Annual Report 2019
Bupa’s purpose is helping people live longer, healthier, happier lives. With no shareholders, we reinvest profits to benefit our current and future customers. We provide health insurance to 17.5m people around the world. We have health provision businesses and provide residential aged care services in selected markets.

Financial and non-financial highlights

Revenue
£12.3bn
-4% AER 2018: £12.8bn
-5% CER 2018: £12.7bn

Statutory (loss)/profit before taxation
£(78)m
AER 2018: £529m

Underlying profit
£416m
-32% AER 2018: £653m
-31% CER 2018: £600m

Net cash generated from operating activities
£697m
-5% AER 2018: £703m

Solvency II capital coverage ratio
159%
2018: 166%

- Simplified our organisational structure to accelerate organic growth and unlock cost efficiencies while strengthening governance
- Increased customers to 33.3m (2018: 30.0m) with improved Net Promoter System (NPS) scores across Bupa
- Strengthened our market positions:
  - Remained a leading health insurer in Australia; began providing healthcare services to 85,000 ADF personnel
  - Grew UK health insurance portfolio; launched our Bupa Touch digital portal and established a Family Mental HealthLine service
  - Extended Spanish bancassurance agreement with BBVA to 2033; grew Blue digital proposition to over 480,000 customers
  - Progressed integration of Bupa Acibadem Sigorta in Turkey
  - Renewed SABIC contract in Bupa Arabia
- Completed transition to our new partner in India, True North
- Advanced multi-year strategic programme to enhance security and privacy, ensure operational resilience and digitalise customer experience
- Developed our Environmental Social and Governance (ESG) agenda
- Employee engagement scored 78 out of 100 in our People Pulse survey

1. We use actual average exchange rates (AER) to compare performance in a consistent manner with the prior year. We have stated certain 2018 results using 2019 average foreign exchange rates. Actual average foreign exchange (AER) are as follows:
   - £12.3bn
   - £78m
   - £416m
   - £697m
   - 159%

2. Revenues from our associates are excluded from the Group’s data. Customer numbers and economic share of post-tax operating profit are based on the contribution from each of the Group’s businesses and not on the consolidated revenue or profits to benefit our current and future customers. We provide health insurance to 17.5m people around the world. We have health provision businesses and provide residential aged care services in selected markets.

3. Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit measures exclude certain items that are included in statutory profit and loss accounts in order to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as unrealised movements and special items of share price appreciation on intangible assets, in order to facilitate year-on-year comparison. Underlying profit is calculated as follows:
   - Underlying profit: £416m
   - AER 2018: £653m
   - CER 2018: £600m

4. The 2018 Solvency II capital coverage ratio is an estimated value and unaudited.

5. 2018 Solvency II capital coverage position of 191% after taking into consideration the impact of IFRS 16 (18ppts) and the acquisition of Acibadem Sigorta (15ppts).

6. Following a change in methodology, 2018 provision customer numbers have been restated.

7. Australian Defence Force
Bupa at a glance

Overview

We are an international health insurer and provider. Over the past 70 years, our global footprint has grown from our origins in the UK to Australia, Spain, Poland, Chile, New Zealand, Hong Kong, Turkey, the US, Brazil, the Middle East and India. We have valuable partnerships with our associate businesses in Saudi Arabia and India.

We are organised as a matrix across Market Units, which lead our operations in the regions where we are present. Business Units (see right) and Global Functions, which provide support to our Market Units. Each Market Unit and Global Function is structured to ensure effective governance and oversight, in line with local market conditions, healthcare systems, in-market regulations and customer needs.

Our business lines

Health insurance

73% of total revenue

We have a strong domestic health insurance presence in the UK, Australia, Spain, Saudia Arabia, Chile, Hong Kong, Turkey, India and Brazil. We also offer international private medical insurance (IPMI) to our globally mobile customers through Bupa Global.

Dental

We have around 1,200 dental centres across the UK, Ireland, Australia, Spain, Chile, Poland, Hong Kong, Brazil and through Bupa Global.

Aged care

8% of total revenue

We have a life care business in Australia, New Zealand, the UK and Spain.

Our presence

We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong, Brazil and through Bupa Global. We have around 1,000 dental centres across the UK, Ireland, Australia, Spain, Chile, New Zealand, Poland, Brazil and Hong Kong. We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong, Brazil and through Bupa Global.

Our Market Units

Australia and New Zealand

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

Europe and Latin America

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

Aged care

Aged care residents

Australia: 3,3m
Spain: 3,8m
UK: 2,8m
Bupa Arabia*: 450

Healthcare provision customers

Australia: 3.3m
Spain: 2.8m
UK: 2.8m
Bupa Arabia*: 450

Distribution

Domestic

Associates

Revenue by Market Unit

1 Australia and New Zealand 58%
2 Europe and Latin America 27%
3 Bupa Global and UK 27%
4 Other businesses 4%

1. - Revenues from our associate businesses are excluded in our reported figures.
2. - Customer numbers and economic share of profits from these businesses are included in our reported figures.
3. - Bupa Global Latin America was recently restructured into three Business Units: Bupa Mexico, CarePlus in Brazil and Bupa Global Latin America.
4. - Bupa Global includes Bupa Global European Economic Area and associate business Health Insurance Europe (Geosurf) in the US.

Strategic Report / Governance / Financial Statements
Chairman’s statement

In the Strategic Report, Evelyn, Joy and the CEOs of our Market Units summarise our results for 2019. They reflect the challenges we are experiencing in our Australian health insurance and aged care businesses, and in UK dental as well as our decision to make continued significant investments to enable future growth. Our results also show improvements of goodwill and intangible assets arising mainly in UK dental and aged care businesses. Despite this, our financial position remains strong. We are committed to growing sustainably, taking a long term view as well as managing near term performance.

In 2019, Bupa set out a new Five-Year Vision to be ‘the most trusted health insurer and provider’, underpinned by our Strategic Framework (see more on page 10). Being the most trusted health insurer and provider means being the preferred choice for customers, being a great place to work, being recommended by partners, and being trusted by regulators and governments alike.

2019 saw increased public debate about the roles of companies in society and widespread social and political uncertainty. There is increasing emphasis on corporate citizenship and all organisations are being challenged to demonstrate that they are creating shared value across society, their communities and the wider world.

Bupa has a powerful and enduring purpose as an organisation that exists to help people live longer, healthier, happier lives.

Roger Davis
Chairman

Our 2019 results reflect tough market conditions and operational challenges in some of our key markets, especially Australia and UK dental, and our continued significant investment in technology to enable long term sustainable growth.

At CER, Group revenue grew by 5% to £12.3bn and underlying profit declined 3% year on year. The statutory loss before tax of £78m at AER includes non-cash items of £641m, notably goodwill impairments in our UK dental business (£226m) and Australian aged care business (£177m).

The principal drivers of underlying performance were:

- Lower profits in Health Insurance and losses in Aged Care in Australia. In health insurance, revenue was stable, underlying profit decreased due to claims inflation, which was greater than the government-approved rate increase. We are focused on improving and optimising our propositions and controlling costs, as well as advocating for sector reform. We remain a leading health insurer in Australia with improved customer satisfaction and retention. In aged care, we are investing to address compliance and service issues which, together with lower occupancy and sector funding issues, significantly affected performance. We have a new management team and have made significant improvements.

- Investment in technology capabilities. This is the second year of our multi-year investment programme in the Group and impacted profits across at Market Units. It is further enhancing security and privacy, as well as digitising the customer experience, improving the experience for all of our customers.

- Trading conditions in our UK dental business. While we grew our market position through acquisitions, underlying profit fell due to issues with the availability of dental staff across the sector. We are confident in the steps we’re taking to address these pressures and in the longer term contribution of this business.

- Trading conditions in Bupa Chile, due to the sector-wide delay in the Government’s approval of the premium rate increase as well as the broader impact of social unrest. Our solvency capital position is unaffected by the goodwill impairments and remains solid through good operational capital generation. Our solvency II debt ratings remained unchanged.

In September, we launched our new Five-Year Vision across Bupa and refreshed our Strategic Framework. This sets out our global priorities across three pillars: customer, people and performance. We have defined clear goals and measures to achieve our vision of being the most trusted health insurer and provider. It sets out clear ambitions which shape our decision-making and direct our planning for the next phase of Bupa’s growth.

As announced at the half year, we simplified our organisation structure moving from four to three Market Units, improving scale and efficiency. The situation is developing rapidly, so we are focused on delivering operational resilience and long term sustainable growth. We will continue to improve our offer for our customers, further strengthening our brand and market positions. We will also make a positive contribution to the wider community, particularly mental wellbeing, and we are taking action on climate change.

Like many other companies, we are closely monitoring the COVID-19 outbreak as it evolves. This situation is developing rapidly and at this stage our efforts are focusing on managing the impact on our customers, people and supply chain.

In the Breed for Breathe, last March our new authorised insurer in Ireland, Bupa Ireland DAC, began operating serving international Private Medical Insurance (PMI) customers living in the EU but outside the UK and Ireland. Our associated business in Saudi Arabia, was reappointed as the health insurer for the key SABIC, AEGON and IHI projects. Bupa Turkey is progressing well and we have grown the portfolio since acquisition in January 2019. Across Bupa, we advanced our corporate responsibility and sustainability (CRS) agenda, developing our position on Environmental Social and Governance (ESG). We created a CSR Advisory Committee, with non-executive director and management representation. We strengthened our responsible investment standards for our return-seeking assets portfolio. We introduced a global focus on mental health and wellbeing for the community and our people. Our global People Pulse survey of employees showed an employee engagement score of 78 out of 100. We are on track to deliver our environmental targets, having increased our use of renewable energy year-on-year.

Outlook

We anticipate near term trading conditions will continue to be challenging, particularly in Australia and UK dental.

However, the strength of our core health insurance businesses and our strong balance sheet and capital position enables us to continue to invest in technology capabilities. While this will impact profitability in the short term, we are continuing to control costs and are focused on delivering operational resilience and long term sustainable growth. We will continue to improve our offer for our customers, further strengthening our brand and market positions. We will also make a positive contribution to the wider community, particularly mental wellbeing, and we are taking action on climate change.

Evelyn Bourke
Group CEO

1. Following a change in methodology, 2018 provision customer numbers have been restated.

Group CEO’s review

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Group CEO

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Our business model

We are an international health insurer and provider, with our businesses and operations tailored to local market conditions, healthcare systems, in-market regulations and customer needs. Everything we do is guided by our Strategic Framework and Five-Year Vision. By executing our strategy and delivering our vision, we will create value for our customers, people, partners and society.

What we do

We are primarily a health insurer. Health insurance accounts for 73% of our total revenue with 17.5m insurance customers worldwide.

We provide:
- Our main business is health insurance for corporate customers, small and medium-sized enterprises (SMEs) and for individual customers.
- International Private Medical Insurance (IPMI) through our Bupa Global businesses, for customers wanting access to quality healthcare, wherever and whenever they need it.
- Dental insurance and travel insurance in selected countries.
- Additional health funding products, such as subscriptions and cash plans.
- We also deliver third-party administration services in selected markets.

We are also a health provider. Health provision accounts for 19% of our total revenue, comprising 370 health clinics, 20 hospitals and around 1,000 dental centres, serving around 15.8m people globally.

We provide:
- Health clinics: Services include health assessments, GP services, fertility services and physiotherapy. We also have outpatient and specialty clinics.
- Hospitals: We run hospitals in some of the countries we operate in.

We offer dental services across our health insurance and provision businesses. Dental is a key area for growth for Bupa, giving us a retail presence to bring us closer to our customers.

We provide:
- A wide network of around 1,000 dental centres across a number of countries.
- Dental insurance and funding products in most of our markets.

Residential aged care accounts for 8% of our total revenue, caring for around 22,000 residents.

We provide:
- Aged care services in Australia, New Zealand, the UK and Spain.

What we do

We aim to have leading market positions in health insurance and believe our focus on health ensures that we are well positioned to meet our customers’ needs.

Our IPMI business, Bupa Global, gives customers access to a global network of quality facilities and professionals.

We provide services to complement our insurance businesses to create a seamless experience for our customers.

We operate a network of quality practices and professionals in a number of countries. Each practice offers a tailored, personalised service, in line with local needs. We aim to develop global standards and knowledge sharing between our dental businesses around the world.

Who we create value for

We work to:
- create shared value for our partners including health providers, brokers and distributors.
- make a difference through volunteering, community partnerships and contributions.
- take care of the environment and address climate change and its health impacts.

Status and purpose

A private company limited by guarantee without shareholders, with profits reinvested in the business.

Financial strength

A robust capital base and strong financial position.

Risk management

A culture of strong risk management.

Brand health

Our brand is known and trusted for quality and health expertise.

Resources

People

We work to:
- deliver exceptional customer service
- harness digitalisation, data and analytics to drive improvements
- innovate to meet and exceed customer expectations;
- keep our customers’ data safe.

Partners

We work to:
- create shared value for our partners including health providers, brokers and distributors.

Society

We work to:
- make a difference through volunteering, community partnerships and contributions.
- take care of the environment and address climate change and its health impacts.

See our Strategic Framework and Five-Year Vision on P10

See Corporate Responsibility and Sustainability on P22

Customers

We work to:
- promote a positive, inclusive working environment
- create opportunities for people to grow and develop;
- enable people to manage their health and wellbeing.

See People on P16

See Customers on P12
External context

Healthcare and health insurance are highly regulated industries, and our operations are localised to reflect this. We are also impacted by global trends across markets, which shape our global and local priorities.

Global trends influencing our markets

Macroeconomic context

Global macroeconomic growth has slowed, largely driven by a slowdown in global trade. This has mostly impacted mature economies, while growth continues in emerging markets and developing economies.

Our response
- We actively monitor and respond to the economic climate that each of our businesses operate in.
- We are committed to maintaining our strength and scale in mature markets, while selectively seeking to grow our businesses in fast-growing markets, while selectively seeking to grow our businesses in fast-growing and developing economies.

Social and political change

Social unrest, populism and uncertainty have increased in a number of countries. Stakeholders are emphasising the importance of good corporate citizenship and corporate purpose.

Our response
- We are closely managing our environmental impact and actively promoting positive environmental practices.
- We are increasing our use of renewable energy and are committed to reducing our carbon footprint.
- We are making progress in understanding, assessing and overseeing the risk of climate change that impact the Bupa Group.
- We are defining our next level of ambition to strengthen our response in line with the latest understanding of climate change and rising stakeholder expectations.
- As an expert in health and care, we are seeking to better understand and mitigate the health impacts of climate change.

Climate change

The impact of climate change is a global concern.

Our response
- As an expert in health and care, we are seeking to better understand and mitigate the health impacts of climate change.
- We are defining our next level of ambition to strengthen our response in line with the latest understanding of climate change and rising stakeholder expectations.
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Healthcare trends influencing our markets

Cost pressures in the healthcare market

Demand for healthcare is growing, driven by increasing life expectancy, the rise of chronic illness, and growth in demand in developing markets.

Some of this demand is being met by costly long term treatments, as well as innovative but costly health technologies. As a result, medical costs are rising faster than general inflation. Those operating in the healthcare sector are confronted by the challenges of the ever-rising demand and ensuring future affordability of healthcare for wider society.

Our response
- As a health insurer and provider, we leverage our own provision businesses and develop strong relationships with provider networks to ensure that our customers have access to affordable and effective healthcare.
- We tailor our operations in line with local market dynamics, healthcare systems, regulations and customer preferences, and work closely with governments and regulators to advocate the ongoing affordability of healthcare.
- We focus on innovating our products and services to deliver affordable solutions for our customers.

Changing consumer expectations

Consumer behaviours in healthcare are changing with increasing demand for digital services.

Consumers are becoming more selective in their purchasing, seeking faster, more personalised digital solutions, 24/7. With more providers in the healthcare sector, there is increased consumer volatility as customers switch between health funders and providers in search of value.

Our response
- As a health insurer and provider, we leverage our own provision businesses and develop strong relationships with provider networks to ensure that our customers have access to affordable and effective healthcare.
- We maintain robust clinical governance and care professionals, consumer groups, NGOs and other stakeholders.
- We have progressed our multi-year strategic investment programme to build technology capabilities.

Governments and regulators are placing a greater focus on the quality of care delivered. In particular, ensuring customers are treated safely and effectively, and monitoring the affordability and accessibility of care.

Our response
- As a health insurer and provider, we remain robust clinical governance to uphold and improve the quality of clinical care offered to customers, both from our own provision businesses, as well as our provider partners.
- Across our markets, we engage regularly and constructively with policymakers and regulators, health and care professionals, consumer groups, NGOs and other stakeholders. This enables us to champion issues that matter to our customers and contribute to policy debates.
- We have progressed our multi-year strategic investment programme to build technology capabilities.
Our Five-Year Vision and Strategic Framework

In September 2019, we developed our Five-Year Vision for Bupa and refreshed our Strategic Framework. Our Five-Year Vision encapsulates our strategic choices, by business lines and geographical presence. These are the participation choices we are making to deliver our vision of being the most trusted health insurer and provider.

The Strategic Framework articulates our global priorities across our three pillars – customer, people and performance, including clear goals and measures to achieve our vision of being the most trusted health insurer and provider.

Our purpose
Helping people live longer, healthier, happier lives

Our vision
The most trusted health insurer and provider

Passionate about our customers
- Differentiating Bupa through exceptional products and services
- Harnessing digitalisation, data and analytics, customer insights and innovation
- Developing strong distribution to deliver seamless customer experiences
- Keeping data safe

People make the difference
- Attracting, developing and retaining outstanding people and leaders
- Taking responsibility and accountability
- Creating safe and healthy workplaces
- Celebrating diversity and inclusion

Strong and sustainable performance
- Driving net customer growth, revenue and profit
- Increasing scale in funding, supported by physical and digitally connected provision, with selective expansion
- Enhancing robust risk management and controls
- Embedding corporate responsibility and sustainability to create shared value

Our pillars

- Leaders in our chosen markets
  We aim to have leading positions in all of our health insurance markets.

- Owners in our approach
  Health insurance is the core of our business. We are working to have a scale insurance position in all of our markets and our approach to growth will be insurance-led.

- Selectively expand into new markets
  We aim to selectively enter and build our presence in new markets.

- Owning complementary provision
  We aim to own provision businesses where they complement our health insurance offer and enhance the customer experience.

- Our goals
  - Market-leading position in health funding
  - Customer growth and market-leading NPS scores
  - Strengthen dental performance
  - Growth in innovation and new propositions
  - Strong financial discipline

- Our values
  - Accountable
  - Caring
  - Courageous
  - Authentic
  - Open
  - Passionate
  - Extraordinary

See more on Customers on P2-15
See more on People on P16-19
See more on corporate responsibility and sustainability on P22-25
See more on performance in our Financial Review on P30-33
See more on Risk on P37-41
Customers at the heart of all we do

Our Strategic Framework includes a commitment to being passionate about our customers. We have a number of priorities:

1. Do the right thing

We provide a wide range of products and services to millions of customers around the world. In 2019, we strengthened our Customer Outcomes Policy. This sets high standards for how we identify and monitor risks, resolve issues and ensure that our customers are treated fairly. We expect our people to keep customers at the heart of every decision they make, and to actively plan for and prevent risks to them. Raising awareness of risks and how to manage them helps us to protect our customers.

2. Listen to our customers, using feedback to deliver even better products and services

Customer feedback is central to developing and improving our products and services. (See pages 14 and 14 for progress).

Through surveys, we listen to what our customers are saying. We use technology to connect, analyse and learn from their feedback, sharing themes and bringing the customer voice to life for our people. We know we don’t always get it right. That’s why it’s important that we act on what our customers are telling us, doing more of what customers say we do well and improving the areas they think we can do better. We empower our frontline teams to suggest improvements, so our services improve in line with the everyday interactions our people have with our customers.

3. Keep our customers’ data safe and protect their privacy

In 2019, we continued to invest in technology capabilities. We believe that everyone at Bupa has a role to play in keeping data safe and we support our people with the training to do so. Over the past year, we invested in risk management and operating controls. We are building teams to manage ongoing security operations.

4. Make things easier for our customers, innovating to meet and exceed their expectations

Where our customers need 24/7 access to healthcare, we have strengthened our digital solutions to allow them to interact with us any time of day.

5. Protect our brand

Our brand health is essential for us to be the most trusted health insurer and provider. We use brand tracking insights to inform our brand strategies and continue to focus on the importance of holistic wellbeing, both mental and physical.

6. Track how we are performing

Measurement sits at the centre of driving a customer-centric culture. We continually measure how we are performing and analyse data to understand the causes of pain points for our customers.

Customer metrics are reported throughout the business, from the frontline to our Executive Team and Board, allowing decisions to be made with the customer front of mind.

In 2019, senior leaders were more informed than ever with access to trends and root cause analysis behind complaints, Net Promoter Scores (NPS) and customer feedback channels. Customer metrics are reported throughout the business, from the frontline to our Executive Team and Board, allowing decisions to be made with the customer front of mind.

7. Share how we are doing with our people, inviting them to get involved

Our people are actively involved in making the customer experience better. We equip our teams with customer data so that they can understand customers’ perception of Bupa, empowering them to drive change based on their interactions with customers and their needs.

What our customers think – 2019 NPS scores

We use our Customer Excellence Framework (see page 14) to drive a great experience, which we measure using NPS.

NPS for priority areas in 2019

| Health insurance | Relationship | Australia | +17 | 8 | 17 |
| Provision | Spain2 | +65 | 2 | 65 | 2 |
| Aged care residents | UK | +39 | 4 | 39 | 4 |
| Bupa Global | +29 | 14 | 29 | 14 |

| Claims | Spain | +68 | 15 | 68 | 15 |
| UK | +54 | 6 | 54 | 6 |
| Bupa Global | +53 | 10 | 53 | 10 |
| Hong Kong | +40 | 15 | 40 | 15 |

| New customers | Australia | +37 | 9 | 37 | 9 |
| Spain | +42 | 11 | 42 | 11 |
| UK | +30 | 11 | 30 | 11 |

| Provision | Clinics | Australia | +58 | 4 | 58 | 4 |
| UK | +68 | 2 | 68 | 2 |
| Poland | +60 | 22 | 60 | 22 |
| Hong Kong | +28 | 10 | 28 | 10 |

| Dental | Australia | +75 | 7 | 75 | 7 |
| Spain | +69 | 3 | 69 | 3 |
| UK | +64 | 0 | 64 | 0 |

| Aged care | Australia | +25 | 6 | 25 | 6 |
| UK | +49 | 17 | 49 | 17 |
| Spain | +60 | 7 | 60 | 7 |

1. Scores are as at 31 December 2019.
2. Bundled score not traditional relationship measure.
Our Customer Excellence Framework

Learn
We learn from what our customers tell us. We put their feedback at the centre of product and service development through human-centred design methodology.

Customer-led design
In the UK, we used customer and patient focus groups to help redesign our new Health Assessment and to shape our Bupa Cromwell Hospital and Richmond Village environments.

Our Hong Kong Insurance business launched the Bupa Lab community panel, a group of 1,300 customers that help develop our products and services.

Engaging our people
In 2019, we empowered our people to understand our customers’ experience and identify changes needed to our products and services.

For our people who are not in frontline roles it can be challenging to fully engage with and understand the customer experience. We created ways to bring the customer experience into our workplaces around the world.

Digital messaging
In Australia, we launched a new messaging channel, including WhatsApp, Apple Business Chat and 2-way SMS. These new ways to listen to and communicate with customers allow them greater choice in how they interact with us and enable us to provide better customer service.

Better data
In 2019, we launched a new customer experience monitoring technology across our businesses in the UK and Poland. This has enabled us to listen to our customers in the moments that matter to them. Through this platform, we can analyse and interpret this data in detail, and extract actionable insights that help us improve our services based on real customer feedback.

Keeping an eye out
We introduced the ‘Customer Eye’ app in our dental centres and care homes in Spain. The app enables our people to identify issues that might impact the customer experience and report them instantly, so that local management teams can quickly put them right.

Hearing from our IPMI customers
In Bupa Global, our IPMI business, we introduced a customer insight platform, to give our customers the option to interact with us through video feedback. This helps our people to hear directly from our customers around the world and anticipate what they need and expect from us.

Act
We enable and empower our people to act, making improvements to our products and services as well as implementing new customer-focused innovations.

Driving behaviour change in the UK
Our Bupa Health Services business in the UK partnered with our behavioural insights team and University College London to deliver behaviour change training to clinicians. This gave them the expertise to have difficult conversations with customers about making lifestyle changes for the better.

Putting parents’ minds at ease in the UK
We continue to grow our leadership position in mental health in the UK. Building on our mental health propositions for both corporate and individual customers, we launched the Family Mental Health Line, a dedicated service for parents and carers who are concerned about their children’s mental health and wellbeing. This service provides support to our customers, employees and their families.

Using augmented reality in Spain
In our dental business in Spain, we introduced augmented reality videos that enhance the treatment explanation, so customers have a good understanding of the treatment they are about to have.

Improving everyday experiences in Spain
Feedback from our care home residents in Spain told us that food is what they care about most. We spoke to residents about their favourite foods and created healthy recipes, customised and suited to their needs.

Personalisation for SMEs in Saudi Arabia
In Bupa Arabia, small and medium-sized enterprise (SME) customers said they wanted more personalised products. This team conducted research to understand exactly what they needed, creating Bupa Munsha’at which consists of three tiers of cover. Customers now have access to 24 schemes within these new product tiers allowing them to better tailor their cover.

Evolving to meet customer expectations in Australia
As part of our Customer Transformation Programme in our Australian health insurance business, we analysed the reasons our customers contact us. This led us to restructure our centres and train our customer service teams accordingly. We introduced natural language processing, a type of artificial intelligence, to direct calls so customers get through to the right team faster.

Customers at the heart of all we do continued

Listen, Learn and Act
Having embedded our Customer Excellence Framework, our focus in 2019 was to enable our people to act on customer data in real time. We improved how we interpret customer feedback, strengthening data analysis so we can identify themes and address issues more quickly.

We made our internal reporting more robust, making sure it tells our customers’ stories. We also amplified the voice of the customer at all levels, sharing customer comments of the customer at all levels, our active listening app in our dental centres and report them instantly, so customers have a good understanding of the treatment explanation, which means they can book online. We also ensured that patients needing repeat treatments could see the same doctor throughout for greater consistency.

In 2019, we launched new customer-focused innovations. As well as implementing new customer-focused innovations.

In Australia, we created the Customer Expo, a programme of immersive activities designed to help our people better understand our customers’ needs and support customers as they navigate complex health systems. We ran similar sessions in our Europe and Latin America and Bupa Global and UK Market Units and in Bupa Hong Kong.

Our active listening app in our Europe and Latin America Market Unit allows our people to listen to our customers without disclosing customer data. It now includes customers’ social media comments.

Ideas for enhancing our products and services come from people across Bupa as well as our customers. In Bupa Global and the UK, we introduced initiatives that allow every employee to make suggestions to improve the customer experience.

Our Hong Kong Insurance business launched the Bupa Lab community panel, a group of 1,300 customers that help develop our products and services.

In 2019, we launched a new customer experience monitoring technology across our businesses in the UK and Poland. This has enabled us to listen to our customers in the moments that matter to them. Through this platform, we can analyse and interpret this data in detail, and extract actionable insights that help us improve our services based on real customer feedback.

We introduced the ‘Customer Eye’ app in our dental centres and care homes in Spain. The app enables our people to identify issues that might impact the customer experience and report them instantly, so that local management teams can quickly put them right.

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People make the difference

In 2019, we continued to listen to employees’ views. Recognising how leaders are integral to our success, we defined a new set of competencies for leadership at Bupa. We also launched a global initiative to manage our development and succession pipeline for heads of business units. Our progress over the last year includes:

1. Working at Bupa

We believe that our people make the difference for our customers when they can be themselves at work. We listen to our people and promote a positive, flexible, inclusive working environment where everyone is welcome. We provide our people with relevant tools, training, information, recognition and benefits, which help them to be their best and make a difference for our customers.

Benefits

Our approach to benefits enables each business to attract and retain people in a way that is relevant and appropriate for the local market. Health and wellbeing benefits are core to our offer (see page 16) and many of our businesses offer employees and their households discounted Bupa products and services. We also offer access to our Bupa pension scheme (or equivalent, depending on the country).

Bupa recognised as a great place to work

We are proud that in 2019, several Bupa businesses were externally recognised as great places to work. Our Sanitas business was ranked 15 out of 100 in Mercer’s annual Talent mentor in Spain, while Bupa Chile was recognised by Merco as one of the 100 best companies in Chile, ranked 36th. Bupa UK was named in the top five most sought-after places to work in the UK in LinkedIn’s 2019 25 Top Companies List. 78% of our former and current employees would recommend working at Bupa to a friend (source: Glassdoor, July 2019).

2. Creating a customer-centric culture

Our approach to culture uses our purpose, values and the Bupa Code as core building blocks. When we combine this with our commitment to corporate responsibility and sustainability, we have a clear set of standards, helping everyone to understand what is expected of them. These standards are reinforced through our operating model, processes and policies, and our suite of controls and measures tells us whether our standards are being upheld. Should there be issues, we can find the root cause and take appropriate action. These controls include risk framework assurance, employee surveys, audit findings and various management information metrics, as well as ‘Speak Up’, our global, confidential independent whistleblowing service.

Driving cultural change

In our UK health insurance business, we shared a clear story about our future, the journey we are on and the changes we need to make to be extraordinary. The story articulates the role our people play every day in helping our customers live longer, healthier, happier lives and how they can make the difference for generations to come. Following the leadership launch events in April 2019, both businesses demonstrated increased employee engagement with specific improvements in how positively employees feel about Bupa’s future.

Bupa Week

Each year Bupa Week celebrates and reinforces what it means to work at Bupa. In 2019, Bupa Week focused on the theme of ‘Together’. How we collaborate both locally and globally for the benefit of our customers and communities.

Disruptive talent programme

‘Disruptive’, our talent programme in Spain, nurtures innovation. It helps our people to realise their full potential and, in turn, deliver better experiences for our customers. Participants partner with start-up companies to develop new products and services, growing their outlook and confidence. Since 2018, over 40% of ‘Disruptors’ have taken up new roles as a result.

Above: Participants from the Disruptive Talent Programme in Spain.

83,000 employees globally

78 out of 100 overall employee engagement score in our ‘People Pulse’ survey

40% Over 40% female representation at the Bupa Executive Team

81% of our people globally felt confident that they could use ‘Speak Up’, our global, confidential, independent whistleblowing service.

100% in 2019, all our Market Units achieved their mandatory learning objectives.

People make the difference

As a service organisation, it’s our people who make the difference to our customers. Our Strategic Framework highlights this in our People pillar and outlines four priority areas: attracting, developing and retaining outstanding people and leaders, taking responsibility and accountability, creating safe and healthy workplaces, and celebrating diversity and inclusion.

83,000 employees globally

78 out of 100 overall employee engagement score in our ‘People Pulse’ survey

40% Over 40% female representation at the Bupa Executive Team
People make the difference continued

Listening and acting
Following the launch of our employee People Pulse survey in 2018, using state of the art technology, we are able to reach our 83,000 people to survey their views in seven languages, globally. In 2019, we have continued to focus on listening. It is critical to our present and future success that our people can say what is on their minds and tell us where we can improve. As our data has accumulated, we have been able to build insight and identify areas to address. All members of the Bupa Executive Team take personal ownership for their own team’s engagement and survey results, and regularly discuss what actions are taking place to address employee feedback.

During 2019, we maintained an overall engagement score of 78 out of 100 with an increase in participation to 70% of our people against an ambitious global benchmark based on the top 10% of global companies.

3. Leadership and talent
We know that great leaders make the difference to our people and our customers. It’s important we know what is expected of our leaders in terms of behaviours, competencies and outcomes. In 2019, we launched Bupa’s Leadership Imperatives, a new set of 12 competencies specific to customer, people, performance and purpose.

Bupa Advance
Our global Bupa Advance programme brings individuals together from across Bupa for a six-day programme designed to accelerate the readiness of Bupa leaders to take on bigger, broader roles. The programme emphasises customer-centricity, operational excellence, the external environment and leadership styles. In 2019, it focused on customer experience, with participants spending time with real customers, face-to-face, to fully understand their needs and hear direct feedback on Bupa’s products and services.

Insights to Action in Australia and New Zealand
The ‘Insights to Action’ programme in our Australia and New Zealand Market Unit has provided insight on executive succession, highlighting strengths, gaps and market benchmarking. This programme has also provided an opportunity for 14 senior leaders to gain deep understanding of their own capability and potential, which has been used to inform their ongoing development and career planning.

4. Diversity and inclusion
Our approach to diversity and inclusion is founded in our purpose and our values. Diversity and inclusion are core to Bupa’s Strategic Framework and our leadership is based on inclusion for all.

Our ‘Everyone’s Welcome’ pledge encapsulates our commitment to encourage our people to bring their whole selves to work. We know that this will make a difference to our customers, patients and residents.

On gender diversity, we signed up to the Women in Finance Charter commitment in July 2019. The Charter reflects HM Treasury’s aspiration to see gender balance across financial services. Since signing the Charter, we have continued to support female representation at senior levels, through our broader diversity and inclusion agenda.

We are also a member of the 30% Club mentoring scheme and have partnered with Involve, a membership organisation that focuses on inclusion in the workplace to include gender, LGBT+ and BAME community representation.

Working to close the gender pay gap
We annually report our gender pay gap data for our UK operations. Our Gender Pay Gap Report 2019 will be published on bupa.com later in the year.

Beyond gender diversity
In 2019, we also made progress in other aspects of our diversity and inclusion agenda.

In Australia, we continued our partnership with CareerTrackers to create ongoing internship opportunities for indigenous university students and launched a cultural awareness module which focuses on truth and justice, looking to build the capability of all our people.

In Chile, we established a Diversity Committee to help us expand our programme to cover all elements of diversity, particularly with a focus on disability. We embedded training in diversity and inclusion, including sign language training for our people and awareness workshops for new joiners.

In the UK, we became signatories of Involve’s campaign to make ethnicity pay gap reporting mandatory.

People First programme
People First is an award-winning programme to enable front-line clinical staff with the opportunity to gain exposure to take up clinic management roles.

People First programme
People First is an award-winning programme to enable front-line clinical staff with the opportunity to gain exposure to take up clinic management roles. People First aims to develop new leaders and enhance the skills of existing leaders.

Bupa’s 30% Club mentoring scheme has enabled our colleagues to mentor university students from underrepresented backgrounds, helping to develop their career potential.

Gender diversity in our leadership

<table>
<thead>
<tr>
<th>Board</th>
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<td>Executive Team</td>
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5. Employee health, safety and wellbeing

Safe, healthy and inclusive working environments help people to thrive. We offer health and wellbeing benefits, products, services and information that are in line with what our people value and need, and each of our businesses operate within enterprise-level standards on health and safety.

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

Prevention and early intervention are priority areas for us and our global resilience programmes, Performance Energy, sits at the heart of this. It helps people feel better equipped to deal with everyday pressures.

Leaders play a critical role. In 2019, we ran a workshop with 150 senior leaders to consider how they manage their personal energy, how they enable and empower their team’s resilience and how they lead the wellbeing agenda in their area.

We are also investing in support and development for our line managers to feel more confident in taking a team member about mental health. We have a growing number of Mental Health First-Aiders. We regularly run campaigns to engage our people in mental health issues. For example, our World Mental Health Day campaign aimed to break down the stigma of suicide, help people to feel comfortable talking about it and understand how to support someone impacted by suicide.


Bupa Awards
Our global Bupa Awards celebrate outstanding people and presents our heroes in 2018. (Kam) Hussain, who works in the housekeeping and maintenance team at Cottingham Hall Care Home, UK, was awarded our 2018 ‘Everyday Hero’ prize. He was recognised for going above and beyond to make sure every day is a positive impact on everyone who lives and works at the home. Approaching the 40th year of his life, Kam decided to spend time with residents, and carry out tasks that he knows will make a difference, such as decorating residents’ rooms, helping passage through exercises, and his care, enthusiasm and hard work contribute to the care he delivers being a great lister to read and write, and he inspires his colleagues to be the same.

Gender diversity in our leadership

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Performance

We are committed to growing sustainably to do more for customers, to reinvest and have a wider impact. Because of our corporate status we have the freedom to think long term – delivering today and securing the future. Our Performance pillar outlines how we maximise our opportunities to grow, ensuring robust risk management and controls and acting responsibly and creating shared value for our customers, our people and society.

Full year 2019 performance summary:

- **Revenue**: £12.3bn, up 4% on prior year (£11.9bn at AER) driven by good performance from our Europe and Latin America Market Unit, Australian health services business and from our businesses in Hong Kong, Bupa Global and UK Market. Unit revenue was stable on last year.

- **Statutory (loss)/profit before taxation**: Statutory loss before taxation was £78m compared with a statutory profit before taxation of £502m in 2018 (at AER). This mainly reflected the goodwill impairments in our Australian aged care and UK dental businesses, together with lower underlying trading performance on prior year.

- **Solvency II capital coverage ratio**: At 31 December 2019, our solvency coverage position remained solid at 159%, a reduction of 7ppts from the pro-forma 2018 position. This decrease reflects the lower capital generation from our trading operations, along with the investments we have made in the business.

- **Underlying profit**: Underlying profit declined by 32% to £416m (2018: £613m at AER), reflecting the challenges in our Australian health insurance and aged care businesses and our planned investment in technology capabilities.

Financial performance

**Performance**

We use our key financial metrics to focus on in-year performance and longer term sustainability. These metrics include revenue, statutory (loss)/profit before taxation, underlying profit, net cash generated from operating activities and Solvency II capital coverage ratio.

At the half year, we announced the simplification of our organisation into three Market Units: Australia and New Zealand; Europe and Latin America; and Bupa Global and UK. For full year 2019, we are reporting in accordance with this new structure and have restated our 2018 results, where applicable.

**Revenue**

Revenue was £12.3bn, up 4% on prior year (£11.9bn at AER) driven by good performance from our Europe and Latin America Market Unit, Australian health services business and from our businesses in Hong Kong, Bupa Global and UK Market. Unit revenue was stable on last year.

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**Underlying profit**

Group underlying profit declined by 32% to £416m (2018: £613m at AER), reflecting the challenges in our Australian health insurance and aged care businesses and our planned investment in technology capabilities.

**Net cash generated from operating activities**

Net cash generated from operating activities fell by £111m (14%) to £697m (2018: £808m).

**Solvency II capital coverage ratio**

2019: 159%

2018 Pro forma: 166%1

**Notes**

1. Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory (loss)/profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory (loss)/profit before taxation can be found in note 2 (page 107).

2. The 2019 Solvency II capital position, SCR and coverage ratio are estimates and unaudited.

3. 2018 Solvency coverage position of 191% after taking into consideration the impact of IFRS 16 (18ppts) and the acquisition of Acıbadem Sigorta (7ppts).

See Financial review on P30-33
Corporate responsibility and sustainability
Creating sustainable shared value for our customers, people and communities

Corporate responsibility and sustainability (CRS) is integral to our Five-Year Vision, and reflects our purpose and values. Without shareholders, we have the freedom to think long term and short term. We’re clear that we need to run a robust and growing business, so our customers, people and communities can depend on us now and in the future. We know that being a responsible business and doing the right thing underpins our long term success. Our CRS agenda spans five pillars: Customer, People, Responsible Business Conduct, Community, and Environment and Climate Change.

In 2019, we made good progress. We strengthened CRS governance at Bupa. In December, we established a new Corporate Responsibility and Sustainability Committee as a management advisory committee. It’s chaired by Nicholas Lyon, Non-Executive Director, and membership includes a mix of management, including the Group CEO and CFO, and Non-Executive Directors. We are committed to the highest standards of business behaviour. Our purpose and values help to maintain a culture of responsible business conduct, transparency and a customer-first approach. The Bupa Code provides clear direction in decision-making, and our performance management, risk management, governance and audit processes underpin this. Our commitment to integrity and transparency starts with our own people. Our employees adhere to the Bupa Code and its related policies, including Conflicts of Interest and managing Financial Crime risk. We also have ‘Speak Up’, a global, confidential, independent whistleblowing channel to help us identify when we fall short and put things right.

Over the past year, we continued to improve how we measure our CRS progress. Key non-financial information is reported to the Board bi-annually alongside financial performance. Environmental, Social and Governance (ESG) considerations are included as a factor in remuneration. We comply with applicable regulations on non-financial reporting including the publication of our Statement on Modern Slavery, our Gender Gap Reports in the UK and Spain, our report on Prompt Payments to Suppliers in the UK, our Group Approach to Tax and our annual carbon footprint and use of renewable energy.

Over the year, we progressed our diversity and inclusion agenda (see page 18). Our ‘Everyone’s Welcome’ pledge encapsulates our commitment to promoting and celebrating diversity and inclusion, recognising that a diverse workforce helps us to reflect the millions of customers we serve.

We updated our approach to responsible investment, integrating ESG factors in the decision-making process. We built on our previous methodology and created a new set of standards, which apply to our cash and financial investment portfolio. We are signatories to the UN Principles for Responsible Investment, as are our external asset managers. We also signed up to the UK Sustainable Investment Forum and the Institutional Investors Group on Climate Change.

We want to play our part in addressing climate change; a major global concern. In 2019, we continued to promote positive environmental practices (see page 25), and made progress in understanding, assessing and overseeing the risks from climate change that impact the Bupa Group. Our current environment plan completes by the end of 2020 and so in 2019 we began a strategic review to establish the next phase.

We placed new emphasis on the Community pillar. We developed new Community activity guidelines, with a global focus on mental wellbeing and resilience, to maximise our social impact (see page 24).

For more information about our CRS progress, visit bupa.com

1. Ensuring we fund and provide quality health and care

Material issues and priorities
- Strong governance and controls to ensure that customer interests are recognised and addressed
- Listening, learning and acting on feedback and insight aiming for market leading Net Promoter Scores (see page 13)
- Improving and innovating our services to meet changing customer needs
- Keeping data safe and protecting privacy

2019 highlights
- Strengthened our customer outcomes risk culture and management
- Further strengthened data security and privacy

2. People make the difference

Material issues and priorities
- Listening to our people and acting on insight
- Creating safe and healthy workplaces
- Celebrating diversity and inclusion and creating inclusive cultures through our leadership and practices

2019 highlights
- Invested in health and wellbeing support for our people, with a global focus on mental health
- Actively supported Pride events across the UK
- Refreshed our recruitment strategy in Australia to support recruitment of Aboriginal and Torres Strait Islander people

3. Conducting our business activities in a responsible way

Material issues and priorities
- Promoting ‘Speak Up’, our whistleblowing channel
- Embedding ESG considerations into our financial investment practices
- Committed to combating modern slavery

2019 highlights
- Strengthened our ESG standards for our return-seeking assets portfolio
- Improved due diligence of suppliers as part of our commitment to combating modern slavery and people trafficking

4. Playing an active role in our community

Material issues and priorities
- Developing Community guidelines to expand our social impact
- Introduced global focus on mental wellbeing and resilience

2019 highlights
- Developed Community guidelines to expand our social impact
- Increased our reported contribution to our communities by more than £1m to £7.3m

5. Taking care of the environment and addressing climate change

Material issues and priorities
- Reducing our year-on-year carbon emissions and improving the use of renewable energy
- Investing in natural resource efficiency
- Assessing climate change risks to our business, including health impacts of climate change
- Defining our 2021-2025 strategy in the context of climate change

2019 highlights
- Reduced our carbon footprint and increased our use of renewable energy year-on-year
- Conducted a climate change risk stress testing exercise
- Committed to the UK’s Climate Neutral Now Initiative in the UK

We align our CRS agenda and our strategic priorities with the Sustainable Development Goals of the UN 2030 Agenda. We recognise the importance of each and every goal in order to achieve a sustainable future for all. We also know that there are some in which we can have a greater impact and we prioritise these. They are: good health and wellbeing, gender equality, sustainable cities and communities, and climate action.

For more information about Customers see PG1-5
For more about People see PG6-10
For more about Community see P24
For more about Environment and Climate Change see P25
See PG5 for more about Responsible Business Conduct
See P20 for more about Our purpose and values
See P12-15 for more about Customers
See P16-19 for more about People
See P24 for more about Community
See PG5 for more about Responsible Business Conduct
See P12-15 for more about Customers
Corporate responsibility and sustainability continued

Playing an active role in our communities

Helping our communities to be well and stay healthy is fundamental to our purpose. We want to make a positive contribution to the communities we serve through volunteering, fundraising, donations, in-kind contributions and partnerships. We have dedicated Foundations in Australia, the UK and Spain to channel some of our investment.

Expanding our social impact

In 2019, we developed new Community guidelines, to help our Global Functions and Market Units shape their community health and wellbeing programmes and maximise the social impact. We increased our reported contribution by more than €1m to £7.3m through direct financial donations, volunteering and in-kind support.

With one in four people experiencing poor mental health each year, we made mental wellbeing and resilience a focus area for our people, customers and the wider community. Bupa can play a positive role in raising awareness and reducing stigma, and providing practical tools and support.

In Australia and New Zealand, we progressed our flagship partnership with Kids Helpline, and delivered mental health programmes for 15,000 students.

In the UK, we are focusing on mental wellbeing for children and young people, and those that support them. This includes partnering with mental health charity Mind (see below) and developing our Performance Energy resilience programme to become a community asset.

In Spain, we built on the success of our Healthy Cities project to engage more people in physically and mentally healthy lifestyles and promoting healthy urban areas (see right). Beyond mental health, we also support our communities with broader health needs. In the UK, we announced our new partnership with DentaID to provide free dental care to vulnerable people and sponsored LiveCarer’s Better Together medical camp in the Masaya (Nicaragua), helping 2,400 local people access basic medical healthcare for the first time.

Foundations

The Bupa Health Foundation focuses on translating Australian research into real health and care improvements. In 2019, it announced the recipients of a AUD1m (£531,000) funding grant to improve models of mental healthcare, specialising in digital platforms and patient experience.

In 2019, the Bupa UK Foundation awarded over £1m in grants to local community projects, the majority of which focus on improving mental health. In early 2020, it announced a new partnership with Mind, the leading mental health charity in the UK. The Foundation is the exclusive supporter of Mind’s new mental health resource for children and young people aged 8-25 with the aim of helping 2,500 young people and their families by 2022.

For more information, visit: bupa.com/au/about-us/bupa-health-foundation

Bupa UK Foundation

Bupa Health Foundation

The Santitas Foundation is committed to driving social change and equally within health and wellbeing. In 2019, the Foundation invested €1.5m (US$1.6m) in its flagship project Inclusive Sports, which promotes the practice of sports among people with and without disabilities. In 2019, it celebrated the 10th edition of the Inclusive Sports Week to promote this practice in schools and society at large.

For more information, visit: corporates.cantius.com/function-santitas/

Creating shared value through Healthy Cities in Spain

Sanitas in Spain founded the Healthy Cities project with the aim of encouraging communities to promote healthy and mentally healthy lifestyles, and a healthier urban environment. In 2019, for the fifth year, customers, employees and members of the local community joined a challenge to walk 10,000 steps a day. This was the first year the challenge was inclusive for those with disabilities. Healthy Cities launched in Chile in 2016, and in Hong Kong in 2019.

For more information, visit: bupa.com

Taking care of the environment and addressing climate change

Measuring and managing our environmental impact

The impact of climate change is a key concern for society. We closely manage our environmental impact and actively promote positive environmental practices. We are on track to deliver our environmental targets and increase our use of renewable energy year-on-year. As part of our CRS policy, we ensure that capital investment is allocated to natural resource efficiency, carbon, water and waste reduction projects, and that we seek to avoid risks associated with clean energy where possible. We disclose our annual carbon footprint on bupa.com.

Our current environmental strategy comprises in 2020, in 2019, we started to define our new set of ambitions to respond to the current environmental emergency. We will publish this later in the year.

Addressing risks from climate change

Climate change is a significant focus area of our risk agenda. Progress made in 2019 includes:

- We established a Group cross-Functional Environment and Climate Change Steering Committee, chaired by the Group Chief Risk Officer and the Group Chief People Officer. Main focus areas for the Committee are to assess and oversee the risks from climate change impacting Bupa, and define the 2019-2025 environment and climate strategy.

- We incorporated climate change-related risks as part of our Risk Management Framework (see page 47).

- We conducted a climate change risk stress test based on those published by the UK Prudential Regulation Authority to evaluate the potential impact of aspects of climate-related risks on our profitability. Our evaluations confirmed that our investment approach remains low risk relative to our capital terms.

- As signatories of the UN Principles for Responsible Investment, we reported key indicators to the Task Force on Climate-related Financial Disclosure.

- In 2020, we will continue to enhance our assessments on potential risks, including physical risk impacts on our property portfolios; considerations of supply chains; and considerations of potential health impacts of climate change.

Waste to Wealth signatory

We recognise the importance of waste reduction as part of a sustainable future. Bupa Global and UK is a signatory of the Business in the Community Waste to Wealth initiative, joining 100 other organisations committed to double the UK’s resource productivity and eliminate avoidable waste by 2030.

Sanitas presence at COP25

We took part in the UN Climate Conference, COP25, in Madrid. We hosted a roundtable on the impact of climate change on people’s health. A panel of experts, including the BMJ’s Chief Editor and the United Nations Framework Convention on Climate Change’s Executive Secretary, discussed the impact of climate change on personal health, and the active role in creating healthy communities.

Sanitas

Our UK businesses committed to becoming carbon neutral

In the UK, we committed to the UN’s Climate Neutral Now initiative to offset our carbon emissions through investing in UK-based environmental projects such as reforestation and clean energy. This supports our efforts to minimise our carbon footprint where we can, which includes sourcing at ourast best from renewables, installing solar panels in our care homes and prioritising greener offices.

Our response to the bushfires

Some of our Australian homes were impacted by the bushfire disaster in New South Wales and Victoria at the end of 2019. Thanks to the resilience and compassion of our residents, our businesses were able to provide immediate support for employees, customers, residents and the community. These measures included a disaster relief package for impacted customers and a AUD900,000 donation to the Red Cross Disaster Relief and Recovery Fund.

100% renewable in Spain

Sanitas in Spain, we actively promote positive environmental practices in our drive towards a low-carbon economy. We continue to use 100% renewable electricity in all our Spanish offices, by embedding these practices in our process for the low-carbon economy. We continue to use 100% renewable electricity in all our Spanish offices, by embedding these practices in our process for the low-carbon economy. We continue to use 100% renewable electricity in all our Spanish offices, by embedding these practices in our process for the low-carbon economy.

Captions to images:

1. Healthy Cities initiative in Chile.
2. The Bupa Health Foundation in Australia funded research to support Aboriginal and Torres Strait Islander communities at high risk of suffering Rheumatic Heart Disease.
3. Some of our Australian homes were impacted by the bushfire disaster in New South Wales and Victoria at the end of 2019. Thanks to the resilience and compassion of our residents, our businesses were able to provide immediate support for employees, customers, residents and the community.
4. Sanitas presence at COP25.
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Bupa Annual Report 2019

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Our Market Units

Australia and New Zealand

Market context
- In 2019, economic growth in Australia was slow. The economy in New Zealand remained stable.
- Australia’s Federal Election returned the Liberal and National Party Coalition to government in May.
- There are increasing pressures on the Australian private health insurance sector, ranging from the growing cost of healthcare, affordability, and increasing regulation.
- The Royal Commission into Aged Care Quality and Safety continues to late 2020. The interim report, released in October, called for fundamental overhaul of the design, objectives, regulation and funding of aged care in Australia.

Performance
In Australia and New Zealand, difficult market conditions continued from the prior year. Revenue increased 3% to £4,652m and underlying profit was £160m, a decrease of 4% at CER, driven by margin deterioration in our health insurance and aged care businesses in Australia.

Revenue in our Australian health insurance business was stable while underlying profit decreased by around 50%. Claims inflation significantly exceeded the premium increases approved by the Government. These headwinds were partially mitigated by cost efficiency initiatives and investment in our customer transformation programme, which is helping to provide more personalised services and an enhanced customer experience. The full year combined operating ratio1 (COR) was 94%2 (2018: 92%). We maintained our position as a leading health insurer in Australia, with 26%3 of private health insurance policies in force.

Our New Zealand aged care business performed in line with expectations. Revenue decreased, reflecting divestments made in 2018, and underlying profit fell due to lower occupancy and higher staffing costs. We continued to invest in new integrated care homes and villages developments. Our year-end occupancy rate was 89% (2018: 91%).

Results affected by margin pressures in Australia Health Insurance and challenges in our Australian aged care business

Improved NPS scores and customer retention in health insurance.

We are committed to ensuring all our homes are operating at the same high level of quality. Over the year, we engaged actively with the Royal Commission into Aged Care Quality and Safety. Our New Zealand aged care business performed in line with expectations. Revenue decreased, reflecting divestments made in 2018, and underlying profit fell due to lower occupancy and higher staffing costs. We continued to invest in new integrated care homes and villages developments. Our year-end occupancy rate was 89% (2018: 91%).

In addition, profit before taxation includes an impairment of goodwill in our Australian aged care business of £177m. Further details are provided on page 120.

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1. Combined Operating Ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums.
2. Bupa HI Pty Ltd (Australia): HRF 602 Australia Prudential Regulation Authority quarterly returns (unaudited).
3. Australian Prudential Regulation Authority (APRA), Operations of private health insurers annual report (June 2019).
Our Market Units continued

Europe and Latin America

Market context

In Spain, economic growth forecast lowered amid domestic and global trade and political uncertainty. Strong revenue growth in the health insurance market. In Chile, GDP declined, mainly due to a sector-wide demand decline in the approval of the triennial premium rates increase in Chile. This was partially offset by growth in a number of our businesses including Sanitas Dental in Spain, and by the acquisition of Ginemed and ENT (ear, nose, throat) care in Spain.

Economic growth in Brazil was stagnant in 2019, with GDP growth expected to moderate in 2020.

Performance

In Europe and Latin America, we achieved strong revenue growth of 12%, while underlying profit fell by 8% at CER, mainly driven by a sector-wide decrease in written premiums and approval of the triennial premium rates increase in Chile. This was partially offset by growth in a number of our businesses including Sanitas Dental in Spain, by the acquisition of Ginemed and ENT care in Spain, and opened five outpatient clinics. We continued to expand our dental business with six new buildings and two acquisitions.

In Spain, our health insurance business, Sanitas Seguros, delivered solid revenue growth. This was driven by the Néctar Seguros acquisition in 2018 and our bancassurance partnerships. Underlying profit declined, mainly due to our investment in technology capabilities. As a result, the COR improved to 85% (2018: 82%). In November, we extended our bancassurance agreement with BBVA, which will run until the end of 2033. BBVA’s digital proposition, continues to grow and now serves over 480,000 customers, a 46% increase since 2018. We are number two in health insurance with a stable market share of over 20%.

In Chile, revenue growth driven mainly by the performance of the Clínica Bupa Santiago hospital and Higienometra, our outpatient business. Underlying profit was down on last year following the delay in the Government’s approval of the triennial premium rate increase and was also impacted by social unrest, which resulted in temporary closures at a number of our facilities in November.

Bupa Global Latin America’s delivered good revenue growth and made improvements to underlying profitability. The business was driven by strong results in Care Plus, our insurance business in Brazil, our partnership with Seguros Bolivar in Colombia and improved patient reputation in Mexico. We also incurred £65m of non-underlying costs within profit before taxation, including an impairment of £22m in Brazil and £22m of expected losses related to certain provision assets held for sale. Further details are provided on page 130.

Bupa Global and UK

Results reflect planned strategic investment in technology capabilities and dentist availability impacting Bupa Dental Care.

Market context

- Slow economic growth, reflecting the impact of Brexit-related uncertainties and weaker global growth.
- Improved political stability following the December 2019 election, resulting in a more stable parliament. Uncertainty remains, particularly in relation to Brexit.
- Increased pressures in the dental sector due to market-wide shortage of dentists.

Performance

Bupa Global and UK revenue was stable, with underlying profit down 37% at CER mainly due to our strategic investment in technology capabilities.

Our UK health insurance portfolio grew steadily across all segments. Revenue was stable, while written premiums grew reflecting customer growth. Underlying profit was down due to our planned investment in technology capabilities. We remain a leading health insurer with around 3% market share.

We further extended our mental health offering, including the launch of our Family Mental Healthline to support parents and carers with their children’s mental health.

We launched Global Virtual Care, a digital GP service for employees and their families living abroad.

In our dental business, underlying profit reduced by sector-wide pressures, primarily the availability of dentists, exacerbated by Brexit which led to significantly reduced recruitment from the EU. We introduced pay increases for dental nurses and supported career development for our colleagues through management academies and apprenticeships.

In dentistry, we introduced pay increases for dental nurses and supported career development for our colleagues through management academies and apprenticeships.
Revenue1

£12.3bn
+4% AER 2018: £11.9bn
+5% CER 2018: £11.7bn

Statutory (loss)/profit before taxation

£(7.8)m
+AER 2018: £5.1m
+2% CER 2018: £5.2m

Net cash generated from operating activities

£697m
-14% AER 2018: £808m
+15% CER 2018: £800m

Solvency II capital coverage ratio2

159%
2018: 156%
2019: 155%

Leverage ratio3

25.1%
2018: 25.0%
2019: 25.1%

Financial review

Overview

At the half year, we announced the simplification of our organisation into three Market Units: Australia and New Zealand, Europe and Latin America and Bupa Global and UK. For full year 2019, we are reporting in accordance with this new structure and have restated our 2018 results, where applicable. At CER, Group revenue was £12.3bn, up 4% on prior year (£11.7bn). Underlying profit was £416m, down 31% on prior year (£603m). These results include the impact of IFRS 16, an increased charge of £25m. Excluding this impact, along with two significant transactions, the disposal of Torejón Hospital in Spain and the benefit from the acquisition of Acibadem Sigorta, our year-on-year decline would have been unchanged at 33%. The Group’s underlying trading results reflected the challenges in our Australian health insurance and aged care businesses and our planned investment in technology capabilities. Our statutory (loss)/profit before tax of £(7.8)m, compared to a statutory profit of £502m (at AER) in 2018, mainly reflected impairments of goodwill and intangible assets arising on business combinations, principally in Australian aged care and our dental business in the UK, and lower underlying trading performance. We generated net cash from operating activities of £697m, down £111m (14%) on the prior year. Our solvency capital coverage ratio of 159% at 31 December 2019 remained strong. Bupa Finance plc’s senior debt rating remains unchanged since December 2018.

Revenue (CER)

We achieved revenue growth of 5% driven by good performance from Europe and Latin America Market Unit, Australia Health Services and from our business in Bupa Hong Kong. Revenue in Bupa Global and UK Market Unit was stable versus last year. By business lines, revenue in our health insurance businesses grew by 4% compared to last year, largely driven by Europe and Latin America Market Unit following the acquisition of Acibadem Sigorta and growth in Bupa Chile.

Our underlying trading results reflected the challenges in our Australian health insurance and aged care businesses and our planned investment in technology capabilities.

Joy Linton
Chief Financial Officer

Revenue by Market Unit

<table>
<thead>
<tr>
<th>2019 AER</th>
<th>2018 AER</th>
<th>% Change AER</th>
<th>2019 CER</th>
<th>2018 CER</th>
<th>% Change CER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and New Zealand</td>
<td>38%</td>
<td>38%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe and Latin America</td>
<td>31%</td>
<td>29%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bupa Global and UK</td>
<td>27%</td>
<td>28%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other businesses</td>
<td>4%</td>
<td>4%</td>
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<td></td>
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</tr>
</tbody>
</table>

Underlying profit by Market Unit

<table>
<thead>
<tr>
<th>2019 AER</th>
<th>2018 AER</th>
<th>% Change AER</th>
<th>2019 CER</th>
<th>2018 CER</th>
<th>% Change CER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and New Zealand</td>
<td>33%</td>
<td>34%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe and Latin America</td>
<td>33%</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bupa Global and UK</td>
<td>24%</td>
<td>27%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other businesses</td>
<td>10%</td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Underlying profit (CER)

Group underlying profit declined by 31% to £416m (2018: £603m at AER). Health insurance business was strongest, contributing around 90% of underlying profit for reportable segments and as expected, diversified year-on-year.

Profit in our Australian health insurance business was down on 2018 by around 30% partly reflecting the annual premium rate increase set by the Government being at a lower level than claims inflation. Profits from our UK health insurance businesses, UK insurance and Bupa Global, were down overall by around 30%, following our decision to make significant investments in technology capabilities in Europe and Latin America, profits were down around 20%, mainly due to Bupa Chile as a result of the delay in the Government’s approval of the final premium rate increase in the GASIRE business, together with higher claims. As a result of these factors, the Group’s CCR increased to 84% (2018: 93%). Profits from our other insurance businesses, which includes Hong Kong, and our associate businesses, Bupa Arabia and Max Bupa, grew by around 5%. This reflected both underlying performance and our increased shareholding in Bupa Arabia, which increased by 5% to 39.23% from August 2019.

Underlying profit in our provision businesses fell by around 30% on last year mainly driven by our UK dental business which was impacted by ongoing sector-wide pressures, primarily a shortage of dentists with the uncertainty around Brexit resulting in a significant reduction in the recruitment from the EU. In Australia, our health services business was down on 2018 while Europe and Latin America Market Unit grew on last year, particularly in Santial Dental and through the acquisition of Gramedia.

In our aged care businesses, underlying profit declined around £50m compared to 2018. This was mainly driven by a loss in our Australian business, following the fall in occupancy levels and increased costs as we continue to invest to address a number of compliance and service issues. Central expenses and net interest margin were £117m lower than the prior year, partly as a result of the acquisition of Acibadem Sigorta which contributed £29m of investment income in 2019.

“Underlying profit on a non-IFRS financial measure. This reflects our trading performance and excludes a number of items included in statutory (loss)/profit before taxation, to facilitate year-on-year comparisons. These items include items not considered part of trading performance, such as gains or losses on foreign exchange, on certain writing assets, on property revaluations and other material items not considered part of trading performance.

3. The 2019 Solvency II capital position, SCR and coverage ratios are estimates and unaudited.

4. Revenue from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profit from our associate businesses are included.

All figures are at constant exchange rates (CER) unless stated. Where CER is compared to reported figures, the impact of exchange rates is shown. All percentages are at constant exchange rates unless stated. Underlying profit is a non-IFRS financial measure. This measure is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory (loss)/profit before taxation, to facilitate year-on-year comparisons. These items include items not considered part of trading performance, such as gains or losses on foreign exchange, on certain writing assets, on property revaluations and other material items not considered part of trading performance.

5. Leverage is calculated based on gross debt (including hybrid debt) divided by gross debt plus equity. Leverage is 32.7% when including the impact of IFRS 16 (2018: Provisions 31).
Statutory loss (AER) 

Statutory loss before taxation was £78m compared to a statutory profit of £502m in 2018. This mainly reflected the goodwill impairments in our Australian aged care and UK dental businesses, together with profits from trading being down on prior year. 

A charge of £177m was recognised in our Australian aged care business in Australia following the decline in occupancy levels during the year, and an increase in the discount rate, reflecting ongoing sector challenges. In Bupa Global and UK, an impairment of goodwill amounting to £228m was made in relation to our UK dental business. This was largely driven by availability of dentists across the sector, exacerbated by the uncertainty of Brexit, higher operating expenses, including expected National Living Wage costs and investment in technology capabilities. In addition, there was a charge of £36m relating to the Bupa Cromwell Hospital which reflects lower forecast operating cash flows. In Europe and Latin America, £23m of customer brands in Bupa Chile was impaired, along with an impairment of £3m in Santitas.

Taxation 

The Group’s tax charge for the year was £153m which represents an effective tax rate of 17.7% (2018: 15.4%). This was mainly due to the one-off goodwill impairments incurred for which no tax deductions can be claimed. Reversing the impact of these together with prior period adjustments results in an adjusted effective tax rate of 28%, which is higher than the UK corporation tax rate of 19%. This was mainly as a result of profits arising in jurisdictions with a higher rate of corporate income tax.

Cash flow 

Net cash generated from operating activities fell by £77m (14%) to £697m (2018: £874m). On a like-for-like basis, when excluding the change in presentation arising from IFRS 16 (c.£170m) and a non-recurring inflow in 2018 related to the disposal of UK care homes, net cash generated from operating activities was down by £240m or c.26%.

Net cash used in investing activities increased by £221m to £656m (2018: £435m). In January 2019, we completed the acquisition of Acıbadem Sigorta, and invested in growth and development including integrated care home and village developments in New Zealand, a retirement village development in Australia together with the continued expansion of our dental centre network in Australia, the UK, Spain and Poland. In 2019, there were lower proceeds from sale of property and reduced purchases of financial investments compared to last year in addition, we increased our stake in Bupa Arabia to 39.25% in August 2018.

Net cash used in financing activities increased to £219m, a change of £54m from last year. This reflects a drawdown on our revolving credit facility to fund the acquisition of Acıbadem Sigorta partly offset by the FFRS 16 pre settlement change.

Funding 

We manage our funding prudently to ensure a strong platform for continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating for Bupa Finance plc, the main issuer of Bupa’s debt.

At 31 December 2019, we had drawn £230m under our £800m revolving credit facility, which is due to mature in August 2022. We focus on managing our leverage in line with our credit rating targets. Leverage excluding leases at 31 December 2019 was 25.1% (2018: 23.5%). Coverage of financial covenants remains well within the levels required in our bank facilities.

Solvency 

Our solvency coverage ratio of 159% remains solid, and above the Group’s risk appetite. The Group holds capital to cover its Solvency Capital Requirement (SCR), calculated on a Standard Formula basis, considering all our risks, including those related to non-insurance businesses. As at 31 December 2019, the estimated SCR of £4.6bn was £0.9bn higher and Own Funds remained stable at £3.9bn when compared to 31 December 2018. Our surplus capital was estimated to be £1.5bn, compared to £1.6bn at 31 December 2018, representing a solvency coverage ratio of 159% (2018: 191%); 2018 Proforma: 166%. Our business continued to generate capital due to our underlying profitability. This capital generation was offset by investment through acquisitions, particularly Acıbadem Sigorta and capital expenditure and the impact of IFRS 16 which became effective on 1 January 2019.

While the application of IFRS 16 accounting standard does not change our risk profile, it requires all our lease assets and liabilities to be capitalised on the IFRS and Solvency II balance sheet. The value of both lease assets and liabilities at 31 December 2019 on the Solvency II balance sheet was £1.0bn. The lease assets attract a property risk charge under the Solvency II Standard Formula, which increased the SCR by £0.2bn, and as a result, reduced our coverage ratio.

We perform an analysis of the relative sensitivity of our estimated solvency coverage ratio to changes in market conditions and underwriting performance. Each sensitivity is an independent stress of a single risk and before any management actions. The selected sensitivities do not represent our expectations for future market and business conditions. A movement in values of properties that we own continues to be the most sensitive item, with a 10% decrease having a 12 percentage point reduction to the solvency coverage ratio. Our capital position is resilient in the face of the individual risks, illustrating the strength of our balance sheet.

Forthcoming changes to accounting standards 

A final IFRS 17 Insurance Contracts standard has not yet been issued, but it is expected to be effective for annual periods beginning on or after 1 January 2022. A group-wide project is underway to assess the detailed application and implementation of IFRS 17. It is currently expected that the simplified premium allocation option approach will be available for the majority of the Group’s insurance contracts, so a significant change in the measurement basis is not anticipated. The presentation and disclosure requirements of IFRS 17 will, however, differ considerably compared to the current approach.
Section 172(1) statement

Engaging with our stakeholders

The Board has a duty to achieve the Company’s purpose of helping people live longer, healthier, happier lives. It does this by having regard for the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a resolution for high standards of business conduct.

Bupa’s status as a company without shareholders means that we cannot distribute our profits and must reinvest them.

Our key stakeholders are our customers and our people. Our suppliers, Association Members (AMs), bondholders, regulators and the communities we operate in are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders.

Increasingly, stakeholders are looking to understand our performance across multiple areas from performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company’s long-term success.

Customers

Customers are at the heart of our business. We aim to deliver truly outstanding customer experiences, ensuring great clinical outcomes and value for money.

The Board receives a global customer Dashboard regularly, which includes key metrics to track how we are performing for our customers.

Key issues for customers include:
- affordability of health insurance
- high-quality products with broad coverage and high standards of care
- simpler and quicker access to services, such as through digital applications.

The Board has engaged with customers through site visits and town hall meetings.

More information can be found on P12.

People

As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves.

The Board discusses the results of the twice-yearly employee survey (People Pulse) which assesses engagement across the Group.

The Board has engaged directly with employees through site visits and “town hall” meetings.

Key issues for employees across the Group, based on the People Pulse results include:
- company prospects – being excited about Bupa’s future
- customer focus – helping to deliver a great customer experience
- collaboration – focusing on efficient and effective working practices across teams
- empowerment – feeling empowered to make decisions regarding their work.

The Board operates several lines of business in numerous markets and the issues important to our people vary by market and business. Our approach is therefore led locally with all teams planning actions in the light of the People Pulse results, and local boards and management teams engaging with their people on the issues important to them.

More information can be found on P16.

Investors

Bupa operates in highly regulated environments across all its business areas. Regulators ultimately aim to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre.

Our regulators expect us to:
- maintain sufficient capital to back our insurance business
- have robust and effective processes and controls in place to mitigate risks to protect our customers
- provide high-quality, clinically robust services
- ensure that we operate in a sustainable way.

We have a regular programme of interaction with the Group’s lead insurance regulator and engage with them on key Board decisions.

More information can be found on P32.

Regulators

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More information can be found on P12.

Suppliers

Suppliers are critical to delivering a high-quality service to our customers and include hospitals, consultants, systems suppliers and suppliers of products to our hospitals, clinics, dental centres and care homes. We aim to treat our suppliers fairly and pay them within agreed timescales, holding ourselves to high standards of business conduct.

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

More information can be found on P12.

Assocation Members

We appoint AMs to carry out the governance and oversight role usually performed by shareholders. This includes voting on resolutions at the AGM that shareholders would usually be asked to approve.

All Board Directors are automatically appointed as AMs. All AMs, other than Directors, normally serve for an initial term of ten years which can be extended for further terms of five years.

AMs have no equity holding in Bupa and no right to dividends, only receiving reasonable expenses for travelling for Bupa meetings or events.

They are eminent individuals in their own field, coming from a diverse range of sectors including international businesses – with an emphasis on insurance and financial services, healthcare, academia, non-governmental organisations, regulatory and public service.

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

We engage with AMs through the Annual General Meeting, which includes a seminar providing an in-depth view of a particular aspect of the business, calls on our Half-Year and Full-Year results, briefings sessions on the business each year, and regular email updates.

The Group CEO, Chairman, Senior Independent Director and Group Company Secretary are available to the AMs throughout the year.

AMs are interested in all aspects of the business from strategy and performance to our products and services and the standard of care provided to customers.

More information can be found on P32.

Communities and Environment

We play an active role in the communities in which we operate and take care of the environment. We have dedicated Foundations in Australia, Spain and the UK to channel some of our investment.

Community and the Environment form two pillars of our CR strategy and we currently have a global focus on mental wellbeing and resilience. We have recently partnered with Mind in the UK to provide mental health resources for children and young people and for those who support them.

We are evaluating the business risks and opportunities associated with climate change, closely managing our environmental impact and actively promoting positive environmental practices. In 2019, we started to define our new set of ambitions to respond to the current environment of climate emergency.

More information can be found on P32.

Below: Santitas Inclusive Sports Week 2019, Spain.
Embedding a strong risk management culture is a strategic priority across Bupa. This focus on culture is essential in order to respond to changing environments and evolving regulation. This means we can better foresee the potential risks that could affect our customers and our business, and to mitigate them. Together with our controls, ensuring a strong risk culture helps us to continue to serve our customers well and meet our stakeholders’ expectations.

Our comprehensive risk management programme ensures that management understands how each aspect of our business is run, and makes recommendations to ensure our business is run in the right way.

To address these challenges, we use a three ‘lines of defence’ approach to risk management. We manage risk across our health insurance, aged care and provision businesses in line with our Board-approved Risk Management Framework. We report on our risk management performance in our annual report, and we review our approach to risk management in our integrated risk report.
Risks continued

This sets out the principles behind a robust and continuous risk management system in our first line of defence. This ensures that:

- we identify current and emerging risks to the business and strategy and understand the potential consequences;
- we have clear and established risk appetites within which we operate (these are discussed further below);
- we take appropriate and effective steps to mitigate and manage identified risks;
- we use risk management information to help inform risk-based decisions across the business; and
- there is clear ownership of, and accountability for, risk.

We have a culture in which:

- appropriate risk behaviours are encouraged and rewarded;
- inappropriate behaviours are challenged with appropriate consequences; and
- risk events are communicated quickly without fear of blame.

We have well-established reporting systems in place to make sure that major risks to our businesses are identified, escalated, managed and mitigated. We carry out detailed reviews and in-depth analyses on particular risks whenever required, and have a stress and scenario testing programme for key risks. Our Enterprise Policies define the way we conduct business. The policies are reviewed annually and cover all key areas of risk for our health insurance, provision and aged care businesses. These are implemented by our Market Units and in Group Functions, and overseen by Group Functions to ensure compliance with the requirements in each Market and Business Unit. Each policy has a designated owner with defined roles and responsibilities at both enterprise and local levels.

Our annual Internal Control and Risk Management Assessment tests how effectively we put the Risk Management Framework into practice. This is a self-assessment which evaluates our internal control and risk management practices and policy compliance across Bupa. The assessment is conducted by the first line of defence and reviewed and challenged by the second and third lines, with the results presented to the Board Risk Committee.

The importance of risk management is reinforced by the effectiveness of our risk management processes being a factor in remuneration decisions.

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**Risk management life cycle**

1. **Identify**
   - The risk of the volatility in values of the depreciation of properties held for own use (including owned care provision properties), or for investment purposes, resulting in adverse impacts.
   - This includes capital associated with leased properties following the introduction of IFRS 16.

2. **Assess**
   - Risks relating to our insurance businesses. Risk of inadequate pricing and/or underwriting of insurance policies, and of claims expenses being materially different to expectations.
   - The relativley short-tailed nature of Bupa’s products allows us to respond to market changes quickly, although this can be limited by government set pricing controls in some markets.

3. **Monitor**
   - Risks arising from changes in the level or volatility of currency exchange rates impacting on cash flows and assets held in currencies other than sterling, and on the financial statements.
   - Risk arising from inadequate or failed internal processes, or from personnel, systems or external events. This also includes conduct risk (the risk that our actions or controls result in detriment or unfair outcomes for our customers, and clinical risk (the risk of injury, loss or harm to customers in receipt of healthcare).
   - We are committed to managing operational risks effectively. This includes continued close attention to management of regulatory risk and proactive engagement with regulators.

4. **Manage**
   - Property
   - Insurance
   - Currency
   - Credit spread and counterparty default
   - Operational (including conduct risk and clinical risk)

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**Risk appetite**

Our Board risk appetite is a measure of the degree of risk we are prepared to accept in our work to deliver on our strategy. Our core risk appetite statements focus on:

- the treatment of customers and employees;
- management of our financial strength;
- the sustainability of our business; and
- operational risk, including information security, privacy and clinical risks.

The risk appetite statements are reviewed annually, with the Risk Committee recommending any changes to the statements to the Board for approval.

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**Risk profile**

We accept risk as part of our business. Some risks are avoidable while others are part and parcel of our business model. We have an effective risk management system and internal controls in place to mitigate these risks. We maintain significant economic capital as a means of mitigating certain inherent risks. This reflects the nature of our operations and the level of risk associated with them.
Some significant risks to Bupa, such as operational risk, cannot be effectively mitigated through holding capital alone, as we do hold significant capital for operational risks. Our Market Unit Executive Risk Committees regularly review these residual risks and the mitigating actions taken to reduce them. This also informs the Risk Committee and BERC about key areas of specific concern. This provides management with a view of the priority areas in which resources should be focussed. The table below reflects the themes of the most significant risks currently facing Bupa.

This list and the residual risks for each remained relatively stable throughout 2019 with additional focus on climate change risks.

### External market conditions

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Comment and outlook</th>
<th>Mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>The risk of geopolitical volatility leading to political changes, market instability, and competitor activity having an adverse impact on our business model</td>
<td>Bupa’s key financial metrics remain strong, with a Solvency II capital coverage ratio of 159% from 191%. While uncertainty around the UK’s future relationship with the EU may impact sterling, as a Group with minimal direct investment and insurance exposures relative to our physical risks, although, as we saw in early 2020 with the Australian bushfires affecting some of our care homes, climate-change-related events could significantly affect our operations in our provision businesses in particular. We may be impacted by adverse economic outcomes from the transition to a lower-carbon economy that may impact the ability of our customers to afford our products. The direct impacts of climate change on health are becoming more evident.</td>
<td>We have a detailed programme of activities across Bupa to appropriately mitigate this risk. We have a comprehensive programme of governance activities to help manage the risk.</td>
</tr>
</tbody>
</table>

### Information security including cyber-resilience

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Comment and outlook</th>
<th>Mitigating actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>The risk of significant financial and reputational impacts due to failure to adequately secure personal information (including personal identification)</td>
<td>Businesses are increasingly being targeted by cyber attackers. We have a detailed programme of activities across Bupa to appropriately mitigate this risk. We continue to invest in technology capabilities to further enhance security and privacy, and digitise customer experiences. Sub-committees of the BERC, specifically focus on both information security and privacy risks while delivering continual service improvements through our digital transformation.</td>
<td>We have a comprehensive programme of governance activities to help manage the risk.</td>
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</tbody>
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### UK exit from the EU

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<tbody>
<tr>
<td>The UK’s decision to leave the EU has led to uncertainty for our business.</td>
<td>Bupa’s key financial metrics remain strong, with a Solvency II capital coverage ratio of 159% from 191%. While uncertainty around the UK’s future relationship with the EU may impact sterling, as a Group with minimal direct investment and insurance exposures relative to our physical risks, although, as we saw in early 2020 with the Australian bushfires affecting some of our care homes, climate-change-related events could significantly affect our operations in our provision businesses in particular. We may be impacted by adverse economic outcomes from the transition to a lower-carbon economy that may impact the ability of our customers to afford our products. The direct impacts of climate change on health are becoming more evident.</td>
<td>We have a detailed programme of activities across Bupa to appropriately mitigate this risk. We have a comprehensive programme of governance activities to help manage the risk.</td>
</tr>
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### Environmental and climate change risks

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</thead>
<tbody>
<tr>
<td>The risk that our activities cause harm to the environment, and the risks that climate change could have for our business and on people’s health.</td>
<td>Climate change is one of the major risks we face as a society. We closely manage our environmental impacts and promote positive environmental practices. We performed an assessment of the political, transitional and liability risks associated with climate change. We have minimal direct investment and insurance exposures relative to our physical risks, although, as we saw in early 2020 with the Australian bushfires affecting some of our care homes, climate-change-related events could significantly affect our operations in our provision businesses in particular. We may be impacted by adverse economic outcomes from the transition to a lower-carbon economy that may impact the ability of our customers to afford our products. The direct impacts of climate change on health are becoming more evident.</td>
<td>We have a comprehensive programme of activities across Bupa to appropriately mitigate this risk. We have a comprehensive programme of governance activities to help manage the risk.</td>
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### Changes in government and regulatory policy

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<tr>
<td>The risk of failure to anticipate or influence changes in governmental and regulatory environment which affect our customers and the viability or profitability of our business.</td>
<td>Our health insurance, provision and aged care businesses are subject to government and regulatory policy, including minimum wage requirements, prudential requirements, charges to tax regimes and the interpretation of existing tax practices, pricing controls in some of our health insurance businesses and clinical care requirements for our provision and aged care businesses. In Australia, the government-approved premium increase for our customers was in place.</td>
<td>We have a comprehensive programme of governance activities to help manage the risk.</td>
</tr>
</tbody>
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### Clinical risks, particularly in Australia Aged Care

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<tr>
<td>The risk that we are not providing the right clinical outcomes for our customers.</td>
<td>The Group’s Clinical Function, led by the Group Chief Medical Officer is responsible for ensuring clinical quality and governance within the business. We have a Clinical Risk Enterprise Policy in place.</td>
<td>We have a comprehensive programme of governance activities to help manage the risk.</td>
</tr>
</tbody>
</table>

### Risk

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</tr>
</thead>
<tbody>
<tr>
<td>The risk that we hold insufficient liquid resources to ensure we meet our obligations as they fall due or to take advantage of potential opportunities, or of being able to secure such resources only at excessive cost, resulting in adverse impacts.</td>
<td>Liquidity risk is addressed through capital controls by holding liquid assets and maintaining appropriate controls. Policymaker activities are predominantly based on liquid assets, so our liquidity risk exposure is primarily related to the funding risk associated with borrowing.</td>
<td>Liquidity risk is addressed through capital controls by holding liquid assets and maintaining appropriate controls. Policymaker activities are predominantly based on liquid assets, so our liquidity risk exposure is primarily related to the funding risk associated with borrowing.</td>
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### Strategic risks

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<td>The risk that we may be impacted by adverse economic outcomes from the transition to a lower-carbon economy that may impact the ability of our customers to afford our products. The direct impacts of climate change on health are becoming more evident.</td>
<td>We have a comprehensive programme of activities across Bupa to appropriately mitigate this risk. We have a comprehensive programme of governance activities to help manage the risk.</td>
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There are further risks that capital cannot appropriately mitigate which remain a priority for management. These are detailed in the table below.

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**Risk:**

- Liquidity risk
- Strategic risks

**Comment and outlook:**

- Liquidity risk is addressed through capital controls by holding liquid assets and maintaining appropriate controls. Policymaker activities are predominantly based on liquid assets, so our liquidity risk exposure is primarily related to the funding risk associated with borrowing.
- The risk that we may be impacted by adverse economic outcomes from the transition to a lower-carbon economy that may impact the ability of our customers to afford our products. The direct impacts of climate change on health are becoming more evident. Global trends and key areas influencing our markets are set out on pages 28-29.

**Mitigating actions:**

- Our purpose – helping people live longer, healthier, happier lives – and our values shape how we act and deliver for our customers and our people.
- We face the systematic and ongoing assessment of emerging risks, which we can react to in a timely and appropriate manner.
- We are enhancing our capability to ensure our businesses remain operationally resilient to ensure that we continue to provide for our customers.

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**Risk:**

- Clinical risks, particularly in Australia Aged Care

**Comment and outlook:**

- We have a Clinical Risk Enterprise Policy in place. In Australia, we have been working with the regulator to make improvements in order to enhance care and support for our residents and their families.
- In addition, we are engaging with the Royal Commission into Aged Care and Safety which is examining the whole aged care system in Australia.

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**Risk:**

- Changes in government and regulatory policy

**Comment and outlook:**

- Our health insurance, provision and aged care businesses are subject to government and regulatory policy, including minimum wage requirements, prudential requirements, charges to tax regimes and the interpretation of existing tax practices, pricing controls in some of our health insurance businesses and clinical care requirements for our provision and aged care businesses.
- In Australia, the government-approved premium increase for our customers was in place. | We have a comprehensive programme of governance activities to help manage the risk. |

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**Risk:**

- Information security including cyber-resilience

**Comment and outlook:**

- Businesses are increasingly being targeted by cyber attackers. We have a detailed programme of activities across Bupa to appropriately mitigate this risk. We continue to invest in technology capabilities to further enhance security and privacy, and digitise customer experiences. Sub-committees of the BERC, specifically focus on both information security and privacy risks while delivering continual service improvements through our digital transformation.

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**Risk:**

- External market conditions

**Comment and outlook:**

- Bupa’s key financial metrics remain strong, with a Solvency II capital coverage ratio of 159% from 191%. While uncertainty around the UK’s future relationship with the EU may impact sterling, as a Group with minimal direct investment and insurance exposures relative to our physical risks, although, as we saw in early 2020 with the Australian bushfires affecting some of our care homes, climate-change-related events could significantly affect our operations in our provision businesses in particular. We may be impacted by adverse economic outcomes from the transition to a lower-carbon economy that may impact the ability of our customers to afford our products. The direct impacts of climate change on health are becoming more evident. | We have a comprehensive programme of activities across Bupa to appropriately mitigate this risk. We have a comprehensive programme of governance activities to help manage the risk. |