

Recovered from Cybercrime Disaster in 2023

Company/ASX Code	Medibank /MPL
AGM time and date	10:30am Wednesday, 22 November 2023
Location	Melbourne Convention & Exhibition Centre, 1 Convention place, South Wharf. Level 1, Rooms 109-110.
Registry	Computershare
Type of meeting	Hybrid
Monitor	Peter Aird with Katja Bizilj
Pre-AGM Meeting	Yes, with Mike Wilkins (Chair), Tracey Batten (NED), Marc Cefai (Snr Exec Rewards & People) and Michael Hajdinjak (Snr Exec Investor Relations).

Monitor Shareholding: The individuals involved in the preparation of this voting intention have a shareholding in this company.

1. How we intend to vote

No.	Resolution description	Vote
2	Re-election of Mike Wilkins AO as a Director	For
3	Re-election of Dr Tracey Batten as a Director	For
4	Adoption of the remuneration report	For
5	Grant of performance rights to the Chief Executive Officer	For

2. Summary of Issues and Voting Intentions for AGM

Impact and response to 2023 cybercrime event on Medibank's market share and business.

3. Matters Considered

Accounts and reports

Given the extent of the cybercrime event of October 2022, when data of about 9.7 million Medibank current and previous customers was stolen and subsequently released on the dark web, Medibank's financial recovery is significant. The NPAT of \$511m was no doubt assisted by the net \$138.6m income from investments but remains significant in light of the drop in market share (down 0.37% to 27.08%) and the significant spend (\$46.4m) on support activities associated with customer response to the cybercrime event.

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	511	393.9	441.2	315.0	458.7
UPAT (\$m)	499	435.1	398.7	366.7	447.9
Share price (\$)	3.52	3.25	3.16	2.99	3.49
Dividend (cents)	13.6	13.4	12.7	12.0	13.1
Simple TSR (%)	12.5	7.1	9.9	-10.9	24.0
EPS (cents)	18.6	14.3	16.0	11.4	16.7
CEO total remuneration, actual (\$m)	2.21	2.6	4.1 [a]	3.2	2.8

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Governance and culture

Medibank continues to aim to be an employer of choice and have maintained a high employee engagement score (7.7/10, which is a little lower than FY21, 7.9) and described as “largely stable”. Internal evaluation survey responses remain high (80%) from which data on diversity is obtained and extensively reported. Changes have been made to Medibank’s work process’s reducing “bureaucracy and red tape” and they have recently announced a trial of a 4-day work week in some areas.

Key events

The cybercrime event, described above and in last year’s ASA reports, dominated activity during the year. The Deloitte external review of the event was received in early 2023 and reported in an ASX release at the end of April. Medibank have implemented all recommendations but would not release the report, noting the sensitivity of security and process information and that the event was still the subject of ongoing litigation. The Deloitte review also examined Medibank’s response to the event which the Chair advised as “appropriate and good”.

Key board or senior management changes

Ms Anna Bligh announced her retirement from the Board in September 2023. Medibank expect to replace her when a suitable candidate is found but noted that her unique set of skills and knowledge would be difficult to replicate.

In April Mr John Goodall, Group Executive – Technology and Operations retired from Medibank.

A restructure of the senior executive team was announced at this time including the appointment of a Chief Information Officer, changes to the responsibilities and titles for executives (Group Executives are now Group Leads) and creation of new roles, Group Lead – Digital & Ventures and Group Lead - Policy, Advocacy & Reputation.

In October 2023 Ms Felicia Trewin was appointed Group Lead – Data & Technology and Dr Andrew Wilson stepped down as the head of Amplar Health (appointed Group Chief Medical Officer) and was replaced by Mr Robert Read.

Sustainability/ESG

Medibank continue to publish an extensive and informative annual Sustainability Report, containing amongst other things extensive workforce diversity information. It was noted that the formal structure of Medibank’s Sustainability plan has replaced the previous 6 UN Sustainability Goals for 5 focus areas of Customer, Employee, Community and Environmental Health and Governance.

ASA focus issues:

Medibank intend to continue running their AGM using the “Macquarie model” of presenting the Resolutions as a group and bunching questions to the end of the meeting, rather than following the agenda. The Chair defended this method as being more efficient. Directors seeking re-election would not speak to their election, with the claim that questions are better than speeches. ASA’s comments on the time that proxy votes on resolutions are displayed was noted, as was the suggestion that they be published prior to the AGM.

Medibank’s Board has a majority of independent directors with a good mix of age, tenure and gender diversity. There was no change to the format of the Director’s Skills Matrix, which is only a table of self-assessed cumulative Board skills. Some changes to the Skills scoring were noted. No external review of Board performance is planned for the coming year (last one in 2021), although an internal review led by the Chair of the Nominations Committee (Mike Wilkins) was conducted and discussed by the Board. An external review is due next year.

4. Rationale for Voting Intentions

Resolution 1: Re-election of Mike Wilkins AO as a Director (for)

Mr Wilkins was appointed a director in 2017 and became Chair of Medibank in 2020, retires in accordance with the Company constitution and being eligible offers himself for re-election. He has extensive experience as an executive and director in the financial sector, particularly in insurance businesses. He has a full workload as Chair of QBE and a director of Scentre Group, but his performance does not indicate that this is excessive. His leadership of Medibank during the last year, skills, qualifications, and experience indicate that his re-election should be supported.

Resolution 2: Re-election of Dr Tracey Batten as a Director (for)

Dr Batten was appointed a director in 2017, retires in accordance with the Company constitution and being eligible offers herself for re-election. She has extensive experience in the health services sector with strong commercial, business and change leadership skills. Previously she was CEO of Imperial College Healthcare NHS Trust and of St Vincent's Health Australia. She has one other commercial Directorship and two directorships of New Zealand government authorities. Her qualifications, experience and contribution indicate that her re-election should be supported.

Resolution 3: Adoption of the remuneration report (for)

Medibank's remuneration structure remains the same as in past years and is substantially in line with ASA guidelines. KMP's have a high percentage of at-risk remuneration with a significant proportion paid as equity, which they are required to hold. In FY23, the Board exercised its discretion to reduce the STI outcomes for Executives to zero following the cybercrime event. Incentives face several gateways and hurdles and are a mix of financial and external measures of the business' performance. The changes proposed for FY24 are acceptable. The FY21 LTI vested at 62.3% (earnings per share and total shareholder return exceeded hurdles, but market share did not) even after including the financial impact of the cybercrime event. Given these circumstances, ASA can support the remuneration report.

Resolution 4: Grant of performance rights to the Chief Executive Officer (for)

Whilst the grant of performance rights and long-term incentive is based on a 3-year period, all other aspects of the grant are in line with ASA policies. The changes proposed for FY24, introducing an additional Brand Sentiment measure, and changing the vesting to extend over three years, commencing in the fourth birthday of the Incentive commencement. The level of the award is not excessive, is aligned with shareholder expectations and can be supported.

ASA Disclaimer

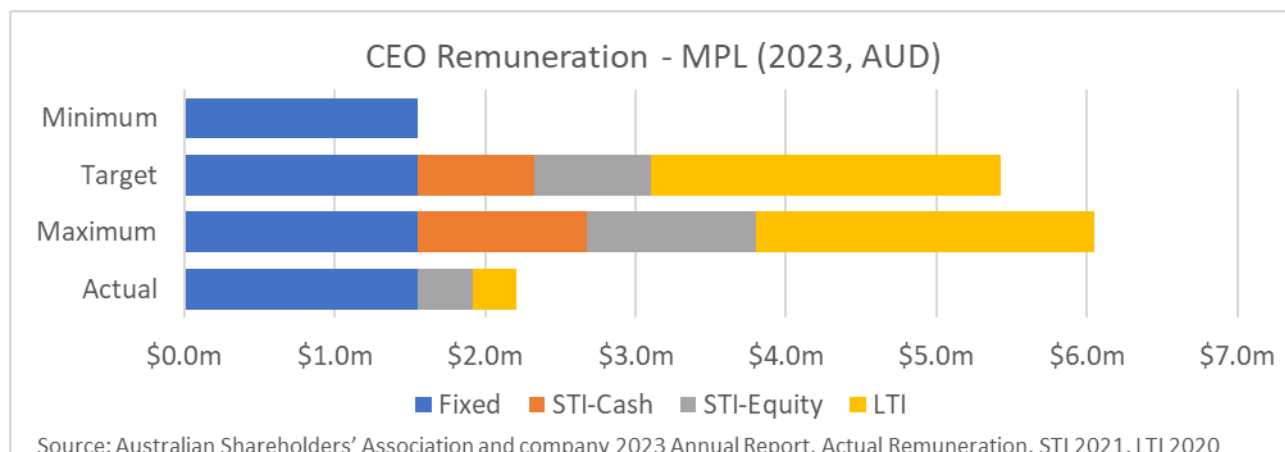
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Appendix 1

Remuneration framework detail



The amounts in the graphic above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.

The structure of KMP's remuneration has not changed in FY23 and there has been no general increase in Fixed Remuneration for KMP's and NED's fees, except to reflect some KMP's expanded portfolios.

The major features of Executive rewards are:

- A fixed pay based on a Market comparator group.
- Short Term Incentives with Target for the CEO of 100% of Fixed and a maximum of 150% of fixed. There are behaviour and financial gateways, 4 performance measures (operating profit, premium revenue growth, customer Net Promoter score and role specific measures. Half is paid in cash and half is paid as share rights (based on face value) deferred for 12 months.
- Long Term Incentive paid as share rights after 3 years. Performance measures are Earnings per Share compound annual growth rate (35%), Total shareholder return against a comparator group (35%) and Medibank PHI market share (30%). Rights are valued using face value of shares in the 10 days prior to 30 June.

For FY23, whilst performance measures of Group operating profit and Health Insurance revenue growth for the STI were above the threshold required, the Board exercised its discretion and reduced the STI outcome for members of the executive team to zero to reflect expectation of customers, shareholders, and the community in light of the cybercrime event.

The final FY21 LTI outcome saw vesting against the EPS CAGR measure (10.8%), part vesting against the TSR measure (ranked 64th percentile) and no vesting against the market share growth measure.

KMP's and Directors are expected to build a shareholding in the company over 5 years. Progress to satisfy this requirement is reported in the remuneration report. It is noted that whilst NED's shareholding requirement has been in place for many years, the requirement is against their net (after tax) fees. ASA's comment that best practice is to use gross fees as the benchmark for the holding requirement was noted by the Chair.

The FY24 framework has been adjusted after review by the Board to meet APRA's new remuneration standard. Changes include longer deferral periods on variable remuneration, the introduction of customer service satisfaction in the STI plan and a new brand sentiment performance hurdle in the LTI plan.

The remuneration report is clear and easily read, shows the structure of KMP's fixed and at risk pay and includes Actual and Statutory remuneration for KMP's.