Performance Plan, regulatory update, subsidiary NED fees.

10 October
Pay comparator groups, control function bonus design, Group Performance Plan implementation update.

12 December

The 2019 Transition Award

- the 2019 Transition Award, equivalent to a normal annual award opportunity, will be paid in 2022 after the second deferral year; and
- the 2019-22 GPP award will be payable in 2023 after the third deferral year. The 2019 Transition Award is timed to mirror the payout schedule of the previous LTIP had a 2019-21 award been made. The 2019-22 GPP award moves participants onto the new payment schedule, which has three years of deferral. Further awards will be made on the basis of this latter schedule. The diagram below shows the timings of the GPP and LTIP performance periods.
Wider employer context
Bupa is committed to ensuring that remuneration across the organisation is appropriate and fair for all employees.

We reviewed the outcomes from our two global employee engagement (People surveys, launched in May and November 2019, to obtain detailed insight into what our employees are saying, and we discussed with management the insights from these surveys.

We also reviewed general workforce metrics in order to take into consideration the remuneration of the general workforce, related policies, and the alignment of incentives and rewards with culture, when setting the policy for Executive Director remuneration. Reward is managed on a local basis with benchmarking usually conducted on an annual basis to ensure that our overall reward packages remain in line with relevant local market practice.

Members of the Committee have attended workforce events throughout the year including town hall meetings with the Board in a number of Bupa’s locations.

Performance and pay in 2019
Salary
The Committee has approved increases to the Group CEO and CFO of 2.9%, to reflect performance in the role and general market, and this was consistent with budgets applied for other employees in the UK.

Management Bonus Scheme
Group profit performance was below target, driven principally by adverse performance within the aged care business in Australia and the UK dental business. This is offsetting favourable performance across other parts of the business.

Revenue and cost efficiency were both around target.

All markets continued to make good progress on customer performance metrics, reflecting the high level of operational focus on delivery for customers across the Group, and the impact of the robust mid-year review process, which ensured that action was taken in several areas that required further focus.

Alongside the measures that make up the MBS scorecard, the MBS outcome is subject to an overall adjustment relating to risk management. Assisted by contributions from the Risk Committee and the Risk Review Panel (an advisory panel to the Group CEO, chaired by the Group CRO, which supports explicitly as a measure in MBS, the Committee decided to lock past the financial outcome of the MBS and chose to exercise discretion, reducing the bonus payments of the Executive Directors down to 20% of salary. This is a reduction of £476,527 for the Group CEO and £240,532 for this Group CFO. As per the plan rules, deferral, malus and clawback will apply to the bonus payments.

Long Term Incentive Plan
The performance measures of the 2017-19 LTIP are based on profit after tax (PAT), return on capital employed (ROCE) and customer. While performance under the ROCE and customer measures would have resulted in a payout, the PAT threshold was not met despite the inclusion of previously agreed adjustments such as the Australian Government’s restriction of health insurance price increases to a lower rate than claims inflation. Therefore, under the rules of the scheme, no payout was achieved.

Customer (15%)
Customer numbers have increased year-on-year in insurance and provision, although residents in our care homes at the end of December 2019 are down compared with December 2018.

We have made good progress embedding the Customer Outcomes Policy across the Group throughout the year.

Health insurance brand awareness and consideration has remained largely stable through the year, across the Group, with small increases in Spain and the UK where our brand continues to outperform competitors.

Customer (15%) The Committee assessed the performance on customer measures to be strong, while recognising the need for continued focus, for example in our Australian aged care business where we have had particular challenges.

Good progress has been made in improving NPS scores across our key markets in 2019.

During the course of the year, Bupa made positive progress across the Group on reducing complaints. Overall in insurance we are seeing an improvement in complaints rates (complaints per 1,000 customers) and in provision and aged care all businesses that have consistently traded complaints since 2019 have seen a fall in the number of complaints.

Customer numbers have increased year-on-year in insurance and provision, although residents in our care homes at the end of December 2019 are down compared with December 2018.

We have made good progress embedding the Customer Outcomes Policy across the Group throughout the year.

Health insurance brand awareness and consideration has remained largely stable through the year, across the Group, with small increases in Spain and the UK where our brand continues to outperform competitors.

People (10%) Bupa conducted two People Pulse employee surveys across all markets and businesses to confirm our people are eager to have a voice, with encouraging levels of participation and employee sentiment trending upwards.

Executive appointment

Executive appointments

There were four key changes at BUP level with a number of changes at BET level during the year. The Committee carefully considered the terms for all individuals and used external benchmarking in setting the levels of remuneration.
Risk (15%) Good risk-management is a key component of Bupa’s Strategic Framework and critical to achieving our Five-Year Vision. The Committee has assessed that considerable progress has been made across both the first line of defence and the second line following increased investment in capability in 2019.

This investment is delivering improved leadership, which is ensuring suitable attention and prioritisation is given to the management of top risks and the maturity of our control environment. While good progress has been made, considerable effort is required to ensure that risk-management practices are consistent across all our businesses.

In terms of top risks, good progress was made in cyber security, although further effort is required and planned for 2020. Regarding clinical and regulatory performance, over the last 18 months, the aged care business in Australia went from a position of having never previously had sanctions imposed on any of its 72 homes to 15 homes being sanctioned at some point during this period. As of 31 December 2019, 5 homes remained under sanction. There has been considerable management commitment and focus to address issues highlighted by the regulators, and good progress has been made, although the challenges will persist into 2020 and need continued focus.

Overall, the Committee was pleased in its risk-performance assessment about the pace of progress and delivery of management actions.

Outcome Payout of the GPP is determined based on the Committee’s judgement taking into account the performance across the measures. In applying its judgement across the four broad categories discussed above, the Committee assessed GPP performance at 48.9% of maximum.

The Committee considered exercising discretion on the GPP payout for the Executive Directors, but recognised that the GPP is retention focused and believes the 2019 MBS reduction outlined earlier is substantial and a sufficient adjustment to the level of incentive pay.

Committee evaluation As already discussed, the 2019 evaluation of the effectiveness of the Board and its Committees was externally facilitated by Boardroom Review and the results of the evaluation, including actions for the Committee, are set out on page 59.

Focus for 2020 As a newly appointed Chair of the Committee, I would like to take the opportunity to ensure that our Remuneration Policy and incentive arrangements continue to support our overall strategy. As such, focus for 2020 include a review of Remuneration Policy and a detailed assessment of the new GPP to ensure it remains fit for purpose and continues to meet its design principles, as well as reviewing the incentive adjustment principles and frameworks that is currently in place.

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

Cath Keers Committee Chair

Part 1: Committee Chair’s letter continued

Directors’ remuneration report

Single total figure of remuneration 2019 – Executive Directors (audited)

This section sets out the details of the Executive Directors’ and NEDs’ remuneration, showing how the Remuneration Policy has been implemented in 2019 and how it will be applied in 2020. As well as disclosing remuneration figures for the Executive Directors, it includes details on how well performance targets have been met and the resulting level of MBS and GPP payouts as well as the vesting of the LTIP. Certain disclosures of the detailed information about the Directors’ remuneration set out below have been audited by the Group’s independent auditor, KPMG LLP.

The CFO received an individual performance multiplier of 110% based on her 2019 performance, including:

- leadership of the development of the Strategic Framework underpinning the Five-Year Vision of being the most trusted health insurer and provider;
- providing focus on Group and Functional priorities to be more effective and efficient, including strengthening governance and controlAccountabilities and streamlining advisory activities; and
- leading significant advances in finance delivery processes.

The financial targets and actual performance for the 2019 MBS are set out in the table on the next page. Based on a formulaic outcome of the MBS, the payout for the Group CEO would have been £515,527, representing an actual payout of 43.9% of salary and the payout for the CFO would have been £165,532, representing an actual payout of 61.8% of salary. As detailed in the Committee Chair’s letter, the Committee decided to look past the formulaic outcome of the MBS and chose to exercise discretion to reduce the MBS payments of the Executive Directors to 20% of salary.

Directors’ remuneration report

Part 2: Implementation

Strategic Report / Governance / Financial Statements

Part 1: Committee Chair’s letter continued

Part 2: Implementation
Part 2: Implementation continued

CEO pay ratio

New regulations for listed companies require them to report on the pay ratio of the Group CEO to UK employees. While Bupa is not obliged to comply with these regulations, the Committee has chosen to adopt them and provide full disclosure. The regulations allow for three potential approaches in calculating the pay ratio and the Committee has agreed to adopt Option B, which entails using the most recent gender pay gap information to identify and select employees at the 25th, 50th and 75th percentiles. This methodology was chosen as it is made up of all UK employees from Bupa’s insurance, corporate and provision businesses. To ensure that the results are representative of the employee population’s pay and benefits at those quartiles, Bupa has chosen to use a median value of the pay and benefits for the 15 employees above and below, and including, the individual at the given quartile. This approach was taken to allow for any leavers through the year given Bupa’s large and diverse workforce. In considering the pay ratios presented, the Committee noted that the remuneration of the Group CEO has a higher proportion of variable pay, linked to corporate performance, in comparison with the employee population. For 2019, the one-off 2019 Transition Award has inflated the total remuneration figure considerably. By excluding the one-off Transition Award and using the sub-total figures from the Single total figure of remuneration table, the resultant ratio of 961 is more reflective of a normal year’s remuneration. A further point of note is that the employee population of Bupa is largely made up of our people in provision businesses and pay is reflective of that industry, rather than the insurance sector.

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

Remuneration paid to all employees1

In 2019, the single total figure of remuneration from Bupa’s insurance, corporate and provision businesses was £565m. This figure from the Single total figure of remuneration table, the resultant ratio of 961 is more reflective of a normal year’s remuneration. A further point of note is that the employee population of Bupa is largely made up of our people in provision businesses and pay is reflective of that industry, rather than the insurance sector.

1. Remuneration paid to all employees includes staff costs relating to wages and salaries as found in Note 2.31 (page 155).

Relative importance of spend on pay

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

The table to the right shows the change in salary, benefits and short term incentives (annual bonus) for the Group CEO in 2019 compared with 2018 alongside a corresponding average figure for the Bupa employee comparator group. The UK salaried population has been chosen by the Committee as the most appropriate comparison, as the Group CEO is located in the UK. The percentage change in salary for the employee population is a view of 1 April 2019 increases only and does not reflect increases awarded through the year.

<table>
<thead>
<tr>
<th>Year</th>
<th>CEO</th>
<th>Salary (single figure of total remuneration) (£000)</th>
<th>Annual bonus (against maximum opportunity) %</th>
<th>Long term incentive vesting rates against maximum opportunity %</th>
<th>GPP vesting rates against maximum opportunity %</th>
<th>GPP Transition Award vesting rates against maximum opportunity %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Evelyn Bourke</td>
<td>3,646</td>
<td>10%</td>
<td>50%</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>2018</td>
<td>Evelyn Bourke</td>
<td>3,078</td>
<td>45%</td>
<td>16%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>Evelyn Bourke</td>
<td>2,511</td>
<td>64%</td>
<td>41%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>Evelyn Bourke</td>
<td>1,837</td>
<td>56%</td>
<td>44%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>Stuart Fletcher</td>
<td>1,353</td>
<td>46%</td>
<td>44%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1. Evelyn Bourke was appointed Group CEO on 25 July 2016.
2. Figure corrected from 2016 Annual Report.
3. Stuart Fletcher left Bupa on 31 May 2016; his annual bonus reflects a pro-rated payment.

Historical

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

<table>
<thead>
<tr>
<th>Year</th>
<th>CEO</th>
<th>Salary (effective from 1 April 2020)</th>
<th>Annual bonus (effective from 1 January 2020)</th>
<th>MBS and GPP (target opportunity)</th>
<th>GPP (target opportunity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Evelyn Bourke</td>
<td>£900,000 (2.9% increase)</td>
<td>(down from 30% salary in 2019)</td>
<td>Target opportunity – 100% salary</td>
<td>Target opportunity – 137.5% salary (£1,203,125)</td>
</tr>
<tr>
<td>2018</td>
<td>Evelyn Bourke</td>
<td>£8,052,000 (30% salary)</td>
<td>(down from 30% salary in 2018)</td>
<td>Maximum opportunity – 200% salary</td>
<td>Maximum opportunity – 275% salary (£2,406,250)</td>
</tr>
</tbody>
</table>

1. Based on salary awarded in 2020.
2. GPP award based on salary as at 1 March 2020.

For 2020 onwards, the MBS and GPP have been designed, in line with the Remuneration Policy, to support Bupa’s Strategic Framework. The targets and the weighting of these were carefully considered to ensure the right balance of financial and non-financial measures in the short term and the long term.

Payments to former Directors (audited)

There were no payments for loss of office for Former Executive Directors for 2019. Those NEDs who stopped down during the year did not receive any payment for loss of office.

Chairman and Non-Executive Director fees

During 2019, the fee for the Chairman was reviewed by the Committee and the fees for the Non-Executive Directors were reviewed by the Chairman and the Executive Directors. The Chairman’s fee was not increased this year and the Non-Executive Director basic fee was increased by 2.9% with effect from 1 July 2019. The Senior Independent Director fee was aligned with the Committee Chair fee on the basis that the amount of work and the accountability is similar, resulting in an increase in the fee from £170,000 to £250,000 (47.1%).

The current fee levels are set out in the table on the right. Please note that membership of the CRS Committee does not attach a fee.
**Directors’ remuneration report Part 2: Implementation continued**

### Single total figure of remuneration 2019 – NEDs (audited)

<table>
<thead>
<tr>
<th>NED</th>
<th>Fees £000</th>
<th>Benefits £000</th>
<th>Total £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roger Blair (Chairman)</td>
<td>80</td>
<td>81</td>
<td>161</td>
</tr>
<tr>
<td>Simon Blair</td>
<td>2</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Paul Evans</td>
<td>88</td>
<td>14</td>
<td>102</td>
</tr>
<tr>
<td>Peter Hughes</td>
<td>56</td>
<td>15</td>
<td>71</td>
</tr>
<tr>
<td>Martin Houston</td>
<td>99</td>
<td>38</td>
<td>137</td>
</tr>
<tr>
<td>Callum Keers</td>
<td>13</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>Nick Lyons</td>
<td>88</td>
<td>14</td>
<td>102</td>
</tr>
<tr>
<td>Matías Rodríguez Inciarte</td>
<td>78</td>
<td>24</td>
<td>102</td>
</tr>
<tr>
<td>Prof. Sir John Tooke</td>
<td>60</td>
<td>38</td>
<td>98</td>
</tr>
<tr>
<td>Cath Keers</td>
<td>191</td>
<td>60</td>
<td>251</td>
</tr>
<tr>
<td>Clare Thompson</td>
<td>128</td>
<td>16</td>
<td>144</td>
</tr>
<tr>
<td>Prof. Sir John Tooke</td>
<td>41</td>
<td>14</td>
<td>55</td>
</tr>
<tr>
<td>Cath Keers</td>
<td>78</td>
<td>14</td>
<td>92</td>
</tr>
</tbody>
</table>

Total: 1,278 £000

1. Travel and subsistence expenses for attending meetings at Bupa’s head office are treated as taxable income. All NED expenses in relation to this are grossed up to meet the costs of the additional tax and NI.
2. The 2019 fees for Simon Blair exclude £85,000 in respect of his services as a NED of Bupa Chile S.A. He retired from the Board on 11 January 2019.
3. The 2019 figures for Paul Evans exclude £64,100 in fees and £33,209 interest. In respect of his services as a NED of Bupa Insurance Limited and Bupa Insurance Services Limited, he retired from the Board on 1 November 2018.
4. Michael Houston was appointed as a NED on 1 January 2019. His 2019 fees exclude £79,210 in respect of his services as Deputy Chairman of Bupa Australia and New Zealand.
5. The 2019 fees for Martin Houston exclude S440,000 (2019 fees exclude S440,000 in respect of his services as a NED of Bupa Americas for Associated Global Insurance Company, an associate of Bupa.)
6. Claire Thompson was appointed as a NED on 1 January 2019. Her 2019 fees exclude £148,200 in respect of her services as NED of Santitas, S.A. de Seguros.
7. Prof. Martín Sanz-Sánchez was appointed as a NED on 31 October 2018.
8. The 2019 fees for Claire Thompson exclude £73,200 (2018 fees exclude £73,300) in respect of other services as a NED of Bupa Insurance Limited and Bupa Insurance Services Limited from 1 January 2019 to 30 June 2019.
9. The 2019 fees for Prof. Sir John Tooke exclude £60,000 in respect of his services as a NED of Prof. Sir John Tooke Ltd.

---

A resolution is being put to the AGM in May 2020 to authorise an increase in the maximum amount per annum available for NED remuneration from £1,500,000 to £2,000,000. This restriction, which is contained in Bupa’s Articles of Association, takes into account the fees payable to NEDs by subsidiary companies.

### Committee Governance

Martin Houston has chaired the Remuneration Committee from 11 June 2014 until he stepped down on 31 December 2019. Cath Keers was appointed Chair of the Committee from 1 January 2020.

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

The Committee presented the 2018 DRR at the AGM in May 2019 and was approved by the AGM.\n
Mercer was appointed by the Remuneration Committee as its independent adviser in 2019. The appointment is reviewed every year and Mercers re-appointment was confirmed in July 2019. The Committee decided that the independence of the Remuneration Committee and the information and advice received has meant no links to any issues or pronouncements have been made.

The Terms of Reference of the Committee were reviewed by the Committee and adopted by the Board in December 2019. A full description of the terms of reference of the Committee is set out in its Terms of Reference on bupa.com.

---

### Remuneration table – Executive Directors

<table>
<thead>
<tr>
<th>Purpose and role in strategy</th>
<th>Base salary</th>
<th>Management Bonus Scheme</th>
<th>Group Performance Plan</th>
<th>Pension</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>To drive behaviour and to promote business priorities for the year</td>
<td>To motivate and incentivise delivery of performance over the annual operating plan</td>
<td>To award and retain senior leaders and incentivise performance</td>
<td>To provide a range of benefits</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The aim of Bupa’s Remuneration Policy is to promote the long term success of the Company and motivate management to deliver strong and sustainable business performance aligned with Bupa’s purpose of helping people live longer, healthier, happier lives. The policy is intended to deliver a level and mix of remuneration competitive with a similar scale and complexity. The proposed policy is subject to an advisory vote by AHTs at the 2020 AGM in May 2020. If approved, it will apply immediately, for up to three years.

---

### Performance metrics

- No gain on exercise of options.
- Management bonus scheme (MBS) payments are based on annual performance against a set of business goals. The bonus is paid out in cash, with no retention element.
- Financial, non-financial, and HR goals are set to drive business priorities and align with the business strategy.
- The maximum bonus opportunity will not exceed 200% of base salary.
- The maximum award will not exceed 275% of base salary.
- The maximum award will not exceed 250% of base salary.
- Executive Directors receive minimum employee contributions of up to 20% of base salary.
- Executive Directors are appointed on or after 1 January 2020 receive employer contributions in line with the rest of the workforce.
Malus and clawback
Malus and clawback provisions may be operated at the discretion of the Committee in respect of awards granted under the MB, LTIP and GPP. Malus (under which awards may be reduced, cancelled or made subject to additional conditions) may be applied prior to the payment of the award. Clawback (requiring a repayment of cash which has been delivered) may be operated for up to three years following payment of the GPP and the non-deferred element of the MB, and five years from grant of the LTIP.

Illustrations of the application of the Remuneration Policy
Bupa aims to provide a balance of fixed and variable compensation that provides stability whilst also incentivising superior business performance. At target, over 50% of the Executive Directors’ remuneration is based on individual and Company performance. This graph illustrates the potential remuneration outcomes for different levels of performance using the incumbents’ salaries as at 1 April 2019 to calculate the MB values and 1 March 2019 to calculate the GPP values.

Remuneration at various levels of performance (£000)

<table>
<thead>
<tr>
<th>Evelyn Bourke, Group CEO</th>
<th>Joy Linton, Group CFO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Fixed pay</td>
<td>On target¹</td>
</tr>
<tr>
<td>£900</td>
<td>£225</td>
</tr>
<tr>
<td>£1,180</td>
<td>£2,383</td>
</tr>
</tbody>
</table>

1. On-target figures have been calculated on the basis that Bupa achieves target financial and non-financial performance, and the individual performance multiplier is set at 100%.
2. Maximum figures have been calculated on the basis that Bupa achieves maximum financial and non-financial performance, and the individual performance multiplier is set at 150%.

Performance measures and target setting
Measures and targets for the MBS are aligned to delivery of Bupa’s annual operating plan and may include personal objectives that change from year to year. Measures for the GPP are set by the Committee taking into account internal and external reference points which include historic Bupa performance, internal forward-looking plans and broader market trends.

Approach to Remuneration Policy on recruitment of an Executive Director
Our approach to remuneration on recruitment is to pay no more than is necessary and appropriate to attract the right talent to the role.

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

It would be expected that the structure and quantum of the variable pay elements would reflect those set out in the policy table. The Committee reserves the right to make any remuneration payments or payments for loss of office where the terms of the payment were agreed (i) before the Remuneration Policy came into effect, or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

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

In some circumstances, it may also be necessary to set up additional or alternative arrangements including but not limited to:
- relocation-related expenses; and
- international assignment allowances and expenses.

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

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

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

A small number of senior managers across Bupa participate in the GPP, based on the same framework as the Executive Directors, with award levels calculated as a percentage of salary based on their level of seniority and accountability. Vesting of the awards is dependent on performance against specific financial and non-financial measures over a one-year performance period. Junior employees are not eligible for GPP awards.

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

The table summarises the key elements of our policy on payment for loss of office in compliance with the relevant plan rules and local employment legislation. Any payments made due to loss of office may take into account malus or clawback provisions as set out on page 82.

**Service contracts for Executive Directors**

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

---

### Policy

<table>
<thead>
<tr>
<th>Policy</th>
<th>Committee response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notice period and compensation for loss of office in service contracts</td>
<td>- 12 months’ notice from the Company to the Executive Director. - Up to 12 months’ base salary (in line with the notice period). Notice period payments will either be made as normal (if the Executive Director continues to work during the notice period) or on ‘gardening leave’ or at the termination date for any unexpired notice period.</td>
</tr>
</tbody>
</table>

| Treatment of MBS on loss of office under plan rules | - The Committee may make an MBS payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual’s performance up to cessation. Any such payment is at the discretion of the Committee. - Any MBS will be paid at the normal time following the end of the performance year. |

| Treatment of GPP on loss of office under plan rules | - The Committee may make a GPP payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual’s performance up to cessation. Any such payment is at the discretion of the Committee. - Any GPP will be paid at the normal time following the end of the deferral period. |

| Treatment of LTIP on loss of office under plan rules | - An Executive Director’s award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period if the reason for leaving is redundancy, pre-agreed retirement, early retirement on the grounds of ill health, death or any other special circumstance agreed by the Committee. In these cases, final awards will be pro-rated based on completed months of service. The period of active employment excludes any period of ‘gardening leave’ or other such period when the Executive Director was legally employed but not required to actively carry out their duties. For any other reason, they will not be eligible for an LTIP payment. - Any LTIP payment will be paid at the normal time, e.g., in April following the end of the performance period, or two years later for any deferral. |

Pension and benefits | - Generally, pension and benefit provisions will continue to apply until the termination date. |

---

### Remuneration Policy table – NEDs

**Service contracts for NEDs**

The terms of engagement for the Non-Executive Directors (NEDs) of Bupa set out the fees and benefits to which they are entitled as well as the expectation of the time commitment required to effectively perform their role.Copies of the terms of engagement are available on bupa.com.

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

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

---

**Directors’ remuneration report**

**Part 3: Policy continued**

**Policy Committee response**

**Notice period and compensation for loss of office in service contracts**

- 12 months’ notice from the Company to the Executive Director.
- Up to 12 months’ base salary (in line with the notice period). Notice period payments will either be made as normal (if the Executive Director continues to work during the notice period) or on ‘gardening leave’ or at the termination date for any unexpired notice period.

**Treatment of MBS on loss of office under plan rules**

- The Committee may make an MBS payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual’s performance up to cessation. Any such payment is at the discretion of the Committee.
- Any MBS will be paid at the normal time following the end of the performance year.

**Treatment of GPP on loss of office under plan rules**

- The Committee may make a GPP payment for the year of cessation depending on the reason for leaving. Typically, the Committee will take into consideration the period served during the year and the individual’s performance up to cessation. Any such payment is at the discretion of the Committee.
- Any GPP will be paid at the normal time following the end of the deferral period.

**Treatment of LTIP on loss of office under plan rules**

- An Executive Director’s award will vest in accordance with the terms of the plan and satisfaction of performance conditions measured at the normal completion of the performance period if the reason for leaving is redundancy, pre-agreed retirement, early retirement on the grounds of ill health, death or any other special circumstance agreed by the Committee. In these cases, final awards will be pro-rated based on completed months of service. The period of active employment excludes any period of ‘gardening leave’ or other such period when the Executive Director was legally employed but not required to actively carry out their duties. For any other reason, they will not be eligible for an LTIP payment.
- Any LTIP payment will be paid at the normal time, e.g., in April following the end of the performance period, or two years later for any deferral.

**Pension and benefits**

- Generally, pension and benefit provisions will continue to apply until the termination date.
**Board and Committee attendance in 2019**

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of meetings held</th>
<th>Board</th>
<th>Audit Committee</th>
<th>Nomination and Governance Committee</th>
<th>Remuneration Committee</th>
<th>Risk Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evelyn Bourke</td>
<td>10</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Corrin</td>
<td>1/12</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paul Davis</td>
<td>1/12</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michael Hawker</td>
<td>8/12</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Martin Hawker</td>
<td>6/12</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matías Rodríguez</td>
<td>10/12</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cath Keers</td>
<td>6/12</td>
<td>2/2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caroline Silver</td>
<td>9/12</td>
<td>4/8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nicholas Lyons</td>
<td>7/12</td>
<td>7/8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sir John Taylor</td>
<td>5/12</td>
<td>1/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Martin Wills</td>
<td>5/12</td>
<td>4/5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Other statutory information**

**Insurance and indemnities**

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

**Disclosure compliance**

The Strategic Report and the audited financial statements are presented on pages 1-41 and from page 89 respectively. The Governance Report on pages 42-81 comprises the Directors’ Report. The following disclosures required to be contained in the Directors’ Report are set out on the pages referred to below and incorporated by reference in this Directors’ Report:

- **Disclosure**
  - Location: Page 54
  - Financial instruments: Note 25 page 54
  - Risk management objectives and policies: Note 25 pages 50-52
  - Likely future business developments: Strategic Report page 1
  - Acquisitions and disposals: Note 25 page 54
  - Financial results: Financial performance page 21
  - Relationships with suppliers, customers and others: Engagement with our stakeholders page 54

**Going concern**

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operation for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The going concern assumption in note 31 Basis of Preparation on page 102 includes information on the Directors’ detailed assessment of the Group’s status as a going concern based on its current position and forecast results.

**Longer-term viability**

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

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

**Assessment of emerging and principal risks**

The principal and significant risks to the Group, and how they are being mitigated, are set out in the Risks section on page 27. The Risks section also describes the RMF which sets out Bupa’s process for the ongoing identification and management of these risks and emerging risks. These are reported to the Risk Committee on a regular basis through reports from the CRO, and any proposed changes in risk appetite are reviewed by the Risk Committee and approved by the Board. The Risk Committee’s report on page 66 explains its activities in relation to emerging risks during the year.

**Effectiveness of risk management and internal control systems**

The Risk and Audit Committees monitor the Group’s risk management and internal control systems on behalf of the Board on a continuous basis through regular reports from the CRO and CAO. This includes material financial, operational and compliance controls. An annual assessment of the Group’s risk management and internal control systems is undertaken by management through the ICRA process which is reviewed by the Risk function. Management’s assessment during 2019 was that Bupa generally has a sound system of risk management and internal control, with some weaknesses in internal controls which are being addressed by management and monitored by the Risk and Audit Committees. This view was broadly supported by the Risk function. The CAO also provides an annual opinion to the Audit Committee and the Board on the level of assurance that the Committee can place on the Group’s systems of internal control. In relation to 2019, the CAO’s opinion noted that there is generally a sound system of internal control, with improvements during the year on risk culture and awareness.

**Political donations**

Our policy is not to make political donations and we confirm that no political donations were made, nor any political expenditure incurred within the definition contained in Section 364 of the Companies Act 2006 (as amended). In line with many large companies, we are proposing a resolution at our 2020 AGM to authorise the Group to make political donations given the wide definition in Section 364 of what constitutes a political donation.

**Charitable donations**

During the year, the Group donated a total of £7.3m to charitable causes with £1.9m being donated to charitable causes in the UK. Of the UK donations, £1.6m was donated to the Bupa UK Foundation, £36.0m to match fundraising by our employees, £50,000 related to community grants, £27.0m in relation to charitable donations in healthcare to the Bupa Foundation, and a further £86,000 in relation to various charities. The total donations by the Company to the Bupa UK Foundation was £1.58m. Further information on our charitable and community activities can be found in the Corporate responsibility and sustainability section on page 22.

**Branches**

The Company has an inactive branch in Cyprus.

**Articles of Association**

The Company is limited by guarantee and as such has no share capital nor any traded securities. The AMs have one vote each on business at general meetings. The Company’s Articles of Association require all Directors to be AMs. The Directors have the authority to appoint non-AM Directors. A Director may be appointed by ordinary resolution or by a decision of the Directors.
A Director’s appointment ceases in a variety of circumstances including resignation, becoming prohibited from being a director by law, bankruptcy, ceasing to be an AM, incapacity or being removed from a medical register if a qualified medical practitioner, being requested to resign in writing by at least three-quarters of the other Directors, or by ordinary resolution given on special notice.

Statement of Directors’ responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements, in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and the Parent Company financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with IFRS as adopted by the EU
- assess the Group and Parent Company’s ability to continue as a going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for AMs to assess the Group’s position and performance, business model and strategy.

The Directors have decided to prepare, voluntarily, a Directors’ Remuneration Report in accordance with Schedule 8 to The Large and Medium-Sized Companies and Groups Accounts and Reports) Regulations 2008 made under the Companies Act 2006 (as amended), as if those requirements were to apply to the Company.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the External Auditor

The Directors who held office at the date of approval of this Directors’ Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company’s External Auditor is unaware; and each Director has taken all the steps which they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Company’s External Auditor is aware of that information.

External Auditor re-appointment

A resolution to re-appoint KPMG LLP as External Auditor will be put to the forthcoming Annual General Meeting of the Company.

By order of the Board.

Colin Campbell
Group Company Secretary
4 March 2020
Company number: 432511