

Smooth sailing but are there dark clouds on the horizon?

Company/ASX Code	Medibank / MPL
AGM time and date	10:30am AEDT Wednesday, 13 November 2024
Location	The Edge Auditorium, Federation Square, Melbourne
Registry	Computershare
Type of meeting	Hybrid
Monitor	Peter Aird with Katja Bizilj
Pre-AGM Meeting	Yes, with Mike Wilkins (Chair), Tracey Batten (NED), Collette Campbell (Lead, Investor Relations) and Marc Cefai (Snr Exec Rewards & People)

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	
2	Re-election of Gerard Dalbosco as a Director	For
3	Election of Jay Weatherill as a Director	For
4	Adoption of the Remuneration report	For
5	Grant of Performance Rights to the CEO	For
6	Amendment to Medibank Constitution	For
7	Non-executive Director remuneration	For

2. Summary of Issues and Voting Intentions for AGM

- Cybercrime event ongoing impacts with four separate legal actions underway.
- Shift in the way Healthcare is delivered.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

3. Matters Considered

Accounts and reports

Medibank has continued to perform solidly with Earnings Per Share (EPS) continuing to rise and a consistent Total Shareholder Return (TSR). This is consistent with their strategic focus on customers and their desire to improve the way healthcare is delivered in Australia. The dark clouds are the legal actions currently underway from the cybercrime event that the company is defending.

Financial performance

(As at FYE)	2024	2023 ^[1]	2022	2021	2020
NPAT (\$m)	492	309	393.9	441.2	315.0
UPAT (\$m)	570	500	435.1	398.7	366.7
Share price (\$)	3.73	3.52	3.25	3.16	2.99
Dividend (cents)	15.5	13.6	13.4	12.7	12.0
Simple TSR (%)	10.4	12.5	7.1	9.9	-10.9
EPS (cents)	20.7	18.2	14.3	16.0	11.4
CEO total remuneration, actual (\$m)	3.87 ^[2]	2.21	2.6	4.1	3.2

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.

[1] NPAT, UPAT and EPS restated after application of AASB 17 Insurance Contracts from 1 Jul 2022

[2] Includes Equity from 2022 STI and 2021 LTI.

Governance and culture

Medibank continues to aim to be an employer of choice and has maintained a high employee engagement score (7.9/10), a high proportion of women in senior leadership roles (46%) and 85% of employees having work/life flexibility. Internal evaluation survey responses remain high from which data on diversity and employee health and wellbeing is obtained and extensively reported.

Key events

The Cybercrime event of late 2022 continues to have an impact. Apart from the \$39.8 Million spend, reported in the Accounts for 2023-24, there are now 4 separate legal actions underway. These are in the Federal court by the Australian Information Commissioner (AIC), a representative complaint with the Office of AIC, a Consumer Class action and a Shareholder Class action. Medibank is defending all of these actions and states that “it is not currently practical to estimate the potential financial impact” (Annual Report 2024, Note 12a), so that no provisions have been made in the accounts. Medibank will continue to report the costs associated with the event and subsequent actions.

When the Chair was asked about the AIC’s Federal Court filing of events prior to October 2022, which allege potential vulnerabilities within Medibank’s security systems from August 2022, the Chair indicated that Medibank rejected many of the statements made in the filings. Medibank

had publicly accepted that the attack was through a contractor's access to their systems and that some settings on their security systems were incorrect. The Chair then suggested further discussion of these matters were "not the best use of ASA's time".

Key board or senior management issues

Following Anna Bligh's resignation from the Board in 2023, former SA Premier Jay Weatherill was appointed to the Board in March 2024.

Ms Felicia Trewin joined the Executive team in early 2024 as Group Leader – Data & Technology.

There are two Resolutions on the Agenda concerning the size of the Board and an increase in the size of the NED's fee pool. Given that the Board currently has 9 Directors as limited by the Company constitution, this limits succession planning in the appointment of Directors, as illustrated by the time to appoint a replacement for Anna Bligh. These changes are aimed at providing flexibility in the appointment of new Directors.

Medibank does not have a fixed maximum term for Directors, but a policy for 3 terms (up to 4 for the Chair). It is noted that there are currently 2 NED's remaining from the 2014 appointments whose current term expires in 2025.

Sustainability/ESG

Medibank continue to publish an extensive and informative annual Sustainability Report, containing amongst other things extensive workforce diversity information. The 4-day working week trial (100% productivity, 80% working time, 100% salary) is proving successful and is being doubled in size to 500 employees. Questioned about the naming and moderate take up of "Gift Days", the name reflects that it is not an entitlement and that the decisions on the days taken is left with each self-managing team, whilst maintaining productivity levels and managing times of high demand.

ASA focus issues

Medibank will continue to run their AGM's by presenting all Resolutions together with proxy details before opening the meeting to shareholder's questions. Directors seeking re-election and the Chair of the Remuneration Committee will not speak, but will answer questions.

The 2023 retirement of Anna Bligh from the Board and her replacement by Jay Weatherill has resulted in the company's target of 40% women on the Board being missed. They are still committed to the target, but aim to appoint the "best person for the role". This is one of the reasons for requesting an increase in the size of the Board.

The Board Skills Matrix remains as in the past a measure of collective skills, with a new skill of "Environment and Social" added. Medibank rejects ASA's preference for a skills matrix by Director. In 2024, the skills matrix was assessed by external consultants.

4. Rationale for Voting Intentions

Resolution 2 Re-election of Gerard Dalbosco as a Director

Gerard Dalbosco was first elected to the Board in 2021. With qualifications in economics and finance, he has held a range of positions with EY, most recently as Melbourne Managing Partner. He also sits on a number of charity boards (including Chair of Melbourne Archdiocese Catholic Schools). He is Chair of Medibank's Audit Committee and a member of Risk Management and the Nomination Committees. ASA considers his workload as not excessive and he exceeds current and future Director shareholding policy requirements.

With his qualifications and experience, his re-election can be supported.

Resolution 3: Election of Jay Weatherill as a Director

Jay Weatherill was appointed to the Board in March 2024. He has qualification in Law and Economics and specialised in employment law prior to his election to the South Australian Parliament in 2002. As a member of the Government for 16 years he held a range of portfolios, spending the last 6 years as Premier. Following his retirement from the SA Parliament in late 2018 he took on positions as Industry Professor at the University of South Australia, moved to Perth WA and sits on a number of Government and Not-for-Profit Boards.

With his qualifications and experience, his re-election can be supported.

Resolution 4: Adoption of the Remuneration report

Medibank implemented detailed changes to their remuneration of Executives to meet APRA requirements (delaying equity awards) and increase the focus on customer service and Brand sentiment (see Appendix 1 for more details). Average STI outcome for 2024 was 61% of the maximum and the 2022 LTI outcome was 63.7% of the maximum. Executive's fixed remuneration will increase by 4.3% from 1 July 2024 and Director fees will increase by 4.25% this year, in line with increases for the salaried population.

Noting that Non Executive Director's shareholding now is based on their pre-tax base fee and that the structure of Executive remuneration aligns with ASA preferences, the Remuneration report can be supported.

Resolution 5: Grant of Performance Rights to the CEO

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 implemented from FY24, introducing an additional Brand Sentiment measure, and changing the vesting to extend over three years, from the fourth birthday of the Incentive commencement. The level of the award is not excessive, is aligned with shareholder expectations and can be supported.

Resolution 6: Amendment to Medibank Constitution

The proposed changes increase the maximum number of Directors on the Board to 12 from the current 9. This will facilitate Board succession planning and allow the Board increased flexibility to appoint those with attractive skills, experience and knowledge. The Chair has indicated that their intent is to continue with a 9 person Board over the medium term, but with 2 current Directors approaching their retirement, the added flexibility will be very useful in succession planning. The change can be supported.

Resolution 7: Non-executive Director remuneration

It is noted that the FY25 fee increase for Non-Executive Directors is still within the current fee cap and that the cap has not been increased for 6 years. The addition of Directors for succession planning or providing space for those with particularly attractive skills and/or experience will be limited by the current cap. The change does not immediately flow through to current Director fees, does not seem excessive and can be supported.

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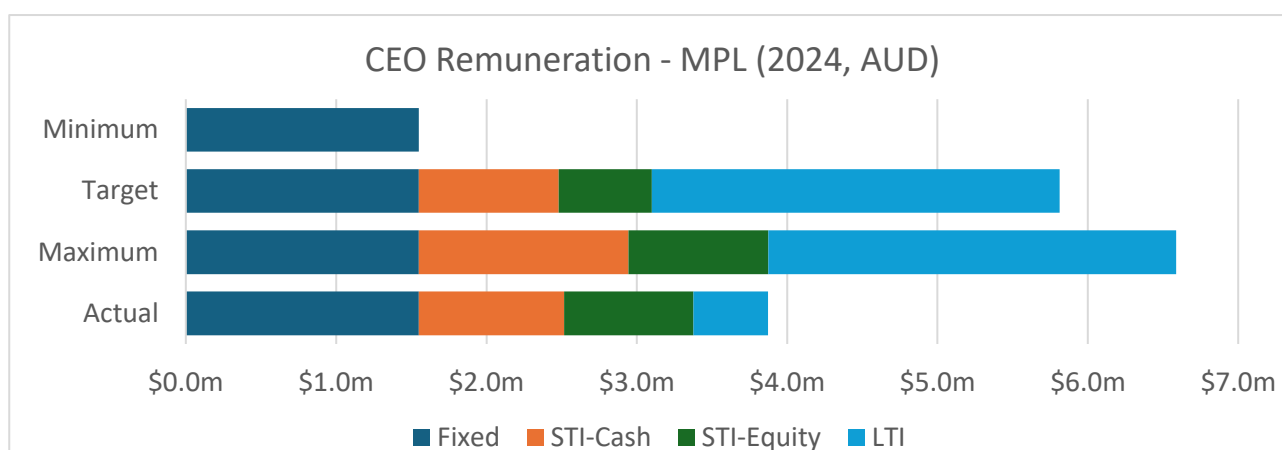
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Appendix 1 Remuneration framework detail

CEO Remuneration FY 2024

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.55	27%	1.55	24%
STI - Cash	0.93	16%	1.39	21%
STI - Equity	0.62	11%	0.93	14%
LTI	2.71	47%	2.71	41%
Total	5.81	100.0%	6.59	100%



Source: Australian Shareholders' Association and company 2024 Annual Report, Actual Remuneration, STI from 2022,24, LTI from 20

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.

There have been many detailed changes in the KMP's remuneration in FY24, although the general structure is the same, mostly relating to changes required to meet APRA's Prudential Standard CPS 511.

The major features of Executive rewards are:

- A fixed pay based on a Market comparator group, which has been increased by an average of 4.3% from 1 Jul 2024.
- Short Term Incentives with Target for the CEO of 100% of Fixed and a maximum of 150% of fixed. Following the new APRA requirements for deferral of part of the STI award (over 5 years for the CEO, 4 years for other KMP's), the deferred amount is reduced to 40% of the award, with 60% as cash. There are behaviour

and financial gateways, 4 performance measures - operating profit, premium revenue growth, the new customer service satisfaction measure and role specific metrics.

- Long Term Incentive paid as share rights between 4 and 6 years for the CEO (4-5 years for KMP's). Performance measures are Earnings per Share compound annual growth rate (30%), Total shareholder return against a comparator group (30%), Medibank PHI market share (20%) and a new measure of Brand sentiment (20%). Rights are valued using face value of shares in the 10 days prior to 30 June.

For FY24, with STI Financial and Risk, Compliance & Behaviour Gateways met, performance measures of Group operating profit and Health Insurance revenue growth were above the threshold required and Customer Service Satisfaction exceeded the Stretch outcome. Including Individual metrics led to an average of 61% of their maximum opportunity.

The final LTI outcome for Rights granted in 2022 saw full vesting against the EPS CAGR measure (12.6%), part vesting against the TSR measure (ranked 66th percentile) and no vesting against the market share growth measure (confirmed at the pre-AGM).

Director's Base and Committee fees have been increased by 4.25% for 2025, however the total of Base and Committee fees will still be below the current fee cap.

It is noted that Executive and Director salary/fee increases are similar to that provided to the wider salaried population.

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 NED's shareholding requirement has been modified (1 July 2024) to be equal to one year of their pre-tax base fee (up from post tax), with a further 5 years given to meet this requirement.

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.