



Difficult year, handled well

Company/ASX Code	Medibank Private Ltd (ASX MPL)
AGM date	Thursday 12 November, 2020
Time and location	10:30 am AEDT, Virtual
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Peter Aird assisted by Katja Bizilj
Pre AGM Meeting?	Yes with Chair Mike Wilkins & Colette Campbell (Investor Relations)

The individual involved in the preparation of this voting intention has a shareholding in this company.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Medibank Private, like all sections of the health care industry, had a difficult year due to Covid 19 related issues which impacted financial performance. Nevertheless its focus on customers and employees has served it well. Regularly tested crisis management procedures and existing technology held up well with the move to employees working from home. The Board were kept informed and involved, meeting very frequently during early stages of the Covid response. Regular checks on employees has ensured that any mental health issues were addressed and the very high employee engagement score in April (91%) illustrates the success of company plans.

Financial Performance:

Medibank Private reported a significant drop in Net Profit After Tax (NPAT) from continuing operations was down \$122m (28%) to \$315.6m with a substantial drop in investment returns, the 2019 provision for late claims and the regulator requiring provision for Covid 19 deferred claims being significant factors. It was still able to provide shareholders with a 12.0 cents/share dividend for the year within its distribution policy. The negative Total Shareholder Return (TSR, -10.9%) reflects the drop in share price over the year, noting that the share price was higher at the end of June than at the end of February.

Governance and culture

The continuing focus on customers, employees, community and environment is clearly evident from the Annual Report. The transition to a healthcare company, improved employee culture in spite of the pandemic and emphasis on environment, social and governance all show measurable progress.

Key events

The pandemic could be considered a key event for a health care business, but apart from the industry wide delay to the agreed premium increase and provision of funds for deferred claims, it appears to have had little long term impact on the business. Indeed, Net Resident Policyholder growth (10,600) and an increase in market share by 4 basis points are significant achievements. There has been no change in Medibank's business strategy.

Key Board or senior management changes

Ms Alexander announced her retirement as Chairman and Non Executive Director (NED) in August and was succeeded as Chairman by Mike Wilkins from the end of September. Mr Wilkins has advised that her replacement will be appointed once the selection process has been completed. In addition, progressive renewal of NED's will be undertaken over the next few years in order to retain corporate knowledge and expertise. It is noted that the Board Skills Matrix does not identify **individual** Director's skills. However the Board believes its **collective** skills meet its skills requirements. Technology, seen as a "critical enabler" for the business, has not been an area of concern for the Board, as it is confident it receives excellent advice from its IT staff. There were no changes in the Executive Leadership team.

Risk

Whilst the risk analysis provided in the Annual Report did not identify "pandemic" as a risk, the impact, assessed as relatively short term, and any necessary adjustments to business practices were handled well by the company. No staff were stood down and company technology and systems accommodated work from home requirements. Employee engagement has remained high confirming the success of company processes.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	315.0	458.7	445.1	449.5	417.6
UPAT (\$m)	366.7 [a]	437.7	424.2	NA	NA
Share price (\$)	2.99	3.49	2.92	2.80	2.95
Dividend (cents)	12.0	13.1	12.7	12.0	11.0
TSR (%)	-10.9	24.0	8.1	-1.0	51.1
EPS (cents)	11.4	16.7	16.2	16.3	15.2
CEO total remuneration, actual (\$m)	3.2 [b]	2.8	2.3	2.1	2.4

Notes: [a] UPAT higher due to normalising growth asset returns to historical long term expectations and credit spread movement.

[b] Remuneration increased due to vesting of 2017 LTI and deferred 2018 STI awards. No STI paid for 2020.

For 2020, the CEO's total actual remuneration was 34 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 2	Re-election of Dr Tracey Batten as a Director
ASA Vote	For

Summary of ASA Position

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. Most recently 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. She purchased company shares during the year to lift her holding to 50,000, which comfortably exceeds Medibank's Shareholding policy for NED's. Her qualifications, experience and contribution indicate that her re-election should be supported.

Item 3	Re-election of Anna Bligh as a Director
ASA Vote	For

Summary of ASA Position

Ms Bligh was appointed a Director in 2012, retires in accordance with the Company constitution and being eligible offers herself for re-election. She has extensive experience in leadership and public policy especially in healthcare and finance having held a number of positions as Minister and Premier in the Queensland Government. She is currently CEO of the Australian Banking Association. She purchased company shares during the year to lift her holding to 44,623, which comfortably exceeds Medibank's Shareholding policy for NED's. Her skills, experience and contribution to the Board and Committees indicate that her re-election should be supported.

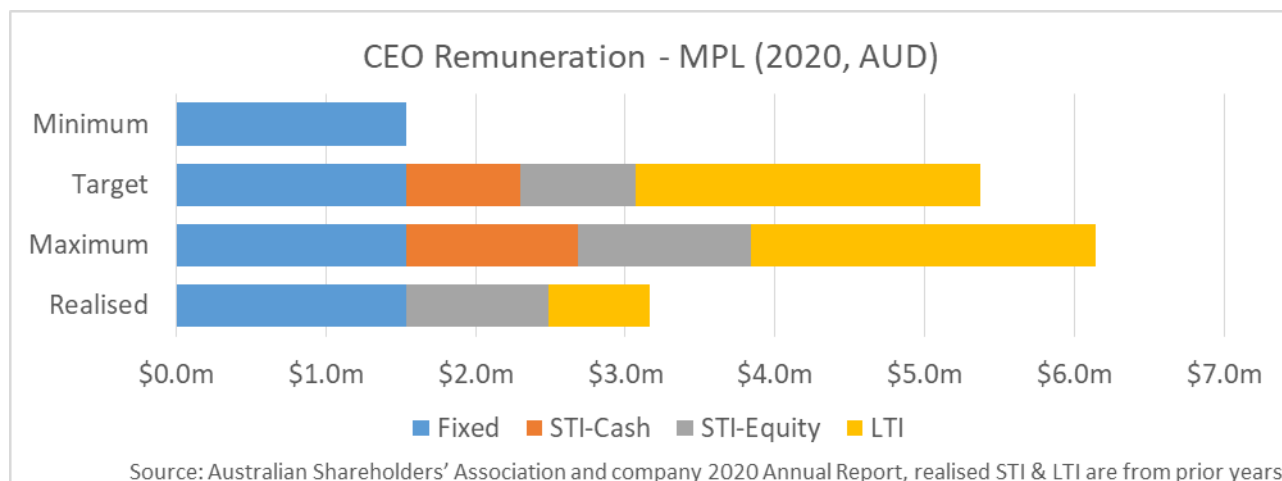
Item 4	Re-election of Mike Wilkins as a Director
ASA Vote	For

Summary of ASA Position

Mr Wilkins was appointed a Director in 2017, 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 insurance businesses. He is currently Chairman and Executive Director of QBE and a director of Scentre Group. Previous appointments include Managing Director and Chief Executive Officer (CEO) of Insurance Australia Group and acted as CEO and Executive Chairman of AMP during the turmoil in 2018. His shareholdings comfortably exceeds Medibank's Shareholding policy for NED's. His skills, qualifications, experience and contribution to the Board indicate that his re-election should be supported.

Item 5	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position



The Remuneration Report is well set out, comprehensive and readable. It includes a summary of key aspects from the Chairman of the People and Remuneration Committee.

All ELT members met their STI risk, compliance and behaviour gateways, role specific goals ranged between 'on-track' to "ahead of target", but STI financial gateways and targets were not met and no STI was paid for 2019/20.

The 2018-20 LTI also includes a risk, compliance and behaviour gateway, individually assessed and two financial measures. Earning per Share compound annual growth rate (EPS CAGR) makes up 50% and 50% for relative total shareholder return (TSR) assessed against ASX 11-100 companies, excluding mining and energy companies (companies excluded are listed). The EPS CAGR was not achieved but the 75th percentile of the TSR was exceeded for the 2018-20 period resulting in a 50% vesting of the LTI. The 2021 LTI award is the same as for 2020 described in the grant of performance rights to the CEO (Item 6) below.

The Executive Leadership Team (ELT) remuneration quantum and structures and non-executive director fees are maintained at 2019/20 levels.

Both the actual and statutory remuneration for the ELT are published and a table of the distribution of fixed and performance related remuneration (statutory basis) is provided. Details of the ELT equity awards and their actual shareholdings are provided. Director's remuneration and shareholdings are also published.

ASA have had access to Godfrey Remuneration Group (GRG) data this year for Australian companies. This indicates that the CEO's and CFO's Fixed Remuneration and Director's fees are at the 50 percentile of financial services businesses with Market Capitalisation in the \$5-\$10 billion range. However, the CEO's maximum STI and LTI and the ELT's LTI opportunities are above the 75 percentile. It is noted that these opportunities have been in place for some time and that the

stretch targets are challenging. The CEO's actual STI and LTI are below the 50 percentile in 2019 and 2020.

Medibank suffered a significant vote against its Remuneration Report in 2019 (>20%), following one Proxy advisor who objected to the Board's intervention in the TSR comparator group and award, clearly explained in the 2019 Annual Report. No such intervention occurred in 2020 and given the outcome of the awards, a vote For the report is appropriate.

Item 6	Grant of performance rights to the Chief Executive Officer
ASA Vote	For

Summary of ASA Position

The LTI award for the CEO is set at 150% of his Total Fixed Remuneration (equals \$2,301,000) and results in 761,920 rights, based on the volume weighted average price of Medibank shares in the 10 days prior to 30 June, 2020, being \$3.02.

The vesting conditions from 2019 were retained, EPS CAGR, 35%, TSR 35% and Market Share Increase, 30% of the value of the LTI. These measures are clearly aligned with the company's strategic focus on customers, whilst protecting the financial performance of the business by maintaining existing financial measures and requirements. Given that Market Share has increased 4 basis points in FY 2020 and 5 basis points in FY2019, the baseline of 25 basis points over the next 3 years is challenging.

Whilst it is clear from GRG data that the maximum LTI is above the 75 percentile of comparable businesses, the recent history of actual LTI awards indicates that the conditions are challenging. It is also noted that the conditions are well aligned with company strategy and shareholder benefits. A vote For the Item is appropriate.

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