



Customer focus strategy proving fruitful

Company/ASX Code	Medibank Private Ltd
AGM date	Thursday 14 November, 2019
Time and location	10:30 am, Clarendon Auditorium, Melbourne Convention & Exhibition Centre, 2 Clarendon St., South Wharf, VIC
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Peter Aird assisted by Geoff Bowd
Pre AGM Meeting?	Yes, with Chair Elizabeth Alexander and Andrea Milner, Head of Investor Relations

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

Summary of ASA Position

Medibank Private's financial performance continues to improve with a small increase in profit, a lift in dividend (to 13.1 cents/share) and lift in share price leading to a very satisfactory Total Shareholder Return of 24.0%. In addition, items out of its direct control such as the re-election of the Federal government (no cap on fee increase) and the Australian Prudential Regulation Authority's intention to progress towards "harmonisation of the health insurance capital framework" with the Life and General Insurance standards have removed some of the constraints previously identified and lead to the Board deciding to lower the target capital range and payment of a Special Dividend of 2.50 cents per share.

The continuing focus on customers, employees, community and environment is clearly evident from the Annual Report, with the transition to a healthcare company, improved employee culture, community activities and a low carbon investment portfolio all providing measurable progress.

A lower average annual premium increase (3.3%) was achieved in spite of the risk of a fee cap with a change in government, and continuing market share growth over the full year lead to an increase in premium revenue. Federal Government reforms have been "comprehensively" implemented including the decision to apply a young adult discount to 150,000 existing customers. The company recognises "affordability is a key challenge" and is focussing on value and choice as well as the clear emphasis on customer service.

Net Profit after Tax (NPAT) lifted to \$458.7m although \$21m of this was contributed by discontinued operations. The loss of the Garrison Health contract (supply of health services to the Australian Defence Forces) will affect company profit in FY20 (financial year 2020) although the

company has an objective to replace this profit (\$30m in FY18) by 2022 with a combination of the expansion in Home Support Services, growth in diversified insurance and cost savings of \$8m.

The loss of the Garrison contract and acquisition of Home Support Services were key events for Medibank Health with the health insurance business stable. There were no changes in the Board or Executive Leadership Team (ELT). The Board has revised and is targeting an FY20 dividend payout range of between 75-85% of underlying NPAT. The benefit of the reduction in capital range has already been provided through the Special Dividend.

Medibank reports the ordinary shareholdings of the ELT and have a policy on shareholdings for Directors (one year's base fees after tax within 5 years) which is also reported.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	458.7	445.1	449.5	417.6	291.8
UPAT (\$m) [a]	437.7	424.2	NA	NA	NA
Share price (\$)	3.49	2.92	2.80	2.95	2.01
Dividend (cents)	13.1 [b]	12.7	12.0	11.0	5.3
TSR (%)	24.0	8.1	-1.0	51.1	-0.5
EPS (cents)	16.7	16.2	16.3	15.2	10.4
CEO total remuneration, actual (\$m) [c]	2.8	2.3	2.1	2.4	1.4

Notes: [a] UPAT lower due to discontinued operations included in NPAT

[b] Dividend does NOT include special dividend of 2.50 cents/share which was paid due to lower capital requirement.

[c] Refer Remuneration Report, para 8, page 63.

For 2018/19, the CEO's total actual remuneration was **31.8 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	Re-election of David Fagan as a Director
ASA Vote	For

Summary of ASA Position

David Fagan was appointed as a Director in 2014 and chairs the Risk Management Committee. He has over 39 years' experience as a lawyer in banking and major projects, including as Chief Executive Partner of Clayton Utz (2001 to 2010). He is currently also a Director of PayGroup Ltd and UBS Grocon Real Estate. His workload is within ASA guidelines and shareholding exceeds the company policy requirement. He is a well credentialed and experienced Director with strong support from the Chair.

Item 3	Re-election of Linda Nicholls as a Director
ASA Vote	For

Summary of ASA Position

Linda Nicholls was appointed as a Director in 2014 and chairs the People and Remuneration Committee. She has over 30 years' experience as a senior executive and Director in banking, insurance and funds management. She is currently the Chair of Japara Healthcare and a Director of Ingham's Group. She is also serves as Chair of Melbourne Health. Her workload is at the higher end as per ASA's guidelines and shareholding exceeds company policy requirements. Her qualification, skills and experience are well matched to those outlined in the Board Skills Matrix.

Item 4	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO Remuneration framework

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.534	28.6	1.534	25.0
STI – Cash *	0.767	14.3	1.151	18.8
STI - Equity	0.767	14.3	1.151	18.8
LTI [^]	2.301	42.8	2.301	37.5
Total	5.369	100	6.137	100.0

* STI payment achieved \$0.690m, cash and equity, 90%.

[^] Medibank doesn't have a target level of LTI so maximum has been included in accordance with Table 6.1, p. 55 of annual report where LTI is shown as 42.8% of the target rem mix.

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. Of particular note was the decision (put forward by the CEO) to reduce the STI outcomes for the Executive Leadership Team (ELT) (from average 71% to 56% of the maximum opportunity) in consideration of the overall company performance and particularly the loss of the Garrison Health Services contract. A similar reduction was applied across the Company wide incentive pool.

The fixed remuneration for the ELT increased by 2.7% after review against the company's comparator group and experience built by some Executives (no change for the CEO). There was no change to the structure of the STI offered in FY2019. The STI structure includes a risk, compliance and behaviour gateway, a financial gateway and specific performance measures, clearly outlined and reported. STI awards are clearly documented.

The LTI also includes a risk, compliance and behaviour gateway, individually assessed and two financial measures, 50% for Earning per Share compound annual growth rate (EPS CAGR) and 50% relative total shareholder return (TSR) assessed against ASX 11-100 companies, excluding mining and energy (companies excluded are listed). Only the 50th percentile of the TSR was achieved for the 2017-19 period resulting in a 25% vesting of the LTI. A significant change to the 2020 LTI award is described in the grant of performance rights to the CEO (Item 5) below.

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.

Item 5	Grant of Performance Rights to CEO Craig Drummond
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 665,028 rights, based on the volume weighted average price of Medibank shares in the 10 days prior to 28 June 2019, being \$3.461.

The vesting conditions used previously (EPS CAGR and TSR) have been retained but their value cut back to 35% each of the value of the LTI. A new “strategic customer measure”, being Market Share increase, has been added at 30% value, with a range of 25 to 75 basis points. This new measure is 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 5 basis points in FY 2019 and 8 basis points in FY18, the baseline of 25 basis points over the next 3 years is challenging.

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

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