Bupa Australia & New Zealand Tax Transparency Report

For the year ended 31 December 2020

Bupa

Foreword

I am pleased to present Bupa Australia & New Zealand's (**ANZ**) Tax Transparency Report for the year ending 31 December 2020 which has been prepared in accordance with the Australian Voluntary Tax Transparency Code.

At Bupa, our purpose is to help people live longer, healthier, happier lives and make a better world.

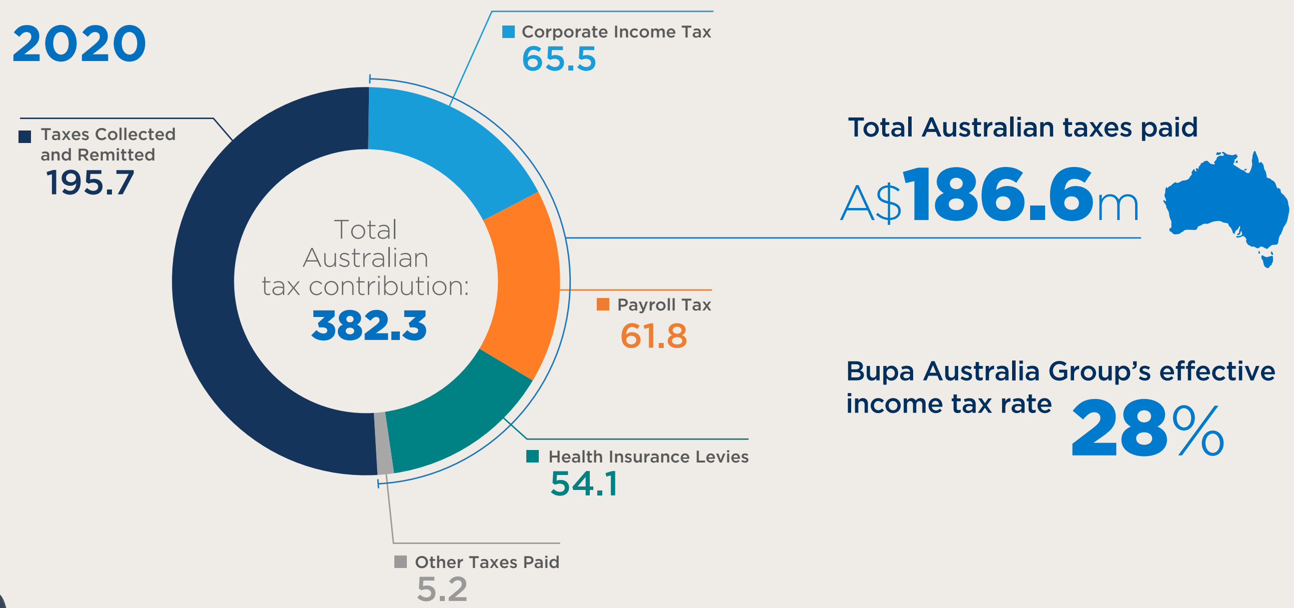
With more than 18,000 employees and five million customers in Australia and New Zealand, we believe it's important to be transparent with our tax affairs and our approach to tax governance. We have a strong risk management culture and are committed to complying with tax laws responsibly in accordance with our robust tax governance framework. We establish constructive relationships and engage transparently with tax authorities.

This report includes details of Bupa ANZ's approach to tax governance and the economic contribution we made in Australia in 2020 through the Australian taxes we paid and collected.

We welcome this opportunity to voluntarily share these details with our stakeholders to provide a greater understanding of Bupa ANZ's approach to tax, upholding our commitment to transparency, fairness and robust governance in the management of our tax affairs.

Nick Stone,
Bupa ANZ Chief Financial Officer

Key Australian tax contribution for 2020 (A$'m)

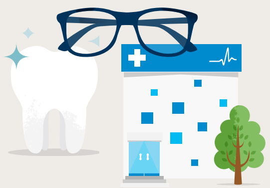


Our business and operations

Bupa ANZ is part of the Bupa Group, an international healthcare group. The British United Provident Association Limited (**Bupa Parent**), the ultimate parent entity of the Bupa Group, is incorporated in England and Wales and is a company limited by guarantee without shareholders. The Bupa Group reinvests profits into providing more and better healthcare for the benefit of current and future customers around the world.

The Bupa Group entered the Australian market through the acquisition of HBA and Mutual Community in 2002, which have origins reaching back to the 1930s, and the acquisition of MBF in 2008. Today Bupa ANZ employs more than 18,000 people across Australia and New Zealand within a diverse range of health and care businesses, which were as follows as at 31 December 2020:

Bupa Health Insurance, one of the leading health insurance providers in Australia, provided quality, affordable health insurance cover to more than 3.9 million Australian and international customers through our digital and online services, 71 retail stores and our customer call centre.
Bupa Health Insurance also distributed travel, home and contents, motor insurance products and international private medical insurance as an authorised representative of Insurance Australia Limited and pet insurance as an authorised representative of Petsure (Australia) Pty Ltd.



Bupa Health Services, a health provision business, comprised of:

- 220 dental clinics (198 in Australia and 22 in New Zealand);
- 47 optical stores in Australia;
- Medical centres where we provided immigration health examinations to Australian visa applicants on behalf of the Australian Department of Home Affairs;
- The provision of quality clinical advisory services to the Australian Department of Veterans' Affairs; and
- The provision of an integrated health care system which provided end-to-end health care to support approximately 85,000 Australian Defence Force personnel.

Bupa Villages and Aged Care Australia provided residential aged care, respite and specialised dementia care services for approximately 6,000 residents in 68[1] homes and one retirement village in Australia.

Bupa Villages and Aged Care New Zealand provided care for approximately 3,500 residents in 48 care homes, 34 independent living retirement villages and seven rehabilitation sites[2].

Definitions

Bupa Parent	The British United Provident Association Limited
Bupa Group	Refers to Bupa Parent's wholly owned and controlled companies.
Bupa ANZ	Refers to the Australian and New Zealand operations of the Bupa Group
Bupa Australia Group	Refers to Bupa's Australian multiple entry consolidated group comprised of all 100% owned Bupa Australian companies.

1 As part of our portfolio optimisation programme, we sold three and closed one of our homes in December 2020 and announced the closure of four more homes in January 2021.
2 In November 2020, we announced an agreement to divest our rehabilitation business, which completed in 2021.

Our approach to tax

Our approach to tax is based on six principles that help inform our decision making and uphold our commitment to transparency, fairness and robust governance. These principles are in line with the Bupa Group's values and code of conduct.

1 We only enter into commercial transactions and the tax positions we adopt are in accordance with applicable laws and practices. The Bupa ANZ Board is accountable for ensuring that our approach to tax is consistent with our principle of sustainable growth, within the Bupa Group's overall strategic framework.

2 In circumstances where tax legislation is unclear or subject to interpretation, we obtain independent external advice. We also engage tax advisors where specialist expertise is required on complex transactions, compliance obligations and to provide insight into industry practice.

3 We seek to establish constructive relationships and work positively with tax authorities – the Australian Taxation Office (**ATO**) and State Revenue Offices in Australia and Inland Revenue in New Zealand. This is based on transparency and mutual respect, and we work with these tax authorities to minimise the extent of disputes. Where there are differences of opinion, we endeavour to work collaboratively with and seek clarity to resolve these differences in a satisfactory manner.

4 We price international related-party transactions on an arm's length basis in accordance with OECD principles and local tax laws and regulations, ensuring Bupa ANZ's transfer pricing reflects the commercial and economic substance of the transaction.

5 We approach our tax affairs in a manner that makes appropriate use of elections, deductions, and exemptions available in accordance with the tax legislation, as per the intent of the legislation.

6 We do not use contrived or artificial tax structures that are intended for tax avoidance or have limited commercial substance.

The Bupa Australia Group is part of the ATO's top 100 taxpayer justified trust program and has been categorised as a 'key taxpayer' for the 2020 year. To achieve justified trust, the ATO requires a taxpayer to provide objective evidence that would lead a reasonable person to conclude the taxpayer has paid the 'right' amount of tax. As part of the justified trust initiative, the ATO conducts annual reviews of the Bupa Australia Group's income tax returns in accordance with the Pre-lodgement Compliance Review process. This process enables the ATO to understand the design and operation of Bupa Australia Group's tax control and governance framework, allows for transparency on tax treatments adopted and early engagement on material transactions.

The ATO's review of the Bupa Australia Group for the year ended 31 December 2017 has been completed and is in progress for the years ended 31 December 2018, 2019 and 2020. The ATO obtained an overall provisional high level of assurance for the year ended 31 December 2017. The Bupa Australia Group continues to work transparently and collaboratively with the ATO.

Our approach to tax risk management

Bupa ANZ is committed to complying with tax laws responsibly and ensuring that tax is paid in the jurisdictions in which Bupa ANZ operates, based upon applicable laws and practices.

Embedding a strong risk management culture is a strategic priority across Bupa ANZ. This culture helps us to foresee and adapt to the changing environments, evolving regulation and potential risks that could affect our customers and our business in the future.

The Bupa ANZ Board is accountable for Bupa ANZ's system of governance with responsibility for setting Bupa ANZ's risk appetite and approving the risk management framework, where we operate a three lines of defence model of governance.

Bupa ANZ's management of tax risk is aligned with this approach and is set out in the Bupa ANZ Tax Policy which is approved by the Bupa ANZ Board. The Bupa ANZ Tax Director, the Bupa ANZ Chief Financial Officer and the Bupa ANZ Chief Risk Officer are accountable for ensuring that these policies and procedures are embedded throughout Bupa ANZ to ensure tax risk is appropriately managed.

Bupa ANZ divides tax risk into two categories and has controls in place for managing these separate risks.

Tax Compliance Risk

Tax risk explained

The risk of a financial, regulatory or reputational impact due to errors, omissions or process failings in the usual course of managing Bupa ANZ's tax affairs. This includes the impact of not identifying and/or appropriately embedding a change in tax legislation.

How Bupa ANZ manages this risk

We minimise tax compliance risk through the use of preventative and detective controls.

We act on any errors identified to ensure they are corrected and improve our processes to mitigate the risk of repeat occurrences.

Tax Judgement Risk

Tax risk explained

The risk of a financial, regulatory or reputational impact arising out of a tax authority challenge or negative public perception to a position taken by Bupa ANZ.

How Bupa ANZ manages this risk

We only enter into commercial transactions and the tax positions we adopt are in accordance with applicable laws and practices.

Bupa ANZ's three lines of defence model and tax

The Bupa ANZ Board is ultimately responsible for the system of governance, risk management framework and setting policies for Bupa ANZ.

Bupa ANZ's risk management framework is approved annually by the Bupa ANZ Board and is implemented through the three lines of defence model. An assessment of the effectiveness of Bupa ANZ's risk management framework is conducted annually with the results presented to the Bupa ANZ Board Risk Committee.

The Bupa ANZ Tax Function identifies, assesses and manages tax risks in accordance with the Bupa ANZ Tax Policy. The Bupa ANZ Tax Function regularly report on material tax risks and tax matters to the Bupa ANZ Board Audit Committee and the Bupa Group's Tax Function, including details of how tax risks are being monitored and managed. The Bupa ANZ Board Audit Committee assists the Bupa ANZ Board in its review and monitoring of tax matters and therefore provides an oversight role in respect of tax matters.

In addition, Bupa ANZ Internal Audit undertakes independent testing of the effectiveness of Bupa ANZ's processes and controls, including tax, and reports their findings and any recommendations to the Bupa ANZ Board Audit Committee.

Outlined below is the application of the three lines of defence model in the context of tax risks and the Bupa ANZ Tax Policy.

Bupa ANZ's Tax Function consists of qualified tax professionals with the appropriate skills and experience to implement our tax control framework and to stay up to date with changes in tax legislation. Bupa ANZ's Tax Function consists of individuals with a balance of both technical and business specific knowledge. This tax expertise ensures that domestic and cross border tax issues are managed appropriately and that the Bupa Group is able to comply with its tax obligations in ANZ.

Information flow

1st line

Bupa ANZ Tax Function

Identify, Manage & Report/Advise & Support/Monitor & Test

Identify, manage and report

- Identifying, assessing, controlling and mitigating tax risks to Bupa ANZ's objectives.
- Compliance with the Bupa ANZ Tax Policy and tax laws and regulations.
- Identifying, escalating and learning from incidents.
- Reporting of tax risk positions, weaknesses and incidents.

Advise and support

- Advise on the application of the Bupa ANZ Tax Policy and tax laws and regulations.
- Provide advice on the design and testing of controls to support compliance.

Monitoring

- Monitor and test the effectiveness of controls and compliance with the Bupa ANZ Tax Policy and tax laws and regulations.

2nd line

Bupa ANZ Risk & Compliance

Advise & Support/Oversight & Challenge

Oversight and challenge

- Independent oversight, assurance and challenge (including testing and monitoring) of risk governance and risk management practices conducted by the First Line of Defence (1LOD).
- Form an independent view on the quality and sufficiency of Bupa ANZ's tax risk management activities and internal control environment.

Advise and support

- Setting the Bupa ANZ Risk Management Framework (RMF) through which the business manages risk.
- Providing guidance and support to 1LOD on how to embed the RMF.
- Aggregate risk information for analysis and onward reporting to the Bupa ANZ Board Risk Committee (and Bupa ANZ Board).

3rd line

Internal Audit

Independent Assurance

Independent assurance

- Examine and evaluate the adequacy and effectiveness of Bupa ANZ's governance, risk management and internal control processes in relation to Bupa ANZ's defined goals and objectives.
- Evaluate all Bupa ANZ processes ("audit universe") including governance processes and risk management processes.

Reconciliation of the Bupa Australia Group's accounting profit to income tax expense and income tax payable

As the Bupa Group has multiple entry points of investment into Australia, an Australian multiple entry consolidated group has been formed and is comprised of all 100% owned Bupa Australian companies (**Bupa Australia Group**). The Bupa Australia Group is treated as a single taxpayer for Australian income tax purposes and Bupa ANZ Group Pty Ltd (**BAG**), as the 'provisional head company', lodges one Australian consolidated income tax return on behalf of the Bupa Australia Group. Bupa ANZ's New Zealand companies do not form part of the Bupa Australia Group.

Outlined below is a reconciliation of the Bupa Australia Group's accounting profit to income tax expense (**ITE**), ITE to income tax payable and income tax payable to income tax paid for the year ended 31 December 2020 (with 2019 comparatives).

Reconciliation of accounting profit to income tax expense

The ITE of the Bupa Australia Group is calculated based on Australian accounting standards and represents accounting profit before tax multiplied by Australia's corporate tax rate of 30%, adjusted for non-temporary differences between the accounting and tax treatment of items (e.g. income and expenses which are non-assessable and non-deductible for tax purposes).

	2020	2019
	A$'000	A$'000
Profit / (loss) before ITE of the Bupa Australia Group	**205,103**	**(35,923)**
income tax at the Australian corporate tax rate of 30%	**61,531**	**(10,777)**
Income tax effect of non-temporary differences:		
Non-assessable income	(546)	(1,898)
Non-deductible expenses	4,970	100,238[3]
Utilisation of capital losses	(8,435)	(1,644)
Adjustment for prior years	(300)	(1,002)
Other items	486	169
Total ITE of the Bupa Australia Group	**57,706**	**85,086**

Reconciliation of income tax expense to income tax payable

In any year, there will be differences between the ITE of the Bupa Australia Group and the calculated amount of income tax payable by the Bupa Australia Group.

This is due to a number of temporary differences between the accounting and tax treatment of various items (e.g. amounts are assessable or deductible for tax at a different time to when they are recognised under accounting practices). Temporary differences will eventually reverse over time.

	2020	2019
	A$'000	A$'000
Total ITE of the Bupa Australia Group	**57,706**	**85,086**
Less: Adjustment for prior years	**300**	**1,002**
ITE for the current year	**58,006**	**86,088**
Temporary differences between accounting and tax treatment		
Deferred claims liability[4]	90,755	-
Foreign exchange gains / losses[5]	17,508	11
Employee benefits	16,560	(2,010)
Property, plant and equipment	8,900	3,514
Intangible assets	6,468	7,455
Financial investments	839	(3,570)
Other provisions and accruals	648	(5,319)
Other items	(2,484)	(2,204)
Income tax payable for the current year for Bupa Australia Group	**197,200**	**83,965**

3 In 2019, the goodwill of the Bupa Villages and Aged Care Australia business was impaired and the impairment expense of $319.6m was non-deductible for income tax purposes and gave rise to a non-temporary difference of $95.9m ($319.6m at 30%). Other non-temporary differences also arose in 2019 in relation to expenses that were non-deductible for income tax purposes.

4 Due to impacts of COVID-19, the Bupa Health Insurance business recognised a deferred claims liability (DCL) provision of $302.5m as at 31 December 2020. The DCL provision was treated as non-deductible for income tax purposes and gave rise to a temporary difference of $90.8m ($302.5m at 30%).

5 Primarily relates to the realisation of a foreign exchange gain on repayment of a New Zealand dollar denominated related party loan in the year ended 31 December 2020.

Reconciliation of income tax payable to income tax paid

There will also be differences between the calculated amount of income tax payable by the Bupa Australia Group for the year and the total income tax actually paid to tax authorities during the year. This is primarily due to the timing of the Bupa Australia Group's monthly income tax instalment payments and the timing of final tax payments or receipt of tax refunds relating to the Bupa Australia Group's income tax returns.

	2020	2019
	A$'000	A$'000
Income tax payable for the current year for Bupa Australia Group	**197,200**	**83,965**
Add:		
Opening balance of income tax payable/(receivable)	(23,473)	128,998
Adjustment for prior years	(157)	(446)
Offset for overpaid withholding tax	-	162
Subtract:		
Closing balance of income tax receivable/(payable)	(107,315)	23,473
Equals:		
Income taxes paid to the ATO	65,546	234,610
Income taxes paid to New Zealand Inland Revenue[6]	709	1,542
Total income taxes paid during the year by Bupa Australia Group	**66,255**	**236,152**

6 Relates to New Zealand interest withholding tax paid which is claimable as foreign income tax offsets for Australian income tax purposes

Effective tax rate of the Bupa Australia Group and the Bupa Group

The Bupa Group calculates its effective tax rate (**ETR**) as ITE divided by accounting profit before ITE.

Bupa Australia Group

The Bupa Australia Group's ETR for 2020 was 28%, which is lower than the Bupa Australia Group's applicable corporate income tax rate of 30%. This was mainly due to the utilisation of carried forward capital losses for which no deferred tax asset had been previously recognised.

The Bupa Australia Group's ETR for 2019 was negative 237%. In 2019, the goodwill of the Bupa Villages and Aged Care Australia business was impaired and the impairment expense of $319.6m was non-deductible for income tax purposes and gave rise to a non-temporary difference of $95.9m ($319.6m at 30%). If the accounting profit / (loss) before tax was adjusted for this amount, the effective tax rate would be 30%.

Bupa Group

The Bupa Group's ETR for 2020 was 44%, which is higher than the United Kingdom (**UK**) corporate income tax rate of 19%. This is mainly due to a one-off deferred tax charge of £68m as a result of the change in the basis of recognition of the UK pension surplus. In addition, all other UK deferred tax balances were revalued as a result of the change in the enacted UK tax rate (from 17% to 19%) increasing the overall Bupa Group tax charge by a further £15m. If these exceptional items are removed the Bupa Group's ETR would be 24%, which is higher than the UK corporate income tax rate of 19% due to significant profits arising in overseas locations with a higher corporate income tax rate than the UK, such as ANZ.

The Bupa Group's ETR for 2019 was negative 171%. This was mainly due to the one-off goodwill impairment in Australia (noted above) as well as similar impairments in the UK for which no tax deductions could be claimed. Reversing the impact of these together with prior period adjustments would have resulted in an adjusted ETR of 28%, which is higher that the UK corporate income tax rate of 19%. This was mainly due to significant profits arising in overseas locations with a higher corporate income tax rate than the UK, such as ANZ.

	Bupa Australia Group	Bupa Australia Group	Bupa Group	Bupa Group
	2020	2019	2020	2019
	A$'000	A$'000	£'000	£'000
Profit / (loss) before ITE	205,103	(35,923)	410,433	(78,074)
ITE / (benefit)	57,706	85,086	180,391	133,361
Effective tax rate	28%	(237%)	44%	(171%)

ATO corporate tax transparency disclosures

In accordance with the ATO's tax transparency measures, the ATO annually publishes income tax return information for certain large taxpayers.

The following income tax information has been published or is expected to be published by the ATO in respect of the Bupa Australia Group:

	31 December 2019	31 December 2018
Bupa ANZ Group Pty Ltd (ABN: 95608490455)	A$'000	A$'000
Total income	8,360,962	8,121,722
Taxable Income	279,067	533,339
Tax Payable	82,299	158,411

A reconciliation of these disclosures is provided below:

	31 December 2019	31 December 2018
Bupa ANZ Group Pty Ltd (ABN: 95608490455)	A$'000	A$'000
Total income	**8,360,962**	**8,121,722**
Total Expenses	(8,397,072)	(7,693,645)
Profit / (loss) before ITE[7]	(36,110)	428,077
Net tax adjustments	315,177[8]	105,262
Taxable Income	**279,067**	**533,339**
Prima Facie Tax Payable @ 30%	83,720	160,002
Tax offsets	(1,421)	(1,591)
Tax Payable	**82,299**	**158,411**

7 Accounting profit/(loss) before tax in the income tax return differs immaterially from the accounting profit/(loss) before tax in the financial statements, as the finalised accounting profit/(loss) before tax for the Bupa Australia Group's dental business is reflected in the income tax return.

8 Primarily relates to the impairment of the goodwill of the Bupa Villages and Aged Care Australia business of $319.6m, which was non-deductible for income tax purposes, and other differences between the accounting and tax treatment of various items.

Our Australian tax contribution

The Bupa Australia Group pays taxes both directly to tax authorities in Australia and collects taxes on behalf of those authorities from our customers, employees and payments to Bupa Group related parties. Together this equates to our total Australian tax contribution.

The Bupa Australia Group's total Australian tax contribution was A$382.3m in 2020 (A$542.1m in 2019).

Australian taxes paid includes direct taxes such as corporate income tax, payroll tax, health insurance levies, non-recoverable goods and services tax (**GST**), fringe benefits tax (**FBT**), stamp duty and other withholding taxes.

Australian taxes collected include those in relation to Pay As You Go (**PAYG**) salary withholding, net GST remitted/(refunded) and other withholding taxes.

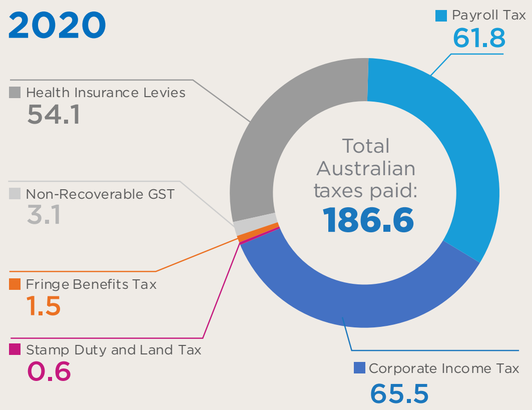
The following represents the Australian taxes we have paid or collected on behalf of others in the years ended 31 December 2019 and 2020:

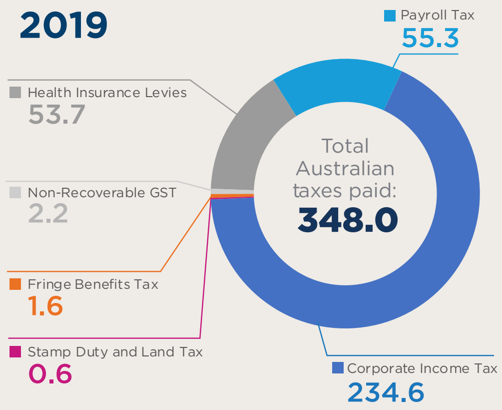
Total Australian tax contribution data

	Total Australian taxes paid	+	Total Australian taxes collected	=	Total Australian taxes contribution
2020	A$ **186.6m**	+	A$ **195.7m**	=	A$ **382.3m**
2019	A$ **348.0m**	+	A$ **194.1m**	=	A$ **542.1m**

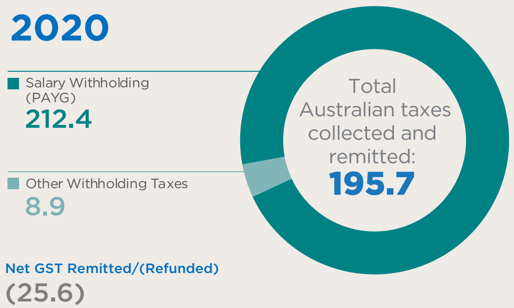
Australian taxes we contribute (A$'m)

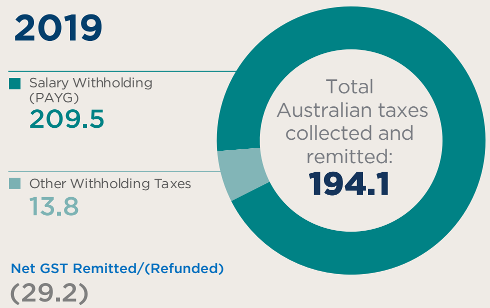
Australian Taxes Paid





Australian Taxes Collected and Remitted





International related party dealings

As Bupa ANZ operates in two jurisdictions, Australia and New Zealand, and forms part of the Bupa Group, Bupa ANZ has a number of international related party dealings between its Australian and New Zealand subsidiaries, as well as with Bupa Group entities in the UK.

From the UK, the Bupa Group provides some central support and oversight to Bupa ANZ (and other Bupa Group markets) to ensure that the Bupa Group's governance and risk management frameworks are consistent across the Bupa Group and are sufficient to protect and grow the Bupa Group's businesses.

Bupa ANZ had the following key types of dealings with its international related parties during the 31 December 2020 year:

Type	Description
Financing	The Bupa Australia Group receives debt financing from its immediate parent company, Bupa Investments Overseas Limited, which, as agreed with the ATO, falls within the 'low risk' or 'green zone' rating in accordance with the risk framework set out in the ATO's Practice Compliance Guideline PCG 2017/4. The Bupa Australia Group also provides debt financing to Bupa ANZ's New Zealand operations.
Management and administrative services	Management and administrative services (for example, legal, clinical, risk and finance support and oversight services) provided by the Bupa Group from the UK to the Bupa Australia Group and by the Bupa Australia Group to its wholly owned New Zealand subsidiaries.
Investment management services	Investment management services provided to the Bupa Australia Group by the Bupa Group from the UK.
Cost recharges	Third party costs paid by an entity may be recharged to another entity that is the intended recipient/beneficiary of those third party costs. Cost recharges occur between members of the Bupa Group, the Bupa Australia Group and the New Zealand subsidiaries.

We price international related-party transactions on an arm's length basis in accordance with OECD principles and ANZ tax laws and regulations, ensuring Bupa ANZ's transfer pricing reflects the commercial and economic substance of the transaction. Appropriate transfer pricing documentation is procured each year to support the pricing adopted.

The Bupa Australia Group complies with Australia's country-by-country reporting requirements which provides the ATO with information relating to the Bupa Australia Group's international related party transactions and the Bupa Group.

Basis of preparation

This report covers the year ended 31 December 2020 and comparative period 31 December 2019 and provides an overview of the Australian tax contribution made by the Bupa Australia Group and further information in relation to our tax risk and governance profile.

This report has been prepared in accordance with the Australian Board of Taxation's Voluntary Tax Transparency Code.

Income tax expense, income tax payable and income tax paid data was sourced from Bupa ANZ's financial statements for the years ended 31 December 2019 and 2020, which were externally audited and prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian and International accounting standards and interpretations issued by the Australian Accounting Standards Board and the International Accounting Standards Board, respectively.

Currency: Unless specifically noted otherwise, all amounts contained within this report have been disclosed in Australian Dollars.

Taxes paid and collected: Data that relates to taxes paid and taxes collected has been compiled using information on actual taxes paid or tax collected, net of refunds received, during the financial year (i.e. on a cash paid basis), rather than taxes paid or collected referable to the financial year. Taxes paid and taxes collected by non-controlled entities of Bupa ANZ are excluded.

ATO tax transparency disclosures: ATO tax transparency disclosures have been sourced from the Bupa Australia Group's income tax returns for the years ended 31 December 2018 and 31 December 2019 submitted to the ATO.

This report was approved by the Board of Directors for Bupa ANZ Healthcare Holdings Pty Ltd ACN 126 737 308, Bupa ANZ Insurance Pty Ltd ACN 098 309 025 and Bupa ANZ Group Pty Ltd ACN 608 490 455 in September 2021.

Bupa ANZ Group Pty Ltd
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