

ASX release

15 September 2022

Medibank Private Limited (MPL) – Annual Report and Notice of Annual General Meeting documents

In accordance with the Listing Rules, Medibank releases the following documents to the market:

- (a) Annual Report 2022;
- (b) Appendix 4G - Key to Disclosures - Corporate Governance Council Principles and Recommendations;
- (c) Notice of Annual General Meeting 2022; and
- (d) Proxy Form 2022.

These documents have been authorised for release by the Board.

A woman with blonde hair, wearing a pink long-sleeved shirt, is sitting on a beach. She is smiling and looking out at the ocean waves. The background shows the sandy beach and the blue water with white foam from the waves.

medibank

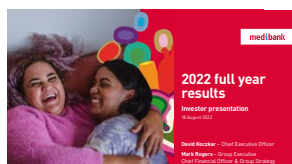
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Annual Report 2022

**Doing more for
better health**

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This report is part of our suite of reporting for the 2022 financial year. You can find more information about our performance in our [Full Year Results Investor Presentation](#) and [Sustainability Report](#)

Cover – Medibank employee and Live Better member, Ella at Half Moon Bay, Victoria. Ella is an active Live Better member who enjoys weight training, meditating through the Smiling Minds app, walking her dog and spending time with her young family.

Medibank Group – our story

We're a health company working to create Better Health for Better Lives by providing the best health and wellbeing experience for people across Australia. Building upon our 46-year history as one of Australia's leading health insurers, our Medibank and ahm brands now support millions of customers to manage their health and wellbeing through personalised products and services.

We're investing in preventative health and reimagining healthcare to give people greater choice, better access and more control over their care. We're partnering with doctors, hospitals and governments to deliver care in new ways – and growing and developing new health services through our Amplar Health business. We're also working together to drive the change within Australia's healthcare system to help ensure it can support our generation and those to come.

Better Health for Better Lives

Purpose

Vision

The best health and wellbeing for Australia

Values



Customer obsessed



Show heart



Brilliance together



Break boundaries

Strategy

Growing as a health company



Deliver leading experiences



Differentiate our insurance business



Expand in health

Our brands

medibank
Live Better

ahm

You're good.



Amplar Health
Making Health Personal

Health insurance

Diversified insurance



Travel



Pet



Life



Car and home

Health services

Health and wellbeing including Live Better

Preventative programs

Clinical homecare and virtual care

Investments in primary care, virtual care and health system navigation support

Investments in no gap healthcare programs

Sustainability focus areas



Customer health



Employee health



Community health



Environmental health



Governance

Customer



3.96m

total customers
at 30 June 2022

c. \$682m

total COVID financial support to date – includes c. \$368m customer give backs

60.9k (+3.2%)

reported net resident policyholder growth

27.45%

market share
(+14 bps since FY21)

45.3 (+8.2) Medibank

42.4 (-0.6) ahm

customer advocacy
(average Service NPS)

c. 568k



customers engaged with Live Better and preventative programs

\$5.4b



total claims paid

Services supported

1.2m+

hospital admissions

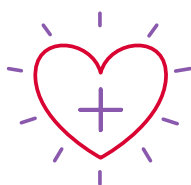
24.7m+

extras services

476k+

surgical procedures

Health services



10,086 (+40%)

customers engaged with preventative health programs

c. 7,239 (-5%)

customers used Medibank at Home

\$10m

investment in health tech company Medinet

c. 3.5m

virtual health interactions

3,245

patients used My Home Hospital since Jan 2021 launch



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Our performance



\$393.9m (-10.7%)

Group net profit after tax

7.3 cps (+5.8%)

final ordinary dividend

fully franked

13.4 cps (+5.5%)

total ordinary dividend

fully franked

\$6,859.8m

Health Insurance
segment revenue

\$321.8m

Medibank Health
segment revenue

-\$24.8m

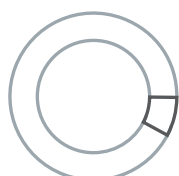
net investment
income / loss

Composition of
2022 segment
operating profit

92.9%

\$592.6m

Health Insurance



7.1%

\$45.5m

Medibank Health

c. \$15m

in productivity
savings



7.9/10



employee engagement

3,768

employees

Headcount at 30 June 2022

including around

1,300

health professionals

All data is presented on a statutory basis



Mike Wilkins AO

Creating greater value for our customers, community and shareholders has always been important to Medibank and we have sought to again deliver this over the past 12 months – guided by our purpose of Better Health for Better Lives and our commitment to being a responsible and sustainable business that is contributing to our society.

As a result of this focus, we have grown policyholder numbers, achieved record levels of customer advocacy and created double-digit growth in Medibank Health, to deliver another strong result. We have done this while maintaining a focus on productivity and costs as part of our ongoing disciplined approach to growing and running our business.

While Health Insurance operating profit and Medibank Health segment profit both increased, our net profit after tax of \$393.9 million was down 10.7% on last year. This was as a result of financial market volatility, which led to a \$24.8 million loss in net investment income. Our capital position remains strong and the Board determined a final fully franked ordinary dividend of 7.3 cents per share, bringing the total full year dividend to 13.4 cents per share fully franked.

Throughout the pandemic we have committed to, and continued to, support our customers and the community. Through the COVID Care at Home program we deliver with Calvary, we have now helped around 165,000 people and we continue to support the broader public health response to COVID. Part of this support for our customers has been our commitment to return known permanent net claims savings due to COVID to them. Our total COVID support now stands at around \$682 million including our recent premium give back and the deferral of our most recent premium increases for seven months.

At Medibank we are working to drive real change in our communities as we seek to achieve our 2030 Vision to create the best health and wellbeing for Australia. A key component of this is our focus on environmental, social and governance issues (ESG). This year we refreshed our ESG materiality assessment, to ensure we were focusing on the sustainability issues that our customers, employees, shareholders and the wider community believe are most important for us to address.

Chief among these is the ongoing need for affordable, innovative and personalised healthcare. This is underlying the work we are doing to give people greater access, choice and control of their healthcare, such as expanding our no gap program and growing our Live Better and preventative

health programs, developing new extras products and building partnerships with health professionals to provide new care settings and models of delivery.

How we work, and the culture that we cultivate is paramount to delivering for our customers and for you, our owners. To this end we continue to champion diversity and inclusion across our business, through our Future Fit way of working, our focus on employee health and wellbeing, and our values-based culture in support of our continuing desire to be an employer of choice. It's pleasing to report that women hold 44% of both Board and senior leadership roles and we further enhanced our parental leave policy this year. In addition to launching our first Human Rights Policy, we reinforced our commitment to improving prosperity and addressing health equity for First Nations People through our fifth Reconciliation Action Plan. We also released our second Accessibility and Inclusion Plan outlining our approach to supporting people living with a disability.

We accelerated our commitment to Net Zero that we first announced in September 2021, bringing forward our timelines and setting a pathway to achieve Net Zero by 2040 (including Net Zero against our Scope 1 and 2 emissions by 2025) on our current business as usual operations. We have also begun exploring our investment portfolio's greenhouse gas emissions exposure so we can work towards setting science-based targets to create a pathway to Net Zero across our investment portfolio. You can find more detail on this in our Sustainability Report 2022.

I'm proud of Medibank and the role that it plays in our community. David Koczkar and the executive team have shown great leadership throughout another challenging year and I would like to thank and congratulate them, along with everyone at Medibank, for all that they have done and achieved in 2022. I would also like to express my gratitude to my fellow directors for their wise counsel and to all our shareholders for your ongoing support. Together, we continue working to make a difference to the health and wellbeing of our customers, our people and our community.

2022 has seen Medibank deliver another strong result, reflecting the work of our amazing team and their unwavering focus on our customers. It is a year that our company can be truly proud of.

We saw standout customer growth of 3.2%, increasing our resident policyholders by nearly 61,000. Most of our new customers were younger people and those taking out cover for the first time. We also saw strong growth in Medibank Health as we focused on supporting the health and wellbeing needs of our customers and community.

Customer retention over the past two years across the Medibank Group has been stronger than at any point in the decade previously, and high levels of customer advocacy and brand leadership among the top health insurers show our customers are valuing the support we provide.

We have managed to achieve this growth despite the fact that this year has been tough for many people as the impacts of COVID continue to be felt and costs of living rise. What is clear is that health has remained top of mind with a record number of people wanting greater choice and control and electing to participate in the private health system.



Our strategy to grow as a health company is enabling us to deliver for our customers not only today, but is also setting us up to do the same into the future.

Delivering leading experiences continues to be key. For our customers, we're focused on making things better for them. Our digital and analytics capabilities are supporting more self-service interactions as customer preference increasingly shifts towards technology. These same capabilities are enabling more personalised conversations with customers to better support their health and wellbeing.

Of course, none of this would be possible without our team. I am pleased to report that our people remain highly engaged, driven in part by the launch of our 2030 Vision to deliver the best health and wellbeing for Australia, including progressing our sustainability agenda.

Differentiating our core insurance business is central to our strategy. Our two brands, combined with one of the most extensive provider networks in the industry, continues to set us apart from others as we offer leading products and services across the full spectrum of our customers' needs in health.

The growing number of customers engaging with our Live Better and preventative programs reflects the unmet need in the community and the role we can play to provide support to fill this gap. As we expand in health, our focus in areas such as virtual health, mental health and integrated care offers tremendous benefits for our customers, community and the health system at large. The same can be said of our investments in new care settings including our no gap network, which we more than doubled over the year.

Our rebranded Health Services business, Amplar Health, is focused on these opportunities as we look to meet the needs of our customers and our government and community partners.

We are also seeking to drive change across the health system so it is fit and sustainable for the future. For health insurers these changes will help keep premium increases low for our customers, improve access to private health, and in turn alleviate pressure on the stretched public system. Some challenges require a rethink of the status quo. Other challenges require reform. Prostheses reform is a prime example of this, with a chance to deliver up to \$900 million of savings to consumers in the private system over the next four years.

With challenges, come opportunity, and I want to thank our people for managing both incredibly well throughout the year. Their commitment and focus continue to be the driving force as we support our customers, and take our next steps to deliver the best health and wellbeing for Australia. I also want to thank Mike and the Board, and of course all our shareholders whose ongoing support enables these steps to be made.



David Koczkar

Delivering value to stakeholders through our strategy

Impacts and trends influencing our stakeholders



Customers



Employees



Community



Shareholders



Government / health system

Pressure on **household budgets**

Health and wellbeing

Higher **customer experience** expectations

Simple, personalised **digital service**

Impacts of **COVID**

Flexibility and health and wellbeing

Highly competitive **talent market**

Impacts of **COVID**

Climate change

Equality, diversity and inclusion

Expectation of **businesses to contribute** to society

Sustainable financial returns

Transparency in reporting

Environmental, social and governance (ESG) issues – Net Zero, diversity and inclusion and data privacy and technology

Pressure on **health system**

Growing **chronic disease** and ageing

Healthcare worker shortages and burnout

Acceleration of new care settings – **telehealth** and **virtual care**

How we're responding to deliver value through our strategy



We're supporting our customers' health and wellbeing,

offering greater healthcare access, choice and control and creating a more connected experience



We're empowering our people to achieve their best

through flexible working, health and wellbeing support, with a culture that celebrates diversity and inclusion



We're addressing some of Australia's biggest health and community concerns

such as loneliness, mental health, reconciliation, climate change, and diversity and inclusion



We're delivering sustainable returns to our shareholders

while meeting the expectations of our customers and community by embedding ESG practices in our strategy



We're driving change to reshape Australia's health system,

investing in prevention and partnering with doctors, hospitals and governments on new care models to support the long-term sustainability of our health system

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The material issues our stakeholders care most about

Affordable, innovative and personalised healthcare

Engaged, purpose-led culture, attract and retain talent

Diverse and inclusive workforce

Support healthy communities

Work together to build a stronger and more sustainable health system

Environmental health and climate change

Ethical and sustainable business

Our strategy – growing as a health company



Deliver leading experiences

- Create personalised and connected customer experiences
- Empower our people
- Collaborate with our communities to make a difference



Differentiate our insurance business

- Deliver more value, choice and control for customers
- Offer products and services to meet all customer needs
- Leverage our dual brands and provider networks



Expand in health

- Focus growth on prevention and integrated care models
- Scale and connect our health businesses
- Bring benefits back to our core



Better Health for Better Lives

Deliver leading experiences

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Our goals:

- > Create personalised and connected customer experiences
- > Empower our people
- > Collaborate with our communities to make a difference

Our FY22 milestones

	Target	Achieved
Customer advocacy Service NPS (average)		
Medibank	>35	45.3 (+8.2)
ahm	>35	42.4 [-0.6]
Employee advocacy (eNPS)		
Place to work	≥+24	+27
Products and services	≥+19	+29

We're working to deliver a brilliant experience every time for our customers, by investing in our digital capabilities, engaging our people in our purpose and vision, and helping improve the communities we are part of. The strong technology foundations we've built are enabling us to have deeper, more meaningful relationships with our customers that are helping them better manage their health and wellbeing.

1.5m+

people have engaged in free Live Better events and activities since 2017



A better experience across every channel

We've risen to meet our customers' changing expectations – delivering information personalised to their own needs, the benefits that come from connected experiences and the control and ease offered by self-service tools and support.

This year, we've achieved our highest ever customer advocacy service NPS scores for Medibank and were above target for ahm. We are also leading our health insurer peers on brand advocacy. Like most companies, we experienced workforce challenges throughout the year, which we managed by enabling our customer channels and Amplar Health team members to work across multiple channels and by improving the effectiveness of our digital self-service channels to provide the support our customers expect of us. Our Amplar Health team undertook over 440,000 digital COVID Care assessments this year, assisted by other team members.

We checked in with more than half a million customers to make sure their health cover was delivering to their needs. We've invested in our analytics capabilities to help us tailor the information and support we offer to our customers, so it is personalised to deliver greater value. We've also been piloting health clinicians working in a number of our retail stores to enable more detailed conversations about healthcare and support programs available.

We've continued enhancing our digital customer experience. We've expanded the range of claims

and payments that can be done through the My Medibank app and introduced authenticated messaging to make it quicker for people to access support. We continued integrating more Live Better functionality, making it easier for customers to manage their health and wellbeing in a single digital experience. Around 70% of ahm customers have logged in to the app or website this year, as we made it easier to pay digitally, revamped the claims experience and introduced on-the-spot orthodontics claims. We've also seen more people take up digital membership cards with both Medibank and ahm cards available on both iOS and Android platforms.

The convenience and simplicity of our self-service channels has seen them continue to grow and increasingly become the support channel of choice, managing more than 40% of all Medibank service queries this year. We've added new functionality to our online messaging service to guide people through payments and claims queries. We've also strengthened our privacy and data security capabilities and requirements to ensure our customers are better protected.

We're bringing Medibank to our customers through VANgo – our mobile store on wheels that has been travelling throughout regional and rural Queensland to provide a face-to-face experience for customers in areas where stores aren't close by. VANgo has been so popular, we will soon have two more vans travelling through WA and northern Victoria/southern New South Wales.

c. 504k
customer check ins



c. 1.4m
customers registered
for My Medibank app

c. 40%
of Medibank service interactions
through self-service channels



Deliver leading experiences

Inspiring our people to deliver

It is the passion and commitment of our people that enables us to deliver for our customers – they are the heart and soul of who we are and what we do. Already strongly committed to our purpose and values-based culture, the launch of our bold new 2030 Vision this year – to create the best health and wellbeing for Australia – has inspired and motivated our people even further.

Our people are also empowered by our Future Fit ways of working, which we've continued to evolve, drawing on the lessons learnt through the pandemic. They choose where they work, based on what they are doing and where it's best to get that work done. This is one of the reasons our people continue to be so highly engaged. Our employee survey this year highlighted how much our team value the approach to flexibility we offer and feel well supported in their health and wellbeing and opportunities for professional development. In a highly competitive market for talent, people are attracted to our purpose, our progressive way of working, and our caring and inclusive workplace.

We remain strongly committed to showing leadership on diversity and inclusion. We continued to champion gender equality with more than 40% of women in both senior leadership and Board positions and maintained a genderpay equity of less than 1% this year. We've strengthened cultural awareness and understanding among our people, launching our 5th Reconciliation Action Plan (RAP) this year and working with the Australian Indigenous Doctors' Association (AIDA) and members of the Health RING (a network of health organisations) to support a more culturally safe health sector. We've also set ourselves a new target of \$1 million (inc GST) in Aboriginal and Torres Strait Islander business procurement spend each year by 2025.

The launch of our 2nd Accessibility and Inclusion Plan built upon our work to create an inclusive, safe and disability confident workplace. We introduced accessible membership cards for Medibank customers, launched our 1st disability awareness training module, and began piloting a support program for employees caring for ageing parents or someone with a disability or chronic illness.



44%
of Board roles
held by women



44%
of senior leadership
roles held by women

1,674
employees participated in
cultural awareness training



163
employees self-identify
as living with disability





Building better communities

We're committed to supporting the health of our community and making a positive contribution to help address the issues we face as a society.

We reached our goal of engaging 1.5 million people in our free Live Better events and activities, 10 months ahead of schedule. The many free activities we supported included online dance classes in collaboration with the Sydney Dance Company, family mindfulness activities through our partnership with Smiling Mind, and health and wellbeing classes as part of the Medibank Feel Good program in Brisbane.

Since 2016, we've been partnering with parkrun Australia to make exercise and community engagement something everyone could enjoy. More than 750,000 people have participated in parkrun's free weekly events since 2011. We know the positive social impact parkrun has on communities, particularly so in terms of tackling loneliness, and this year we extended our partnership to 2025.

We raised the public conversation about loneliness as part of our 10-year commitment to helping address an issue that our research showed is impacting more than half the people in Australia, based on our latest survey results. We launched the podcast series *We Are Lonely* to explore the theme of loneliness and drive positive conversations around mental health and wellbeing. Featuring interviews with the likes of actor Hugo Weaving and musician Darren Hayes, the podcast has been listened to by more than 55,000 people to date.

We launched our Better Minds hub to provide a range of resources about mental health and wellbeing, as well as an app featuring wellbeing checks, mental fitness training and one-on-one coaching sessions.

We also undertook research to better understand the longer-term implications COVID is having on the mental health and wellbeing of young people. We continued to drive health research and patient advocacy initiatives; partnering with universities and research leaders, industry and advocacy groups. We supported 25 projects this year, including a University of Sydney program assessing the use of digital health services to help people in rural and remote communities manage musculoskeletal pain.

In addition to supporting our customers through our COVID financial support package and give back program, we helped customers impacted by the floods in New South Wales and Queensland with assistance packages including policy suspensions and financial support to cover premiums for up to three months.

We know we have a role to play in fighting climate change, which is why we've brought forward our Net Zero commitment to 2040 and set science-based targets to achieve Net Zero on Scope 1 and 2 emissions by 2025 and a 50% reduction in Scope 3 emissions by 2030. Our pathway is based on Medibank Group's current business-as-usual operations and does not account for any future partnership and investment activity. Our investment portfolio is also currently out of scope, but we are working to create a pathway to Net Zero for this. We're actively working to protect human rights and help prevent modern slavery. This year we strengthened our commitment to ensuring respect and equality for our customers, employees, communities and suppliers with the launch of our 1st Human Rights Policy. We also published our 2nd Modern Slavery Statement, which detailed the extension of our risk assessments to our hospital partners and overseas agents that distribute products on our behalf.


c. \$1.1m
invested in research
1 July 2021 to 30 June 2022

More than
55k+
people have
listened to the
We Are Lonely
podcast to date



For more information about the work we're doing in the community and our commitments to sustainability, see our Sustainability Report 2022

Differentiate our insurance business

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Our goals:

- > Deliver more value, choice and control for customers
- > Offer products and services to meet all customer needs
- > Leverage our dual brands and provider networks

Our FY22 milestones

	Target	Achieved
Net policyholder growth	3.1-3.3%	+3.2%
Market share – FY24 aspiration	Up 25-75bps (+14bps since FY21)	27.45%
Health Insurance productivity delivered	\$40m including \$15m in FY22	c. \$15m

As the impacts of the pandemic persist in our health system and the broader community, people are continuing to prioritise their health, even though cost of living pressures are increasing. They are looking to us to provide real value and support for their health and wellbeing, and we are delivering – with products and services that do more for our customers and growing our network of partners and providers to better meet their needs.

People have responded to the choice we are providing through our two distinct brands and we increased our market share by 14 basis points. Younger people and those new to industry made up around 70% of our new customers this year. Together our Medibank and ahm brands now represent 27.45% of people with private health insurance.

Ongoing COVID support for our customers

As COVID continued to impact our customers' ability to access healthcare services, we returned around \$368 million in COVID permanent net claims savings to customers through cash give backs and deferring premium increases. We also rolled over extras annual limits for ahm customers. In total we've now provided around \$682 million in COVID customer support since the pandemic first began and we continue to assess known permanent net claims savings due to COVID to return to our customers in the future.

Products and services built for better

We've listened to our customers and refined our products and services to offer greater value. We launched a new suite of extras cover products to give customers the flexibility to be able to choose and pay for the services they want. In doing so we've introduced a new, intuitive way for new customers to buy the health insurance that best meets their needs, and have seen increased levels of satisfaction for these products.

We partnered with doctors and hospitals to expand our short stay network, forming a new partnership with Healthe Care to grow our no gap program. By October 2022, we will have 24 hospitals across seven states and territories participating in our no gap program, which covers selected procedures such as hip and knee replacements and endoscopies with no medical out-of-pocket costs and the opportunity to recuperate at home, where clinically appropriate.

Almost two thirds of Medibank customers will live within 25km of a no gap site by October 2022 and we're now expanding the program to new procedures, including some general surgery procedures. We were also the first major health insurer to adopt the Federal Government's voluntary age dependent reforms, extending the age that young adults can stay on their parents' policy from 24 years old until their 31st birthday.

70%

of our new customers are younger people and those new to industry




3.96m
customers
at 30 June 2022

c. **64%**
of Medibank
customers to live
within 25km of a
no gap hospital
by October 2022



24 hospitals
in **7** states in our
no gap network
by October 2022

\$1,200 
average out-of-pocket
cost savings for patients
in our no gap joint
replacement program

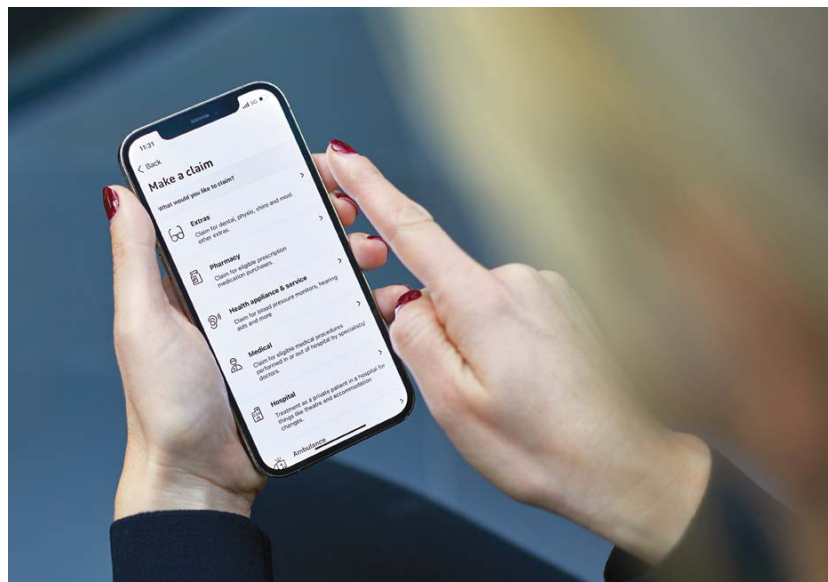
Differentiate our insurance business

As borders began to reopen, we saw strong growth in the number of overseas students, workers and visitors choosing our health insurance options. We enhanced our Overseas Student Health Cover products to provide greater support for international students, introducing an online GP service within the app and launching a student rewards program to help students to save money, find work and enhance their skills and knowledge. This year, Canstar named Medibank and ahm joint winners of its Outstanding Value Award for overseas health cover.

Better value

Our Members' Choice Advantage network has delivered around \$31.2 million in out-of-pocket savings this year, providing better value, more cost transparency and a wider range of services to our customers.

In July this year, we expanded this network to include physiotherapy, chiropractic, podiatry, acupuncture and remedial massage and we now cover more types of services than any other health insurer. Through our Live Better Rewards program, we're rewarding our customers for looking after their health by visiting one of our Members' Choice Advantage dentists or optical providers or shopping with our partners like Fitbit, Brooks, Amcal Pharmacy or HelloFresh. Customers have also been able to redeem points on products and services from our growing range of partners including adidas, Apple and more.



c. \$31.2m  
out-of-pocket savings
through Members' Choice
Advantage network

Internal use only

The program is helping us improve customer engagement and retention, with our data showing customers participating in Live Better are more likely to stay with us.

We were one of the first insurers to introduce COVID benefits to our travel insurance cover when travel restrictions lifted this year. We also supported customers to better protect their pets, simplifying access to pet insurance by integrating it into the My Medibank app and improving our cover options – for which we were recognised by the Canstar Award for outstanding value pet insurance.

We've paid \$5.4 billion in claims and this year's annual health insurance premium increase, which we postponed for seven months, was our lowest in 21 years. We also continued to manage our own costs, delivering around \$15 million in cost savings this year as part of our target to deliver \$40 million in productivity savings between FY22 and FY24.

Advocating for reform

We've worked to encourage healthcare reforms that could reduce costs and improve sustainability across the system, increase care options where clinically appropriate and make private health insurance more affordable through improved incentives.

We've continued to strongly advocate for prostheses reform, which presents an opportunity to deliver around \$900 million in cumulative savings over four years to private health consumers. While we anticipate the Federal Government's agreement with medical device manufacturers will see real price reductions flow through the health system over the next four years, more needs to be done as Australians continue to pay some of the highest prices for medical devices in the world. We remain committed to returning the prostheses reform savings realised to our customers through lower premium increases.



Prostheses costs are around **30%** higher than in NZ, France or the UK

Private Healthcare Australia



\$5.4b
total claims paid



Lowest average premium
increase in **21 years**

deferred for 7 months until



c. \$15m
in productivity savings



Expand in health

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Our goals:

- > Focus growth on prevention and integrated care models
- > Scale and connect our health businesses
- > Bring benefits back to our core

10,086

people enrolled
in preventative
health programs



1 in 4

Medibank joint
replacement patients
are having rehab
at home



Together with doctors, hospitals and governments, we're creating new models of care that are better for patients and better for Australia's health system. We're working to drive down costs, offer more choice and improve the healthcare experience for our customers and for patients across the country.

We're supporting healthcare innovation, building partnerships with others in the healthcare system and investing in companies that are utilising technology to make healthcare simpler, easier and more accessible.

c. 27%
of Medibank customers
going to hospital
were supported by
Health Concierge



Helping our customers be better

The latest census data highlighted one of the biggest challenges facing our health system – Australia's ageing population and the growing number of people with one or more chronic health conditions. This is why we are so invested in preventative healthcare, helping our customers and our communities to stay healthy and avoid unnecessary hospital treatments.

More than half a million people have joined our Live Better program which is designed to encourage and reward people for healthy actions. Through the Live Better app we have been running preventative health campaigns, rewarding customers for getting flu and COVID vaccinations, taking their blood pressure or having skin checks. We also developed a children's eye check challenge after research highlighted the increased use of screens during the pandemic was leading to an increase in childhood myopia.

Our preventative health programs continue to grow with enrolments increasing by more than 40% across our eight programs this year. Results from our Better Knee, Better Me program demonstrate up to four out of five participants experienced clinically significant

improvements in knee pain, and the program – developed with the University of Melbourne – received the inaugural Australian Clinical Trials Alliance (ACTA) Industry Partnership Award this year. We have now launched a new pilot that aims to help people manage osteoarthritis hip pain that utilises the same successful approach. Our Medibank Type 2 Diabetes program has also seen promising early results and feedback from participants.

Our Health Concierge team supported almost 27% of Medibank customers going to hospital this year and launched two new pilots. Our Dietician Support service is designed to help elderly people going to hospital who are at risk of malnutrition. In July 2022 we also launched our Mental Health Concierge that prepares customers and their family for a psychiatric admission and supports them throughout their experience.

As well, many of our corporate customers are looking to us for support with developing health and wellbeing programs tailored to the needs of their employees. From customised preventative programs and virtual health solutions, to specialised mental health support, we are helping businesses, organisations and universities to better support their people.

Our FY22 milestones

	Target	Achieved
Customers engaged with Live Better*	c. 480k	c. 568k (+55%)
Medibank Health segment profit	Replace the reported FY18 \$30m operating profit of Garrison by FY22**	\$45.5m (FY18: \$47.3m)

* Includes total customers who have engaged with our preventative health offering, including Live Better Rewards, Live Better Activities, preventative health programs and any new offerings developed

**Milestone updated to align with Medibank Health segment profit and to reflect FY21 statements that the temporary travel insurance earnings impact is expected to be largely offset by the contribution from investments in FY22



Making healthcare personal

As we work to create more options that give people greater access, choice and control over their healthcare, we reshaped our health services business this year under the new name, Amplar Health. Through Amplar, we've continued to support patients in both the private and public health systems by growing and developing the health services we deliver and invest in – virtual health, homecare, short stay hospitals, primary care and allied health. The Amplar team is also focusing on ways to improve health system navigation and create a more digitally connected healthcare experience for our customers.

Central to this work is the partnerships we have built across the business with doctors, hospitals and health stakeholders. During the year we invested \$10 million in leading health technology company Medinet, expanded the My Home Hospital program we deliver for Wellbeing SA in a joint venture with Calvary, and assisted the Myhealth GP network to expand their network of local GP practices, as well as helping strengthen their clinical operations and core business processes. We also continued working with a group of more than 40 doctors to develop a new short stay hospital in Melbourne which we expect to open in 2024.

7,239

customers used
Medibank at Home

3,245

patients used
My Home Hospital

since Jan 2021



c. 79k

Better Minds hub
users and app
downloads



Redesigning healthcare for our customers

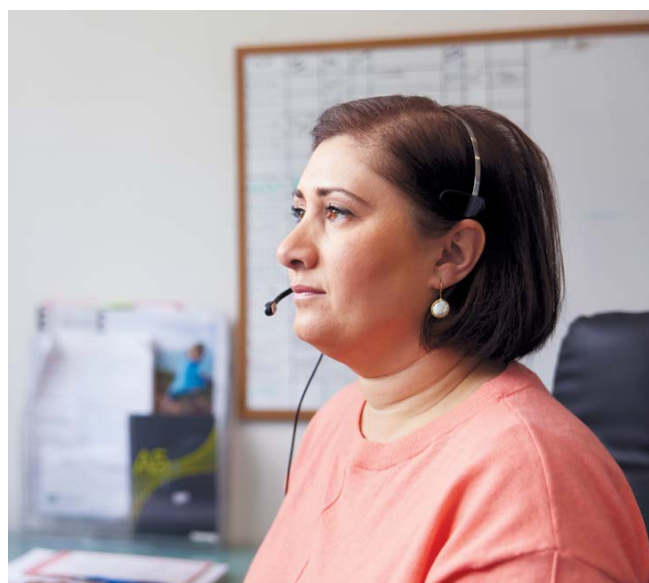
We partnered with Myhealth and Medinet to launch a new telepsychology clinic pilot designed to reduce the wait time to access a psychologist from three months to two weeks, that utilises video consultations supported by an innovative phone and digital concierge support program.

We've continued to invest in our telehealth capabilities and expand our virtual care technology. Through our joint venture with Calvary we created a COVID Care at Home program that utilised remote monitoring and artificial intelligence to assist local health authorities to support around 165,000 COVID patients across New South Wales, Victoria, Queensland and Western Australia this year. We also helped take the pressure off emergency departments and support local hospitals through the Nurse Triage and After Hours GP programs that we deliver on behalf of healthdirect.

We worked closely with one of our largest corporate clients to implement virtual GP services, health management programs and provide 24/7 care to support their fly in fly out and regional and rural employees in remote parts of Australia.

In addition to providing our own 24/7 general health and mental health phone support lines for our customers, we have continued to deliver the NSW Mental Health Line, and after a decade of delivering 1800RESPECT and Beyond Blue, our contracts came to an end this year.

Community support for homecare has continued to increase, despite services being impacted by COVID restrictions on elective surgery. We cared for more than 7,000 people in the comfort of their home this year, and our My Home Hospital service, delivered on behalf of Wellbeing SA through a joint venture with Calvary, expanded to provide a broader range of treatments and care to patients in additional areas near Adelaide.



\$10m

investment in health tech
company Medinet

c. 3.5m

virtual health interactions



c. 165k

patients supported
through joint
Calvary-Medibank
COVID Care at Home



Our sustainability highlights



Ensure healthy lives and promote wellbeing for all ages

Material topics

Affordable, innovative and personalised healthcare

Support healthy communities



Achieve gender equality and empower all women and girls

Material topics

Diverse and inclusive workforce

Engaged, purpose-led culture, attract and retain talent



Promote sustained, inclusive and sustainable growth, full and productive employment and decent work for all

Material topics

Engaged, purpose-led culture, attract and retain talent

Ethical and sustainable business

FY22 highlights

Giving back to customers c. \$368m in COVID permanent net claims savings through cash give backs and postponing premium increases for 7 months

c. \$682m total COVID financial support package to date

Rolling over unclaimed ahm FY22 extras annual limits for another year

More than doubled our no gap network (including short stay) across 7 states and territories

c. 568k customers engaged with Live Better and preventative programs

c. 7.2k customers used Medibank at Home

c. \$31.2m out-of-pocket savings through Members' Choice Advantage network

Managed c. 3.5m virtual health interactions

Supported c. 165k patients through COVID Care at Home program delivered with Calvary

Lowest average premium increase in 21 years

Invested \$10m in health technology company, Medinet

c. 79k Better Minds hub users and app downloads

c. 100k+ people engaged with the Smiling Mind Families program

Launched We Are Lonely podcast series to raise awareness of loneliness

Rewarded 70k+ Live Better members for getting COVID vaccinations

40k+ customers accessed free flu vax vouchers

Women represent 44% of Group and senior leaders

44% of our Board are women

Maintained gender pay equity of less than 1%

24% of parental leave taken by men

11th globally in Equileap Gender Equality Index

Employer of choice by WGEA, 7th year in a row

Certified as a Family Friendly Workplace by UNICEF

Published 1st Human Rights Policy

Published 2nd Modern Slavery Statement

Paid community leave and charity gift voucher donations to support employees to get COVID vaccinations

Extended modern slavery risk assessments of suppliers

Sought independent limited assurance of selected ESG metrics

c. 85% of employees worked flexibly

COVID care and pregnancy support programs extended to employees

In the top 25% of companies globally for employee health and wellbeing engagement (Q1 2022 Peakon global benchmark)

Extended commitments to partner with Aboriginal and Torres Strait Islander businesses in RAP

c. \$596k (inc GST) spend with Aboriginal and Torres Strait Islander businesses



Reduce inequality within and among countries

Material topics

Diverse and inclusive workforce

Ethical and sustainable business



Take urgent action to combat climate change and its impacts

Material topic

Environmental health and climate change



Strengthen the means of implementation and revitalise the global partnership for sustainable development

Material topics

Ethical and sustainable business

Work together to build a stronger and more sustainable health system

Support healthy communities

FY22 highlights

Increased employee engagement among Aboriginal and Torres Strait Islander employees

163 employees identified as having a disability

Piloted a carers support program for employees

Published 2nd Accessibility and Inclusion Plan

Ranked **11** on the Australian Network on Disability Access & Inclusion index

Published 5th RAP

11 years partnering with the Wadeye community in NT

1,674 employees participated in cultural awareness training

Accelerated commitment to achieving Net Zero by 2040 including Net Zero against our Scope 1 and 2 emissions by 2025

c.\$15m invested in green bonds

Begun analysis to understand the sustainability profile of our investment portfolio

Maintained our carbon neutral status for our Scope 1, 2 and 3 emissions

Ongoing commitment to low carbon domestic and international equity investments

Further integration of ESG into enterprise risk management

c. \$1.1m invested in 25 health research projects

Advocated for healthcare system reform

Partnered with La Trobe University to research impacts of COVID and health delivery services

6 years partnering with the Grattan Institute

3 years partnering with the Australian Patients Association

Community partnerships

- parkrun Australia
- Smiling Mind
- Feel Good Program, Brisbane
- Sydney Dance Company
- Dr Michael Mosley and The Fast 800 Program

Aboriginal and Torres Strait Islander partnerships

- Australian Indigenous Doctors' Association
- Thamarrurr Indigenous Youth Corporation
- Wadeye community, Northern Territory
- Indigenous Defence and Infrastructure Consortium (iDiC)
- Supply Nation
- Dhiira

For more detail see our Sustainability Report 2022

Operating and financial review

1. About Medibank

Medibank Private Limited (Medibank) is a health company providing health insurance and health services to more than 4 million people in Australia. Our core business is Health Insurance, whereby we underwrite and distribute private health insurance policies under the Medibank and ahm brands. Medibank Health complements our Health Insurance business by providing a number of services: our health services business, which is being rebranded as Amplar Health, supports the healthcare needs of our core Medibank and ahm customers and the broader community; our Live Better program supports customers and the community to make better choices for their health and wellbeing; and we offer a range of diversified insurance products such as travel, life and pet insurance. Additionally, as we maintain assets to satisfy our regulatory reserves, we generate investment income from our portfolio of investment assets.

Medibank was founded in 1976 as a private health insurer owned and operated by the Australian Government. We have operated on a for-profit basis since 2009. On 25 November 2014, Medibank was sold by the Australian Government by way of an initial public offering (IPO) and listed on the Australian Securities Exchange. As at 30 June 2022, we had 3,291 full-time equivalent (FTE) employees, including 970 health professionals (excluding employees in associates and joint ventures).

2. Financial and operating performance

References to “2021”, “2022” and “2023” are to the financial years ended on 30 June 2021, 30 June 2022 and 30 June 2023 respectively, unless otherwise stated. The “Group” refers to the consolidated entity, consisting of Medibank and its subsidiaries.

Despite the challenging environment over the last year, our results show continuing momentum in our Health Insurance business and strong growth in Medibank Health, including a meaningful uplift in the contribution from our healthcare partnerships.

2.1 Group summary income statement

Year ended 30 June (\$m)	2022	2021	Change
Group revenue from external customers	7,128.5	6,910.4	3.2%
Health Insurance operating profit	592.6	538.6	10.0%
Medibank Health segment profit	45.5	31.4	44.9%
Segment operating profit	638.1	570.0	11.9%
Corporate overheads	(44.0)	(41.7)	5.5%
Group operating profit	594.1	528.3	12.5%
Net investment income/(expense)	(24.8)	120.0	n.m.
Amortisation of intangibles	(2.0)	(4.6)	(56.5%)
Other income/(expenses)	(7.3)	(11.4)	(36.0%)
Profit before tax	560.0	632.3	(11.4%)
Income tax expense	(166.1)	(191.1)	(13.1%)
Group net profit after tax (NPAT)	393.9	441.2	(10.7%)
Effective tax rate	29.7%	30.2%	(50bps)
Earnings per share (EPS) (cents)	14.3	16.0	(10.7%)
Normalisation of growth asset returns	22.7	(31.2)	n.m.
Normalisation of defensive asset returns	18.5	(11.3)	n.m.
Underlying NPAT1	435.1	398.7	9.1%
Underlying EPS (cents) ¹	15.8	14.5	9.1%
Dividend per share (cents)	13.4	12.7	5.5%
Dividend payout ratio ¹	84.8%	87.7%	(3.3%)

1. Underlying NPAT is statutory NPAT normalised for growth asset returns to historical long-term expectations, credit spread movements and one-off items.
Dividend payout ratio based on underlying NPAT

Group operating profit increased by \$65.8 million or 12.5%, with \$54.0 million or 10.0% growth in Health Insurance operating profit, and \$14.1 million or 44.9% growth in Medibank Health segment profit. However, continued volatility within financial markets drove a \$24.8 million loss in net investment income compared to a \$120.0 million gain in 2021, and as a consequence Group NPAT was down 10.7%.

Underlying NPAT, which adjusts for the normalisation of investment returns, increased \$36.4 million or 9.1% to \$435.1 million.

The key reasons for the movements in the Health Insurance and Medibank Health results, as well as net investment income, are outlined in this report.

Health Insurance

Year ended 30 June (\$m)	2022	2021	Change
Premium revenue	6,859.8	6,680.3	2.7%
Net claims expense (including risk equalisation)	(5,731.1)	(5,610.8)	2.1%
Gross profit	1,128.7	1,069.5	5.5%
Management expenses	(536.1)	(530.9)	1.0%
Operating profit	592.6	538.6	10.0%
Gross margin	16.5%	16.0%	50bps
Management expense ratio	7.8%	7.9%	(10bps)
Operating margin	8.6%	8.1%	50bps

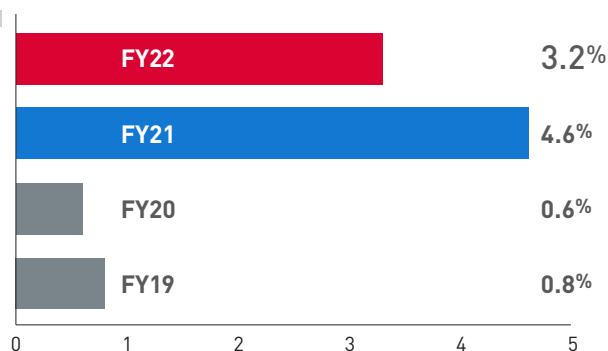
Strong Health Insurance performance was driven by continued policyholder growth, a subdued level of cover downgrading and ongoing cost control, and was achieved despite the impact of border closures on the non-resident health insurance business.

Health Insurance revenue grew 2.7% to \$6,859.8 million with strong policyholder growth and improved downgrading. When adjusted for our COVID-19 customer support measures of \$369.4 million in 2022 and \$226.0 million in 2021, underlying revenue grew 4.7%.

The resident Health Insurance market remains buoyant with the trend of high quality industry policyholder growth continuing, including new to industry and younger customers.

Our reported net resident policyholders increased by more than 60,000 or 3.2% with the Medibank and ahm brands growing 1.9% and 7.3% respectively. The Medibank brand acquisition rate increased 30 basis points, reflecting strong growth in the corporate segment and through digital channels. ahm continued its strong growth trajectory and now has more than 500,000 policyholders, although the acquisition rate was lower than the prior period due to declining sales through aggregator platforms and increased policyholder numbers.

Reported net resident policyholder growth



The lapse rate for Medibank was stable, while an increase in ahm's lapse rate in part reflects the benefit of the extras annual limit rollover last year. Despite deteriorating economic conditions, the lapse rate in the second half for both brands improved compared to the second half of 2021, and throughout the year there was no notable increase in policy suspensions.

Gross claims expense increased 1.9% and net claims, which includes risk equalisation, increased 2.1%. The risk equalisation payment increased \$11.5 million, reflecting our claims growth continuing to be below industry growth and strong policyholder growth in ahm which has a younger and lower claiming customer demographic. There was also a \$368.8 million reduction in claims expense with lower than expected claims as a result of COVID-19 and an increase in the deferred claims liability.

Underlying resident claims growth per policy unit (which excludes COVID-19 impacts) was 2.3% with the increase in hospital claims more than offset by the reduction in extras claims. Extras claims growth in the prior period was elevated due to investment in additional product benefits, and the modest increase in hospital claims this period reflects sales mix and the benefits of claims initiatives in the prior period.

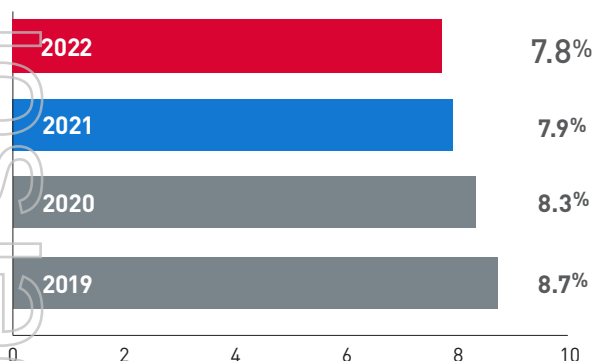
The COVID-19 deferred claims liability, which is in recognition of claims that have likely been deferred since the commencement of COVID-19 restrictions, increased \$224.5 million to \$448.3 million with lower hospital volumes due to elective surgery restrictions and staff shortages resulting from COVID-19 isolation periods. Overall, COVID-19 had a modest impact of \$0.6 million on operating profit with the cost of our customer give back program offset by further permanent claims savings. Removing these COVID-19 impacts, underlying gross profit increased 5.3%.

Operating and financial review

Reported gross profit increased 5.5% to \$1,128.7 million with improving revenue and lower claims growth per policy unit in the resident portfolio more than offsetting a decline in the non-resident portfolio. The second half saw a material improvement in gross profit for the non-resident portfolio as the opening of international borders led to an increased student intake.

Management expenses were up 1.0% to \$536.1 million with approximately \$15 million of productivity savings and lower non-cash costs largely offsetting cost inflation of approximately 2.5%, additional statutory costs and growth in non-resident commissions. The growth in non-resident commissions reflects the reopening of borders in the second half. While we expect cost inflation to increase to approximately 3.5% to 4.0% in 2023, this will largely be offset by further productivity savings. Despite this modest increase in management expenses, the increase was lower than the increase in revenue resulting in an improved management expense ratio of 7.8%, or 7.4% on an underlying basis. Going forward we will continue to leverage the benefits of growth and scale to target further modest improvement in the management expense ratio. While we will remain disciplined, we will continue to focus on balancing this objective with our medium-term growth aspirations.

Health Insurance management expense ratio



Our Health Insurance operating profit of \$592.6 million increased 10.0% this year, or 9.5% on an underlying basis, with continued cost discipline and the benefit of increasing scale contributing to a 50 basis point improvement in operating margin. On an underlying basis, operating margin improved 40 basis points to 8.2% due to the 30 basis point improvement in underlying management expense ratio.

Medibank Health

The role of Medibank Health is to strengthen and complement our core Health Insurance business, support long-term customer retention and to build successful standalone businesses. It includes the provision of health management, telehealth services for government and corporate customers, hospital care in the home, preventative health and wellbeing programs, and diversified insurance products. Our investments in associates and joint ventures also form part of this segment. This includes our non-controlling investments in East Sydney Private Hospital

and Myhealth, a leading operator of primary care clinics, and our joint venture with Calvary to deliver My Home Hospital, a Wellbeing SA service, and COVID Care at Home services.

During 2022 there were a number of largely offsetting COVID-19 impacts to Medibank Health. Closed borders continued to impact travel insurance sales, and lockdowns impacted homecare patient numbers and margins, although this was largely offset by the provision of COVID-related services. Revenue increased 13.4% to \$321.8 million with strong growth in telehealth and health and wellbeing services, and a strong second half of travel insurance sales, offset by lower homecare revenue due to elective surgery restrictions.

Gross margin was down 110 basis points to 40.1% with constrained labour availability impacting labour costs and the ability to deliver services in homecare, and the impact of transitioning out of telehealth contracts.

Management expenses increased \$3.6 million, including \$2 million due to contract exits and other one-off costs, however the management expense ratio improved 240 basis points to 27.5% due to strong revenue growth, reinforcing the opportunity to create scale in this business.

With the strong momentum in the remainder of the Medibank Health business and growth opportunity around the needs of the Medibank customer, we expect on average at least 15% organic segment profit growth per annum over the next three years, with the potential for further growth from M&A activity.

While revenue and costs will be lower in 2023 as a result of the exit of 1800RESPECT and Beyond Blue telehealth contracts, these contracts did not make a material contribution to 2022 operating profit, which increased 26.7% to \$40.8 million and excludes our share of the results of Myhealth and other investments. Medibank Health segment profit improved 44.9% to \$45.5 million.

Net investment income/(expense)

Medibank's investment portfolio was \$3.4 billion as at 30 June 2022. This investment portfolio, which includes \$3.2 billion relating to the health fund, provides liquidity to cover insurance liabilities related to the Health Insurance business and satisfies Medibank's obligations to maintain regulatory reserves to meet health claims and to fund ongoing operations. It includes additional assets, largely in cash to fund claims deferred due to COVID-19 and customer give back programs, and sits outside our target allocation of growth and defensive assets of 20% and 80% respectively.

Volatile investment markets significantly impacted net investment income in both years with a \$24.8 million expense in 2022 compared to income of \$120.0 million in 2021. The decreased income was driven by the significant correction across equity markets within the growth portfolio assets, and a reduction in income from the defensive portfolio including a \$26.5 million loss due to widening of credit spreads, compared to a gain of \$16.1 million last year.

Our investment portfolio is subject to and compliant with our Responsible Investment Policy. Domestic and international equity investment portfolios remain aligned with socially responsible investment principles.

2.2 Group financial position

Medibank's net asset position decreased by \$39.5 million or 2.1% to \$1,945.6 million as at 30 June 2022.

Some of the major movements in the consolidated statement of financial position include:

- An increase in financial assets at fair value to fund our commitment to return permanent net claims savings due to COVID-19 to customers (customer give back programs) and COVID-19 deferred claims liability.
- An increase in claims liabilities due to the ongoing recognition of the COVID-19 deferred claims liability.
- An increase in unearned premium liability and provisions due to the recognition of customer give back provision relating to the return of permanent net claims savings due to COVID-19 to customers through premium relief and cash returns.

As at 30 June 2022, Medibank's consolidated statement of financial position remained debt-free.

2.3 Capital management and dividends

Medibank's capital management objective is to maintain a strong financial risk profile and capacity to meet financial commitments. As at 30 June 2022:

- Our total Health Insurance business-related capital was \$983.7 million; equivalent to 13.0% of premium revenue after the allowance for determined but unpaid dividends. This was at the top end of Medibank's target range of 11%-13%.
- Non-fund required capital was \$187.2 million.
- Unallocated capital surplus was \$148.0 million.

In November 2018, the Australian Prudential Regulation Authority (APRA) announced its intention to harmonise the

health insurance capital framework with Life and General Insurance Capital (LAGIC) standards. Since then, APRA has consulted with the industry and undertaken a Quantitative Impact Study (QIS). Draft capital standards were released in December 2021 with the intention to release the final standards in September 2022 for implementation on 1 July 2023. We are well placed to implement this framework as our Capital Management Policy is already closely aligned with LAGIC and do not expect it will negatively impact our capital position.

Dividends paid or payable in respect of profits from the financial year totalled 13.40 cents per share fully franked, amounting to \$369.0 million comprising:

- An interim ordinary dividend of 6.1 cents per share fully franked, amounting to \$168.0 million paid on 24 March 2022 in respect of the six-month period ended 31 December 2021.
- A final ordinary dividend of 7.30 cents per share fully franked, amounting to \$201.0 million to be paid on 29 September 2022 in respect of the six-month period ended 30 June 2022.

The full year 2022 ordinary dividend represents an 84.8% payout ratio of underlying NPAT, normalising for investment market returns. This is at the top end of our dividend target payout ratio range of between 75% and 85% of underlying NPAT, and reflects our strong capital position.

2.4 Management changes

There have been no changes to Medibank's Executive Leadership Team this year.

3. Strategy and future prospects

Medibank's purpose is Better Health for Better Lives. Our 2030 vision is to create the best health and wellbeing for Australia. By working to provide affordable and quality health outcomes, we seek to sustainably build our customer base and grow shareholder value. Our strategy puts our customers and people at the centre of everything we do.

Our strategy – growing as a health company



Deliver leading experiences

Create personalised and connected customer experiences
Empower our people
Collaborate with our communities to make a difference



Differentiate our insurance business

Deliver more value, choice and control for customers
Offer products and services to meet all customer needs
Leverage our dual brands and provider networks



Expand in health

Focus growth on prevention and integrated care models
Scale and connect our health businesses
Bring benefits back to our core

Better Health for Better Lives

Operating and financial review

Our employees are our most valuable asset. It is only by empowering our people that we can deliver on our vision, so we've built a culture anchored by the three pillars of purpose, people and performance so they can make the greatest impact on our customers and communities. We are committed to ensuring Medibank remains a great place to work, differentiating ourselves in the market through our approach to flexibility and health and wellbeing. We're embedding our purpose and values throughout our business, and building a highly engaged, skilled team. We're also committed to driving a culture of wellbeing and supporting the diverse physical, emotional and mental health needs of our people.

Since the start of the COVID-19 pandemic we have seen a shift of people in Australia prioritising their health and wellbeing. Combined with heightened pressure on the public health system, this has resulted in private health insurance becoming more compelling for many people including those who were previously uninsured. We have continued to focus on differentiating and growing our health insurance business by leveraging our dual brand strategy to create a competitive advantage. The pandemic has also resulted in an increased awareness and acceptance of integrated care models. We're partnering with doctors, hospitals and governments to deliver care in new ways – and growing and developing new health services through our Amplar Health business.

We have worked hard to deliver our lowest premium increase in 21 years, with premiums scheduled to rise by an average of 3.10% from 1 April 2022. Due to our commitment to return all COVID-19 permanent net claims savings, we deferred this premium increase for seven months to 1 November 2022 for eligible policyholders. Additionally, we have announced a cash give back to eligible customers, which they will receive in September 2022. To date, our total COVID-19 support for our customers stands at around \$682 million and has included two rounds of premium deferrals, give backs to customers through premium relief and cash give backs, ancillary limit rollovers for ahm customers, and financial hardship support. We are committed to returning all permanent net claims savings due to COVID-19 to our customers once they are known.

We have focused on making our business more efficient and to reduce and eliminate unnecessary costs in the health system, so that we can deliver greater value and choice for our customers. We maintained strong cost discipline and have delivered approximately \$55 million of productivity savings over the past three years, including approximately \$15 million in 2022, and will continue to target further productivity.

Customers are at the heart of what we do and we are working to better support their healthcare needs by providing greater choice and more personalised advice, while helping to reduce out-of-pocket medical costs. We've expanded the no gap program to more participating providers across the country to provide eligible customers with the option of paying no out-of-pocket medical costs for a range of selected procedures including hip and knee replacements, endoscopies, and some general surgery procedures.

Our no gap network, which includes a short stay care model, has continued to grow with 64% of Medibank customers to live within 25km of a no gap site by October 2022. The network includes East Sydney Private Hospital, which we have a 49% interest in. We also continue to work with a group of more than 40 doctors on the development of Adeney Private Hospital – a short stay surgical facility in Melbourne due to open in 2024.

The My Home Hospital service delivers hospital level care to patients in their homes in Adelaide and surrounding areas. This year the service expanded to provide a broader range of treatments and operate in additional areas in South Australia. A Wellbeing SA service delivered by a joint venture between Calvary and Medibank, My Home Hospital utilises remote monitoring technology to enable clinicians to track the clinical status of admitted patients and allows the care team to stay in touch 24/7. More than 3,200 patients have used the service since launch in January 2021. In the future, opportunities exist to use market leading technology platforms, like those used for My Home Hospital, across public and private settings.

We continue to work with GPs given the vital role they play in primary health. Our investment in the Myhealth Medical Group supports GPs to enhance the health and quality of life of their patients which helps reduce high-cost hospital admissions and alleviate pressure on the health system. The investment also gives the GPs access to additional capabilities to improve data analytics and information management and enables Myhealth to continue its rapid growth. There were 106 Myhealth clinics at the end of 2022 and further growth will be supported by investment in greenfield practices and acquisition of existing practices. Our investment in digital health services company Medinet to support the virtual capability and connectivity of GPs and their patients also reflects our support for primary care in the community.

We have deepened relationships with our customers through other avenues and we have seen substantial growth in members supported in navigating and managing their health. More than 40,000 customers, equating to approximately 27% of customers going to hospital, were supported by our telephone and digital Health Concierge, and we're trialling the introduction of specialist health concierge clinicians across five Victorian stores to engage with customers on the many health and wellbeing support options available to access. We've made progress in mental health solutions with the Better Minds hub and app attracting approximately 79,000 users and app downloads. We also launched a telepsych clinic pilot this year in partnership with Myhealth and Medinet, and partnered to deliver out-of-hospital care models for mental health.

Our Members' Choice network is one of the largest health provider networks in Australia, and offers better value, more cost transparency and a wider range of services to our customers. Customers using our Members' Choice Advantage for their dental and optical needs saved approximately \$31.2 million in out-of-pocket costs in 2022.

We have now expanded the network to also include physio, chiro, podiatry, acupuncture, and remedial massage, covering more types of services than any other health insurer.

Our Live Better program continues to scale, with more than 522,000 Live Better Rewards participants, and we are targeting more than 800,000 participants in FY25. We are continuing to integrate the Live Better app into the My Medibank app to provide a single digital health experience across health insurance and health and wellbeing. We are also integrating Live Better into preventative health, acquisition and retention journeys to evolve the way we inform and inspire customers about health and wellbeing, making it even more relevant, accessible and easy to use.

We've invested in growing our suite of preventative healthcare programs designed to support our customers stay healthy and avoid unnecessary treatments, and have seen more than 10,000 enrolments in our programs, an increase of more than 40% over the past 12 months. Our national Better Knee, Better Me program was awarded the Australian Clinical Trials Alliance (ACTA) inaugural Industry Partnership Award this year. Following the success of Better Knee, Better Me, we recently launched a Better Hip pilot that aims to help people manage osteoarthritis hip pain.

The macroeconomic environment and ongoing impacts of COVID-19 cannot be predicted with any certainty in 2023. Although we are seeing rising inflation impacting the cost

of items such as groceries and fuel, and households navigating a higher interest rate environment, Medibank remains positioned for growth with strong customer advocacy, positive policyholder growth outlook, a continued focus on cost discipline, and a strong balance sheet to support our growth ambitions.

In the year ahead we will build on further understanding our customers' needs to develop a broader and deeper relationship with them and their health. We will continue to differentiate and add value to the core health insurance proposition by strengthening our product range, and leveraging our technology and data capabilities to deliver increasingly personalised propositions. We will work with partners and providers to deliver more proactive and preventative healthcare to support affordability, drive down costs, and improve the choice and experiences for our customers. We will embed and scale our existing health assets to deliver earnings growth in their own right, utilising the synergies between the individual assets as well as the core Health Insurance business and expedite health system change. Connection between our various health assets will be key to delivering a better and more customer/patient-centric health experience.

Our strategy is the right strategy for our business and will continue to inform our decisions. Aligned with our strategy, our milestones are detailed below.

FY23 – FY25 milestones

Pillars	Milestones					
Deliver leading experiences	Customer advocacy: Service NPS (average)			Employee advocacy: eNPS		
		FY22	FY23 benchmark ¹		FY22	FY23 benchmark ²
	Medibank	45.3	>35	Place to work	+27	≥+24
	ahm	42.4	>35	Products and services	+29	≥+26
Differentiate our insurance business	Market share ³ – updated for FY23			Health Insurance productivity delivered		
	Q3FY22	FY25 aspiration		FY22	FY22-FY24 target	
	27.35% (+4bps since FY21)	Up 25-75 bps on FY22		c. \$15m	\$40m (including \$15m in FY22)	
Expand in health	Health and wellbeing			Medibank Health segment profit		
		FY22	FY25 target	FY22	FY23-FY25 target	
	Live Better Rewards participants	c. 522k	> 800k	\$45.5m	Average at least 15% p.a. organic segment profit growth	
	Preventative program participants ⁴	c. 10k	> 50k		Aim to invest \$150 - \$250m in total to grow Medibank Health inorganically as suitable opportunities arise over the next 3 years	

1. Benchmark reflects sustaining service levels while continuing to digitise the service delivery model

2. FY23 benchmark has been corrected from originally reported in operating and financial review in FY22 Appendix 4E and Financial Report issued on 18 August 2022 and includes the global average benchmark for Place to Work eNPS and the historical trend for Products and Services eNPS.

3. APRA PHI quarterly data to March-22

4. Includes total customers who have engaged with eight preventative health programs (e.g. Better Knee, Better Me, Better Hip) and any new offerings developed

4. Material business risks

The material business risks which could affect Medibank's operations, business strategies and financial prospects are summarised below.

The COVID-19 pandemic has, and will continue to have in 2023, the potential to impact Medibank's material and strategic business risks. Medibank continuously monitors the uncertainty introduced by COVID-19 and its impact on its risk profile, both on financial and non-financial risks. Where appropriate, Medibank has strengthened its governance, monitoring and internal control system to address increased risk exposures caused by the pandemic in relation to its operational, financial and strategic risks.

Risk	Mitigations	Material sustainability categories
Strategic  The risk that we are unable to identify and execute the right strategic initiatives and projects on target and on time that deliver measurable and agreed outcomes to support our goals	Medibank's strategic risks are identified and assessed as part of our annual strategic planning process and endorsed by the Board. Key strategic risks identified include loss of private health insurance customers, healthcare costs and utilisation, regulatory risk, and execution of non-private health insurance growth. These risks influence the prioritisation of investments and resources in the Corporate Plan, which is approved by the Board. To effectively understand and assess some key strategic risks that are broad in nature (e.g. regulatory and customer risks), we undertake detailed analysis on threats or opportunities that specific scenarios may pose to our business.	 
Operational (including regulatory compliance)  The risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events	We have established risk management policies and procedures for identifying, assessing, monitoring and reporting operational risks and controls. This includes the important areas of information security, technology, business continuity, outsourcing, fraud, people, and health and safety risks. We have established compliance management policies and procedures for identifying and managing regulatory obligations and incidents that may arise. Management of operational risk is overseen by divisional risk committees, the Executive Risk Committee and the Board's Risk Management Committee.	  
Credit  The risk of financial loss due to counterparties failing to meet all or part of their contractual obligations	Exposure to this risk is primarily through Medibank's investment portfolio. This risk is managed through the application of the Investment Management Policy. The effective implementation of this policy is overseen by the Board's Investment and Capital Committee to ensure that credit risk is managed in line with the risk appetite set by the Board.	
Capital & liquidity  The risk of not being able to meet financial commitments as and when they are due and in complying with APRA prudential standards on solvency and liquidity	Medibank has a Board-approved Liquidity Management Policy and a Board-endorsed plan designed to ensure it meets or exceeds regulatory solvency requirements and is able to meet all payments as and when they fall due. Liquidity risk is managed by our treasury function through daily cash management of cash flows and liquid asset positions and projected future cash flows, supported by actuarial forecasts that take into account anticipated seasonality as well as stressed market conditions.	

Risk	Mitigations	Material sustainability categories
Market & investment  The risk of adverse financial impact market factors e.g. foreign exchange rates, interest rates and equity prices	We have a Board-approved Investment Management Policy. The Board's Investment and Capital Committee oversees the investment process and compliance with investment mandates, performance against benchmarks and asset allocation. Our strategic asset allocation is weighted largely towards defensive assets and with limits applied to illiquid assets.	
Insurance  The risk of misestimation of incurred and expected costs, frequency and severity of insured events	The Board approves the Pricing Policy, which includes pricing and profitability objectives and forms a key part of the Capital Management Plan. Our objective is to support customer growth through balancing the offer of competitive value to all customers with profitability objectives and the need to meet capital management and regulatory requirements. Insurance risk is a key part of regular portfolio monitoring and treatment plans are formulated and implemented in response to any potential for deviation from target measures.	
Clinical  The risk of unexpected, adverse clinical outcomes from a health service provided by Medibank, or a third party acting on behalf of Medibank	Clinical risk arises from clinical services that Medibank provides and procures, the provision of health-related information, and customer health initiatives. We have implemented a clinical governance and quality management framework that defines the principles, structures and processes that underpin service quality, continuous improvement and patient safety. Our Chief Medical Officer, supported by a clinical governance team, provides oversight and assurance. The Risk Management Committee and Board receive regular reporting on the performance of clinical risk management.	 
 Customer health  Employee health  Community health  Environmental health  Governance		

For further information about our material categories please see our Sustainability Report 2022.

This Operating and Financial Review is dated as at 18 August 2022.

Directors



44%*

are women



11%*

were born overseas

100%*



identify primarily as Australian

(non-Aboriginal and Torres Strait Islander)

*Including CEO

Top L to R: Mike Wilkins, David Koczkar, Tracey Batten. Middle L to R: Anna Bligh, Gerard Dalbosco, Peter Everingham. Bottom L to R: David Fagan, Kathryn Fagg, Linda Bardo Nicholls.

Name and title

Biography

Mike Wilkins AO

Chair and Independent Non-executive Director

BCom, MBA, FAICD, FCA
Age: 65

Mike was appointed a director in May 2017 and Chair effective 1 October 2020. He is Chair of the Nomination Committee and a member of the Investment and Capital Committee and the People and Remuneration Committee.

Mike is the Chair (since March 2020) and a director (since November 2016) of QBE Insurance Group Limited. He is also a director of Scentre Group Limited (since April 2020).

Mike has more than 30 years of experience in financial services, predominantly in Australia and Asia. He served as Managing Director and Chief Executive Officer at Insurance Australia Group (November 2007 to November 2015), Managing Director and Chief Executive Officer at Promina Group Limited and Managing Director at Tyndall Australia Limited. He also served as Acting Chief Executive Officer (April 2018 to December 2018), Executive Chairman (April 2018 to June 2018) and a director (September 2016 to February 2020) of AMP Limited. He was previously a director of Maple-Brown Abbott Limited, Alinta Limited, The Geneva Association and the Australian Business and Community Network.

David Koczkar

Chief Executive Officer

BCom, PG Dip Finance, MAICD
Age: 49

David was appointed Chief Executive Officer in May 2021.

He commenced at Medibank in 2014, holding the roles of Chief Operating Officer from March 2014 and then Group Executive – Chief Customer Officer from September 2016, where he was responsible for the Health Insurance and Diversified financial portfolios, Live Better and the ahm business. David was also appointed Acting Chief Executive Officer between April 2016 and June 2016.

Prior to joining Medibank, David was the Group Chief Commercial Officer at Jetstar where he was responsible for the airline group's commercial businesses, sales and marketing and customer channels and served as a director of Jetstar Pacific (Vietnam), Jetstar Hong Kong and NewStar (Singapore) JV airlines.

David has more than 25 years of strategy, customer, commercial and operational experience, including previous work in the strategy consulting and financial services industries.

Name and title	Biography
Dr Tracey Batten Independent Non-executive Director MBBS, MHA, MBA, FAICD, FRACMA Age: 56	Tracey was appointed a director in August 2017. She is Chair of the People and Remuneration Committee and a member of the Risk Management Committee and the Nomination Committee. Tracey has extensive experience in the health services sector, with strong commercial, business and change leadership skills. Tracey is currently a director of EBOS Group Limited (since July 2021), the National Institute of Water and Atmospheric Research in New Zealand and the New Zealand Accident Compensation Corporation, and a former director of Abano Healthcare Group. Tracey was previously the Chief Executive of the Imperial College Healthcare NHS Trust in the United Kingdom. In that role, Tracey focused on change leadership, in particular improving organisational culture and strengthening patient safety and experience. Tracey also oversaw the implementation of a range of digital initiatives as Chief Executive. Tracey is a former Chief Executive of St Vincent's Health Australia, which runs a group of public hospitals, private hospitals and aged care facilities.
Anna Bligh AC Independent Non-executive Director BA (QLD) Age: 62	Anna was appointed a director in December 2012. She is a member of the Risk Management Committee and the Investment and Capital Committee. Anna is currently the Chief Executive Officer of the Australian Banking Association and a director of the International Banking Federation (IBFed). Anna has extensive experience in leadership and public policy, including in the fields of healthcare, finance, infrastructure and project management. She has held several roles in the Queensland Government, including Premier, Treasurer, Minister for Finance, Minister for State Development, Minister for Trade and Innovation and Minister for Education. She was also a member of the Queensland Cabinet Budget Review Committee for 11 years. Anna was a director of Bangarra Dance Theatre Australia (2012-2020) and is currently a non-executive director of Australian Plays Transform.
Gerard Dalbosco Independent Non-executive Director M.AppFin, B.Comm, FCA, FFIN, GAICD Age: 59	Gerard was appointed a director in May 2021. He is Chair of the Audit Committee and a member of the Risk Management Committee and the Nomination Committee. Gerard held a number of senior leadership roles as a Partner of EY until September 2020. His most recent role was Melbourne Managing Partner where he led a large team responsible for EY's go-to-market and client service strategies. Prior to this, Gerard held other roles at EY including Asia Pacific Managing Partner – Markets and Co-Deputy CEO where he led EY's client-serving activities across the Asia Pacific market. He was also Oceania Managing Partner and CEO, and Oceania Managing Partner of Transaction Advisory Services where he was responsible for EY's Transaction Advisory Services business across Oceania. Gerard is currently Chair of Melbourne Archdiocese Catholic Schools. He has previously held roles as a director and Chair of the Finance & Audit Committee of Mercy Health & Aged Care, director and member of the Finance Committee of Berry Street Victoria and director and Co-Deputy Chair of the Committee for Melbourne.
Peter Everingham Independent Non-executive Director BEC, MBA, GAICD Age: 53	Peter was appointed a director in March 2022. He is a member of the Audit Committee and the People and Remuneration Committee. Peter has over 25 years of corporate experience and is highly respected in the digital sector, having held senior executive roles in that sector for 18 years. His senior leadership experience includes key roles at companies with a strong consumer and technology focus. Peter is currently a director of Super Retail Group Limited (since December 2017), the owner of several notable Australian brands including BCF, Macpac, Rebel and Supercheap Auto. He is also a director of WWF Australia. He was previously a director of iCar Asia Limited (July 2017 to May 2022), Managing Director of the international division of Seek Limited (and concurrently Chair of Seek's subsidiary, Zhaopin), a director of ME Bank and IDP Education Ltd, and a senior executive for Yahoo! in Australia and Southeast Asia.

Name and title	Biography
David Fagan Independent Non-executive Director LLB, LL.M, GAICD Age: 65	David was appointed a director in March 2014. He is Chair of the Risk Management Committee and a member of the Audit Committee and the Nomination Committee. David was a commercial lawyer for over 40 years. He held a variety of leadership positions at Clayton Utz culminating in the role of Chief Executive Partner for nine years. In this role, David had responsibility and accountability for leadership and transformation, strategy, finance, stakeholder engagement, and governance, including risk management. During David's tenure as Chief Executive Partner, Clayton Utz entrenched itself as a first class top tier commercial law firm. David also chaired the Medibank Privatisation Committee which operated during 2014 in preparation for the privatisation process. David is a former director and Chair of the Audit Committee of The Global Foundation, a former director of Grocon Funds Management Group, the Hilco Group and UBS Grocon Real Estate Investment Management Australia Pty Limited and a former member of the advisory board of Chase Corporate Advisory. David is currently a director of PayGroup Limited (since November 2017). He is Chair of BDO Group Holdings Limited and a member of the ASIC Corporate Governance Consultative Panel.
Kathryn Fagg AO Independent Non-executive Director FTSE, BE (Hons), MCom (Hons), Hon.DBus, Hon.DChemEng, GAICD Age: 61	Kathryn was appointed a director in March 2022. She is a member of the Audit Committee and the People and Remuneration Committee. Kathryn is a highly respected director and Chair with significant, wide-ranging senior commercial and operational experience. She is currently a director of National Australia Bank Ltd (since December 2019), Djerriwarrh Investments Ltd (since May 2014) and she is the Chair of CSIRO. In the non-for-profit sector, she is Chair of Watertrust Australia Ltd and Breast Cancer Network Australia, a director of The Myer Foundation, the Grattan Institute and the Champions of Change Coalition. Kathryn was a non-executive director of Boral Limited from September 2014 to July 2021 including as Chair from July 2018, a non-executive director of Incitec Pivot Limited from April 2014 to December 2019, and a member of the board of the Reserve Bank of Australia from 2013 to 2018. She is a former President of Chief Executive Women (CEW), a former Chair of Parks Victoria and the Melbourne Recital Centre and a former board member of the Australian Centre for Innovation, and has held senior executive roles at Linfox, Bluescope Steel and ANZ.
Linda Bardo Nicholls AO Independent Non-executive Director BA, MBA (Harvard), FAICD Age: 74	Linda was appointed a director in March 2014. She is Chair of the Investment and Capital Committee and a member of the Risk Management Committee and the Nomination Committee. Linda has more than 30 years of experience as a senior executive and director in banking, insurance and funds management in Australia, New Zealand and the United States. She is currently a director of Inghams Group Limited (since November 2016). Linda is also Chair of the Board of Melbourne Health and a member of the Museums Victoria Board. Linda's previous directorships include Japara Healthcare Limited as Chair (March 2014 to November 2021), Fairfax Media Limited and Sigma Pharmaceuticals Limited.

Company Secretary

Name and title	Biography
Mei Ramsay Group Executive – Legal, Governance & Compliance and Company Secretary BA, LLB, LL.M	Mei was appointed Group Executive – Legal, Governance & Compliance (previously Legal, Governance & Regulatory Affairs) in September 2016 and has been the Company Secretary for Medibank Private Limited since 2014. Mei previously held the position of Group General Counsel from 2011. She is responsible for leading the legal and governance functions, including compliance, regulatory affairs and company secretariat, and providing legal and corporate governance advice to Medibank's Board, Chief Executive Officer and senior management. Mei has more than 25 years of experience in the legal profession, both as a senior in-house legal adviser for multinational and international companies, as well as a private practitioner. Prior to joining Medibank, Mei was the General Counsel and Company Secretary for the Asia Pacific region at Cummins Inc, and before that held various senior legal positions at Coles Myer Ltd and Southcorp Limited. Mei started her legal career at Arnold Bloch Leibler and also worked as a Senior Associate at Minter Ellison. Mei is currently the President of the Association of Corporate Counsel (ACC) Australia, a member of the Executive of the ACC GC100 and former Chair of the ACC GC100, and a member of Chief Executive Women.

Executive Leadership Team



25%*
are women

50%*
were born overseas



75%* identify primarily as Australian
(non-Aboriginal and Torres Strait Islander)

Top L to R: David Koczkar, Kylie Bishop, Rob Deeming. Middle L to R: John Goodall, Milosh Milisavljevic, Mei Ramsay.
Bottom L to R: Mark Rogers, Andrew Wilson.

*Including CEO

Name and title	Biography
Kylie Bishop Group Executive – People, Culture & Sustainability	Kylie has held the position of Group Executive – People, Culture & Sustainability (previously People & Culture) with Medibank since 2013. She is a registered psychologist, specialising in organisational psychology and is responsible for leading the key people functions, as well as environment, social and governance across Medibank. This includes culture, talent and capability, performance and rewards, shared services, talent acquisition, diversity and inclusion, workplace relations, health, safety and wellbeing, employee experience and community. Kylie is responsible for leading Medibank’s culture and new ways of working program focused on purpose and inclusion, customer first and health and wellbeing. This includes leading the design and build of a new Melbourne workspace to be delivered in 2024. Kylie began her career in human resource consulting and prior to joining Medibank in 2010, held senior positions with National Australia Bank (NAB). Kylie is also currently a non-executive director of Melbourne Health and Basketball Victoria, and was previously a director with Rugby Victoria.
Rob Deeming Group Executive – Customer & Brands	Rob was appointed Group Executive – Customer & Brands in June 2021. He is responsible for the Medibank and ahm brands and our customer channels, as well as our digital platforms and capabilities. He is accountable for growing and sustaining Medibank’s consumer businesses, and creating leading customer experiences to improve the advocacy, engagement and experience for our customers. Prior to this role, Rob held the role of Senior Executive within Medibank since August 2020 where he was responsible for leading ahm, Australia’s fastest growing private health insurance brand. Rob has extensive experience in entrepreneurial leadership, leading consumer brands and growing digital-led businesses. Before joining Medibank Rob was the CEO of Billy, a multi award-winning hardware/software business supporting older people living independently at home across Australia and the US. In this role he built and led the vision, strategy and team for the business alongside the two technical founders. Rob also spent several years in commercial leadership roles at Jetstar and Qantas. At Jetstar, he led the commercial teams that looked after the digital channels, as well as the ancillary products and hotels businesses. Prior to this he was the CEO of the travel booking engine, Jetsetter, with teams based in New York, Boston and London. Rob led the sale of Jetsetter to TripAdvisor in 2013.

Executive Leadership Team

Name and title	Biography
John Goodall Group Executive – Technology & Operations	John was appointed Group Executive – Technology & Operations in December 2016. He is responsible for Medibank's core IT platforms, property, procurement and operations with a focus on leveraging our systems, processes and information to deliver improved, personalised digital experiences for Medibank's customers. John has more than 25 years of experience working in and leading IT functions across the retail and financial services industries and utilising technology to drive business growth and align business systems and processes to customer needs. Prior to joining Medibank, John held the role of General Manager Enterprise Technology at Sportsbet, and before his time at Sportsbet he spent 20 years at GE Capital Australia and New Zealand where he held a number of roles, including Chief Information Officer.
Milosh Milisavljevic Group Executive – Customer Portfolios	Milosh was appointed Group Executive – Customer Portfolios in June 2021. He is responsible for Medibank's customer portfolios, including member health programs, Live Better and diversified insurance portfolios. He is also accountable for growing and sustaining Medibank's consumer, corporate and overseas portfolios, managing our relationship with our provider network and diversifying our propositions to improve the quality of life and health of our customers. Milosh joined Medibank in 2016 and has held a number of roles, most recently as the Senior Executive Customer Strategy & Portfolio. In these roles he led Medibank's customer strategy, commercial transformation, product innovation and portfolio management, strategic partnerships and data science. Milosh has extensive experience leading customer focused and data driven transformations across health, media and telecommunications industries, including proposition innovation and new business growth. Prior to joining Medibank, Milosh held senior roles at SEEK and McKinsey & Company.
Mark Rogers Group Executive – Chief Financial Officer & Group Strategy	Mark was appointed Group Executive – Chief Financial Officer & Group Strategy in May 2021. Previous to this, he held the role of Group Executive – Chief Financial Officer since January 2017. Mark is responsible for the finance, actuarial, treasury, internal audit and investor relations functions across Medibank as well as strategy development and M&A. He has more than 20 years of global experience across the healthcare, pharmaceuticals and financial services sectors. Before joining Medibank, Mark held the role of General Manager, Group Performance and Planning at National Australia Bank (NAB) since 2013, where he was responsible for management reporting, performance management, planning and forecasting, and capital allocation. Preceding this, Mark was General Manager, Group Development. Prior to this, Mark was responsible for Group Strategy and Development for the Mayne Group, a diversified healthcare, pharmaceuticals and pharmacy business, where he was accountable for the management of the Group's strategy, capital management and mergers and acquisitions. Prior to that role, Mark led Group Investor Relations at Mayne Group. Mark is a director of Private Healthcare Australia Limited and East Sydney Private Hospital, and Chairman of Myhealth Medical Group.
Dr Andrew Wilson Group Executive – CEO Amplar Health	Andrew was appointed Group Executive – CEO Health Services (now Amplar Health) in May 2021. Previous to this, he held the roles of Group Executive – Healthcare & Strategy since September 2016 and Executive General Manager – Provider Networks & Integrated Care since 2013. He is responsible for Medibank's growing role as a broader health services provider. This includes responsibility for the health services we deliver on behalf of business and government, including telehealth, virtual healthcare, in-home care, and services into residential aged care. Andrew is also responsible for Medibank's hospital and healthcare investments and joint venture healthcare partnerships, which support both Medibank customers and other Australians in acute care and community settings. Andrew has 25 years of experience in the health system, and remains a practising clinician and lecturer. He was a founder and Co-president of McKesson Asia-Pacific, which was acquired by Medibank in 2010. Andrew is a director of Calvary Medibank JV Pty Ltd, Myhealth Medical Group and Medinet Australia Pty Ltd. He is also a director of a joint venture between Medibank and specialists to develop a private hospital facility in Kew, Melbourne.

Corporate governance statement

Medibank was founded in 1976 as a private health insurer and was operated by the Australian Government. In 1998, Medibank Private Limited became the operating entity with the Commonwealth of Australia as the sole shareholder. In 2014 the Australian Government sold Medibank by way of an initial public offering, and divested all its shares in Medibank. Medibank listed on the Australian Securities Exchange (ASX) on 25 November 2014.

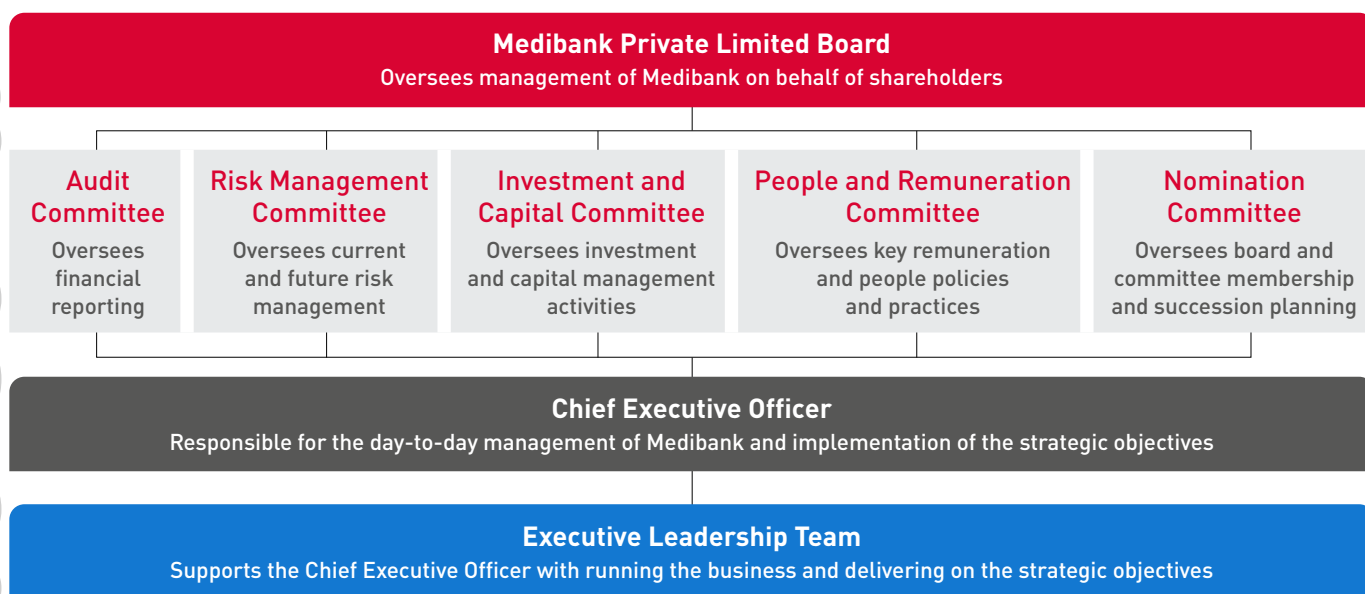
The Medibank Board is committed to improving our customers' experience and providing them with greater value. In line with this, the Board seeks to ensure that Medibank is properly managed to protect and enhance shareholder interests, and that Medibank, its directors, officers and employees operate in an appropriate environment of corporate governance.

Governance structure

The Board has a framework in place for governing Medibank. This includes adopting internal controls, risk management processes and corporate governance policies and practices, designed to promote responsible management and ethical conduct.

During the year, Medibank had in place policies and practices which comply with the recommendations in the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (CGPRs), 4th edition. As a registered private health insurer, Medibank also complies with the CPS 510 governance standard issued by the Australian Prudential Regulation Authority (APRA). The key corporate governance practices applied at Medibank are described in this statement and the key corporate governance policies are available on the corporate governance section of our website at medibank.com.au.

The governance and performance of Medibank is overseen by the Board elected by the shareholders.



Roles and responsibilities of the Board and management

The Board provides overall strategic guidance for Medibank and effective oversight of management. Responsibility for the governance of Medibank, including establishing and monitoring key performance goals, rests with the Board. The Board monitors the operational performance and financial position of Medibank, as well as overseeing the business strategy and approving strategic goals. In performing its role, the Board is committed to ensuring sound corporate governance practices.

The Board Charter, which is available on our website, articulates the Board's roles and responsibilities, its membership and operation, and which responsibilities may be delegated to committees or to management. Specific responsibilities have been reserved by the

Board in key areas of: strategy (including approval and monitoring of the corporate strategy and performance objectives); governance (including disclosure); appointment, performance evaluation and remuneration of the CEO and other senior executives, including the Company Secretary; approving the Code of Conduct and overseeing Medibank's purpose, culture and values; financial approvals and reporting; risk management, compliance and workplace health and safety; and culture (including diversity and inclusion). The Board has established standing committees to assist in performing its responsibilities. These committees examine particular issues in detail and make recommendations to the Board. A description of these committees can be found on pages 40 to 41.

Corporate governance statement

The Chief Executive Officer (CEO) has responsibility for managing the day-to-day affairs of Medibank. The CEO, with the support of the Executive Leadership Team (ELT), manages Medibank in accordance with the Board-approved Corporate Plan, the corporate strategy and Medibank's policies within the risk appetite set by the Board. A detailed delegation of authority framework defines the decision making and expenditure limits that apply at various levels of management.

Key areas of focus for the Board in 2022

Corporate governance (including COVID-19)

- Oversight of COVID-19 impacts and response, including:
 - Ensuring the health and wellbeing of our customers, people and the community.
 - Ensuring we don't profit from COVID-19 by returning any permanent net claims savings via customer give backs and hardship policies.
 - Accounting and regulatory responses, including in relation to claims liability and capital stress testing.
 - Business continuity management.
 - Continuing to ensure safe workplaces and practices in our retail stores, offices and while delivering health care in customer homes and residential aged care facilities.
- Oversight of the enhancement of the enterprise risk and compliance management framework and risk and compliance culture, including review and monitoring of financial and non-financial material risks and emerging risks.
- Setting environmental, social and governance (ESG) strategy, including net zero pathway.

Strategy and execution

- Review of strategy, including growing as a health company and evaluation of opportunities to execute on our strategic pillars and key objectives.
- Oversight of investments, partnerships and organic growth initiatives to support execution of the strategy.
- Oversight of the group's capital management policies and level of capital, including review and implementation of APRA's new capital standards (expected to apply 1 July 2023).
- Review and approval of the Corporate Plan, budget and performance targets and oversight of business performance against these targets.

People, remuneration and culture

- Oversight of Medibank's 2030 Vision, values, strategy and culture.
- Oversight of new CEO transition and alignment of executive leadership team (ELT) roles.
- Review of Board composition and consideration of succession planning, including selection of new non-executive directors.

- Oversight of our people frameworks, ensuring we provide a safe environment for our people focused on health and wellbeing and diversity and inclusion.
- Oversight of talent attraction, development and retention, including succession planning for the executive leadership team.
- Review of remuneration framework and reward governance practices in preparation for the implementation of APRA Prudential Standard CPS 511 in FY24.

Structure and composition of the Board

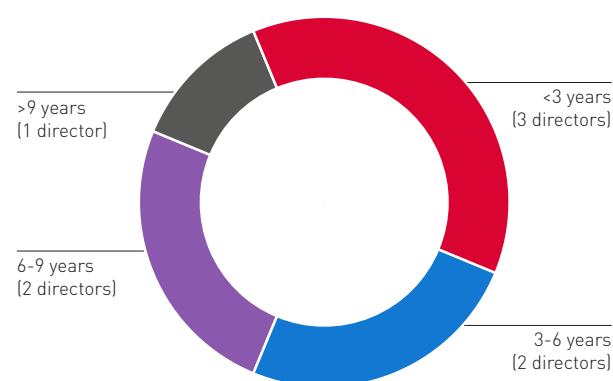
The Board comprises nine directors in total – eight non-executive directors, including a non-executive Chair, and the CEO.

The Chair of the Board is responsible for providing leadership to the Board and Medibank as a whole. The Chair's other key responsibilities are outlined in the Board Charter.

The current Chair is Mike Wilkins AO, an independent non-executive director who has served as Chair since October 2020 and on the Board since May 2017. The current CEO is David Koczkar, who commenced in the role in May 2021.

Biographies of the directors, including their skills, experience and year of appointment, are set out on pages 30 to 32 of the Annual Report 2022. Details of directors' attendance at Board and committee meetings during the year ended 30 June 2022 are on page 49. The length of service of the non-executive directors ranges from four months to nine years and eight months.

Non-executive director tenure profile



Independence

Directors are expected to bring an independent judgement to bear on all Board decisions. A director is considered independent if they are a non-executive director who is not a member of management and are free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement or could reasonably be perceived to do so.

Each director provides periodic updates of their interests, positions, associations and relationships, and all directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of Medibank.

Directors will be required to abstain from participating in discussions or voting on any matters in which they have, or may be perceived to have, a material personal interest.

The Board regularly assesses the independence of each director in light of the interests disclosed. The Board has assessed the interests, positions, associations and relationships of each director. It has determined that all non-executive directors are independent in accordance with the principles outlined by the ASX Corporate Governance Council and APRA and as set out in Medibank's Board Charter.

To provide an opportunity for independent discussion, the non-executive directors meet without management present at the commencement of each Board meeting.

Appointment and re-election of directors

Medibank's Constitution provides that a director may be appointed by the Board, and if so, is subject to election by shareholders at the annual general meeting (AGM) following their appointment if they wish to remain a director (other than the CEO). Individuals may also be nominated by shareholders to stand for election as a director at the AGM. The Constitution requires an election of directors at each AGM, and a director must retire and may stand for re-election by the third AGM following the director's election. David Fagan and Linda Bardo Nicholls will retire and offer themselves for re-election at the upcoming AGM on 16 November 2022, while Kathryn Fagg and Peter Everingham will stand for election at the upcoming AGM, having been appointed on 31 March 2022. Further information about these directors is set out on pages 30 to 32 of the Annual Report 2022, and in the notice of annual general meeting.

Before appointing a person as a director, the Board undertakes checks as to that person's character, experience and background, including criminal and bankruptcy checks. Medibank has a Fit and Proper Policy that complies with APRA's Fit and Proper Prudential Standard. This standard requires that a person in a position of responsibility, including a director, be assessed prior to appointment (or in some cases, as soon as possible after appointment) and on an ongoing basis as to whether the person meets the fit and proper requirements. The person must have the appropriate skills, experience and knowledge to perform the role and act with the requisite character, diligence, honesty, integrity and judgement.

Upon appointment, each non-executive director enters into a service agreement setting out the terms of their appointment. This includes the requirement to build a shareholding in Medibank in order to align the interests of directors with those of shareholders. The Minimum Shareholding Policy requires non-executive directors to acquire shares equal to the value of one year's base fee after tax over a period of five years.

As part of the appointment process, Medibank enters into a deed of indemnity, insurance and access with each director.

Each director is indemnified against liability in connection with their role as a director and Medibank is required to maintain a directors' and officers' insurance policy. The deed confirms and extends the director's general law rights of access to Board papers and other records of Medibank.

Director induction, continuing education and access to information

The Board is committed to enhancing the capabilities of each director and the performance of the Board generally. Upon joining the Board, all new non-executive directors undertake a tailored induction program. This includes meetings with the Chair, CEO, ELT and senior leaders on Medibank's business, strategy and operation.

The Board is provided with ongoing professional development opportunities during the year to maintain the skills and knowledge needed to effectively perform their role. This involves formal briefing sessions on a range of subjects by key stakeholders, including regulators and industry experts, to provide deeper insights on industry context and trends. This also includes visits to Medibank's retail stores, customer engagement, conference attendance, and participation in the management-led Executive Risk Committee and Divisional Risk Committees. The professional development program is periodically reviewed by the Nomination Committee to ensure it meets the needs of the directors.

The directors have complete and open access to the CEO, ELT and senior management following consultation with the CEO. A director may, following consultation with and consent from the Chair, seek independent professional advice at Medibank's expense in respect of any matter connected with the discharge of the director's responsibilities. Directors also have direct access to the advice and services of the Company Secretary, who is directly accountable to the Board through the Chair, and advises the Board and the Chair on all governance matters.

Board skills, experience and diversity

The Nomination Committee regularly reviews the balance of skills, experience, independence, knowledge and diversity of the Board, and is committed to ensuring that the directors collectively have the appropriate skills mix. The evolution of the mix of skills and diversity of the Board is a long-term process and must reflect the current and emerging challenges for the organisation.

The Nomination Committee takes into account the organisation's strategic areas of focus, customer needs and external environment, including stakeholder sentiment, and assesses these various factors to ensure that an appropriate balance of skills and diversity is achieved on the Board.

The skills and expertise that the Board has identified as relevant to the performance of its role and the success of the organisation, along with the collective strength of the Board for each skill, are summarised in the Board skills matrix.

Corporate governance statement

The very nature of diversity means that not all members of the Board have all the skills listed below to the same degree. However, the Board believes the current mix of expertise and experience of members of the Board creates a diverse range of views and perspectives, and results in the Board providing effective governance, oversight and strategic leadership for Medibank.

During the reporting period, the Nomination Committee considered the mix of skills on the Board given the above considerations, and appointed Ms Kathryn Fagg and Mr Peter Everingham to the Board effective 31 March 2022. Ms Fagg and Mr Everingham have significant experience and a proven track record of delivery, and strengthen the Board's collective skills and expertise.

Board skills matrix

Skills and experience	Collective strength ¹
 Strategy Experience in developing and implementing organisational strategies, and appropriately challenging management on delivery of strategic objectives	 Moderate Strong Very Strong
 Financial acumen and capital management Strong financial acumen and proficiency in corporate finance and internal financial controls and/or experience in overseeing corporate funding, capital management and investments	 Moderate Strong Very Strong
 Corporate transactions and major projects Experience in overseeing complex business transactions and major projects, including mergers and acquisitions (and integration of those acquisitions)	 Moderate Strong Very Strong
 Risk and compliance management Experience in establishing risk and compliance management frameworks, setting the risk appetite, and overseeing organisational risk culture	 Moderate Strong Very Strong
 Governance Experience in establishing and overseeing operations in a complex regulated environment, and demonstrated commitment to the highest governance standards	 Moderate Strong Very Strong
 Insurance and healthcare industry experience Experience in the insurance and/or healthcare industry	 Moderate Strong Very Strong
 Customer Experience in developing product and/or customer management strategies, marketing and/or digitised customer initiatives	 Moderate Strong Very Strong

Skills and experience

Collective strength¹



People and culture

Understanding the link between strategy, culture, performance, long-term shareholder value creation and remuneration outcomes



Government relations and public policy

Interacting with government and/or regulators and/or involvement in public policy decisions



Technology

Understanding technology and innovation (including associated risks), and experience with businesses that have developed and implemented technology based initiatives to enhance productivity and/or customer experiences



1. This represents the collective strength of the Board including David Koczkar, CEO.

Board performance evaluation

The Nomination Committee is responsible for reporting on the evaluation of the performance of the Chair, Board, committees and individual directors to the Board. The evaluation is conducted annually either through an internal review process or an external process.

In 2022, the Chair of the Nomination Committee led an internal Board evaluation by way of a detailed directors' survey seeking feedback in the areas of the role of the Board, people on the Board, procedures and practices, and behaviours. The internal Board evaluation in 2022 followed the external Board evaluation that was undertaken in 2021.

Following the survey, the Board discussed and evaluated the outcomes and committed to relevant action items. The performance evaluation of the Board included assessment of the handling by committees of the issues and challenges which arose during the year.

The Chair continues to be responsible for the assessment of each individual non-executive director's performance and contribution. The Chair met with each of the non-executive directors in 2022 to review their performance and professional development needs.

Committees of the Board

The Board has established five standing committees to assist in the execution of its responsibilities – the Audit Committee, Risk Management Committee, Investment and Capital Committee, People and Remuneration Committee and Nomination Committee. Each committee is governed by a charter setting out the committee's role, responsibilities, membership and processes. The membership, roles and responsibilities of each committee are summarised in the table below. The charters can be accessed on our website.

The relevant qualifications and experience of the members of each committee can be found in the director biographies on pages 30 to 32 of the Annual Report 2022. The number of meetings of each committee, and the individual attendance of their members, are provided on page 49.

Corporate governance statement

Committee membership as at 18 August 2022

	Composition	Key roles and responsibilities
Audit Committee¹ - Gerard Dalbosco (Chair) - Peter Everingham - David Fagan - Kathryn Fagg	- At least three members, all of whom are non-executive directors, a majority of whom are independent directors and at least one of whom is a member of the Risk Management Committee. - Structured so that members are all financially literate, and between them have accounting and financial expertise and experience and an understanding of Medibank's industries. - The chair must be an independent non-executive director and must not be the chair of the Board (but the chair of the Board may sit on the committee).	- Overseeing and reviewing the integrity of external financial reporting and financial statements. - Endorsing and recommending the appointment and removal of, and reviewing the terms of engagement, performance and independence of external auditors. - Reviewing management processes for compliance with relevant laws, regulations and other accounting and external reporting requirements. - Overseeing and reviewing internal and external audit processes and internal control framework.
Risk Management Committee² - David Fagan (Chair) - Tracey Batten - Anna Bligh - Gerard Dalbosco - Linda Bardo Nicholls	- At least three members, all of whom are non-executive directors, a majority of whom are independent directors and at least one of whom is a member of the Audit Committee. - Structured to have the necessary knowledge and a sufficient understanding of Medibank's industries. - The chair must be an independent non-executive director and must not be the chair of the Board (but the chair of the Board may sit on the committee).	- Approving and recommending to the Board the adoption of policies and procedures on risk oversight and management to ensure effective risk management systems are in place. - Ensuring that Medibank has in place a robust risk management framework and procedure to support the effective identification and management of risks. - Evaluating the adequacy and effectiveness of the management and reporting and control systems associated with material risks. - Establishment and monitoring of Medibank's overall risk appetite. - Monitoring and review of Medibank's risk culture. - Oversight of, and monitoring progress against, Medibank's sustainability strategy. - Oversight and prior endorsement of the appointment and replacement of the Chief Risk Officer.
Investment and Capital Committee³ - Linda Bardo Nicholls (Chair) - Anna Bligh - Mike Wilkins	- At least three members, all of whom are non-executive directors. - The chair must be an independent non-executive director, appointed by the Board.	- Assisting and advising the Board on capital and investment related matters. - Overseeing the investment strategy and Capital Management Policy. - Monitoring the effectiveness of the investment process. - Authorising delegated investment decisions.

1. Gerard Dalbosco was appointed Chair of the Audit Committee effective 18 November 2021, following Christine O'Reilly's retirement from the Board. Peter Everingham and Kathryn Fagg were appointed members of the Audit Committee effective 31 March 2022. Mike Wilkins was a member of the Audit Committee during the period from 18 November 2021 until his retirement from the Committee effective 31 March 2022.

2. Anna Bligh was appointed to the Risk Management Committee effective 31 March 2022. Linda Bardo Nicholls was appointed to the Committee effective 1 June 2022. Christine O'Reilly was a member of the Committee until her retirement from the Board effective 18 November 2021.

3. Linda Bardo Nicholls was appointed to the Investment and Capital Committee as Chair effective 1 June 2022. David Fagan was a member of the Committee until his retirement from the Committee effective 1 June 2022. Peter Hodgett was Chair of the Committee until his retirement effective 18 November 2021.

Committee
membership as at
18 August 2022

	Composition	Key roles and responsibilities
People and Remuneration Committee⁴ - Tracey Batten (Chair) - Peter Everingham - Kathryn Fagg - Mike Wilkins	- At least three members, all of whom are non-executive directors, a majority of whom are independent directors and at least one of whom is a member of the Risk Management Committee. - The chair must be an independent non-executive director, appointed by the Board.	- Reviewing and overseeing people and organisational culture strategies, including employee engagement, values and behaviours. - Reviewing and making recommendations to the Board on the remuneration framework, policy and arrangements for the non-executive directors, CEO, ELT and certain nominated personnel. - Reviewing executive succession planning, talent management, industrial relations and diversity strategies. - Reviewing and overseeing key incentive schemes and equity incentive plans. - Recommending to the Board the measurable objectives for diversity. - Reviewing and monitoring Medibank's health, safety and wellbeing performance.
Nomination Committee⁵ - Mike Wilkins (Chair) - Tracey Batten - Gerard Dalbosco - David Fagan - Linda Bardo Nicholls	- At least three members, comprising the chair of the Board and the chair of each standing Board committee (unless the Board resolves otherwise). - All members of the committee must be independent directors. - The chair of the Board will be the chair of the committee.	- Director selection and appointment. - Director induction and professional development. - Board composition. - Board succession planning and renewal. - Performance evaluation of the Board, committees and individual directors.

4. Tracey Batten was appointed Chair of the People and Remuneration Committee effective 31 March 2022. Peter Everingham and Kathryn Fagg were appointed to the Committee effective 31 March 2022. Linda Bardo Nicholls was Chair of the Committee until 31 March 2022, and a member of the Committee until her retirement from the Committee effective 1 June 2022. Anna Bligh was a member of the Committee until her retirement from the Committee effective 31 March 2022.
5. Gerard Dalbosco was appointed to the Nomination Committee effective 18 November 2021. Tracey Batten was appointed to the Committee effective 31 March 2022. Linda Bardo Nicholls was a member of the Committee until her retirement from the Committee effective 31 March 2022, and rejoined the Committee effective 1 June 2022.

Executive Leadership Team

The CEO, supported by the ELT, is responsible for the day-to-day management and performance of Medibank. ELT members have a clear understanding of their roles and responsibilities through position descriptions and a structured performance management system. Profiles and accountabilities for ELT members are set out on pages 33 to 34. Each ELT member has entered into a service agreement with Medibank which sets out the terms of their employment. Remuneration policies and practices applying to the ELT are detailed in the remuneration report from page 51.

The remuneration report from page 51 contains the performance measures applied to Executive KMP members and the process for the annual evaluation of their performance. The same process is also undertaken

for the annual performance of each other ELT member. A performance evaluation was undertaken during 2022 in accordance with that process for each ELT member.

Values and ethical standards

Central to the Board's governance framework is a culture of integrity and ethical behaviour based on Medibank's key values: Customer Obsessed; Show Heart; Brilliance Together; and Break Boundaries. These values are intended to guide the way employees work together and engage with customers, business partners, governments and the wider community, and are supported by a range of policies and procedures. Our values are further articulated on our website and in the Sustainability Report 2022.

Corporate governance statement

Key policies

Details of key policies supporting our commitment to integrity and ethical behaviour are set out below. Copies of each policy can be found on our website.

	Purpose	Key provisions	Breaches and reporting
Code of Conduct	Medibank employees are required to conduct their activities ethically and with integrity. The Code of Conduct sets out the ethical standards that are expected of all directors, managers, employees and contractors in their dealings with customers, suppliers and each other.	Requires directors, managers, employees and contractors to behave with high standards of personal integrity, and in a manner that: • complies with applicable laws, standards and internal policies; • promotes health, safety and wellbeing; • fosters relationships of trust, accountability and transparency; • avoids conflicts of interest (including not offering or accepting inducements, secret commissions or bribes); and • respects privacy and protects confidential information.	Sets out different approaches to dealing with breaches of the Code, depending on the circumstances – including raising concerns with immediate or senior managers, the People, Culture & Sustainability team, the CEO, or via the Whistleblower Policy. Breaches of the Code of Conduct are reported to the People and Remuneration Committee.
Whistleblower Policy	Medibank is committed to a culture where our people are encouraged to speak up if something doesn't look right, and to support them when they do. The Whistleblower Policy establishes what is reportable conduct, how to contact Medibank Alert, and the protections available to whistleblowers.	Sets out the types of conduct that can be disclosed, who may make a disclosure under the policy and what to include in a report. Sets out support and protection available to whistleblowers, and the processes for managing whistleblower complaints (including key roles and responsibilities).	Provides details of the Medibank Alert whistleblower service, which is available through an external provider, enabling whistleblowers to report anonymously or limit who is informed of their identity. Material incidents reported under the the policy are reported to the Risk Management Committee.
Anti-Bribery and Corruption Policy	Medibank has zero tolerance for bribery and corruption. The Anti-Bribery and Corruption Policy describes conduct that is prohibited for directors, employees and contractors when conducting business on behalf of Medibank, and how breaches can be reported.	Requires that directors, employees and contractors: • not offer, pay or accept inducements, bribes, kickbacks, secret commissions or improper payments, or engage in corrupt business practices; • not accept gifts, hospitality or anything of value which may have obligations attached; • not offer or give anything of value, or solicit any inducement, that may conflict with their work or duties to Medibank; and • ensure approved grants and donations are appropriately recorded.	Requires requests for bribes or facilitation payments to be reported to the Chief Risk Officer. Requires other breaches or potential breaches to be reported to the Chief Risk Officer or the Whistleblower Hotline. Breaches of the policy are reported to the Risk Management Committee.
Share Trading Policy	The Share Trading Policy describes restrictions on buying and selling Medibank shares for the Board, the ELT, senior executives and other Medibank employees.	Prohibits directors, executives and employees from dealing in Medibank or other securities if they possess inside information. Prohibits trading by directors, executives and certain restricted employees in Medibank securities during blackout periods, which apply in the lead-up to the release of financial results and at other times as required.	Details the penalties at law for breaches of insider trading laws and the consequences as a director or employee for a breach of law and the policy.

Ethical conduct is also supported by a range of other corporate policies, including in the areas of health, safety and wellbeing and modern slavery. Copies of these policies are also available on our website.

The Health, Safety and Wellbeing Policy underpins our objective of preventing injury and illness and inspiring our people to eat, move and feel good in a way that works for them. Medibank has a health and safety management system in place to ensure it meets legislative requirements and proactively addresses its key risks in health and safety.

Diversity and inclusion

Medibank is committed to creating an inclusive culture that acknowledges and embraces difference in all its forms and ensures that every voice is heard. Medibank recognises that all employees are different, and these differences benefit our employees, shareholders, customers and the community.

The Board has adopted a Diversity and Inclusion Policy that supports and facilitates an inclusive environment.

The policy outlines the role of the People and Remuneration Committee in recommending to the Board measurable objectives for diversity and annually assessing progress against these. The policy is reviewed annually and is available on Medibank's website. A Diversity and Inclusion Strategy supports the policy and sets out the measurable objectives established by the Board.

The Board emphasises the importance of having a gender diverse leadership team, which is supported by Medibank's commitment to having and maintaining at least 40% women representation in the Group and senior executive population and on our Board. As at 30 June 2022, the actual representation across Group and senior executives was 44%.

In June 2022, Medibank completed the reporting of its gender equality indicators under the *Workplace Gender Equality Act 2012* (Cth). The reports can be accessed on the corporate website. As at 30 June 2022, the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation were as follows:

Position	Women	Men	Other	% Women
Board (including CEO)	4	5	0	44%
Group Executives (including CEO) ¹	2	6	0	25%
Senior executives ²	22	24	0	48%
Group and senior executive total	24	30	0	44%
Senior managers	100	115	1	46%
Other managers	353	292	1	55%
Non-managers	2,258	578	8	79%
Overall (including Board)	2,739	1,019	10	73%

1. Group Executive positions refer to the CEO and the Executive Leadership Team (ELT). All of the ELT report directly to the CEO.

2. Senior executive positions include all roles classified as senior executives as part of Medibank's broad based banding framework.

Corporate governance statement

In 2021 the Board set measurable objectives for achieving diversity at Medibank, including gender diversity, and committed to reporting progress achieved against these in the 2022 corporate governance statement. The table below shows our progress against these objectives:

Measurable objective	Progress towards achievement
Medibank will remain committed to ensuring a representation of at least 40% women across our senior leadership population, and at least 40% women on the Medibank Board.	As at June 2022, women represented 44% of Group and senior executive roles (down from 50% in FY21). Representation of women on the Medibank Board is still above target at 44% (including the CEO), aligned with FY21.
Medibank will aim to improve the gender balance across our manager and non-manager population by maintaining at least 40% women across our manager workforce and improving the representation of men in our non-manager workforce.	Women represented 53% of all manager roles (excluding Group and senior executives), up from 51% in FY21 and 79% of non-manager positions (compared to 77% in FY21). This is largely driven by our Health Services and Homecare divisions (now Amplar Health) where women made up 87% of the non-manager workforce, compared to other Medibank divisions which sit at 63%. This is in line with the broader Australian health workforce, which is comprised of approximately 80% women ¹ .
Medibank will continue to focus on the representation of Aboriginal and Torres Strait Islander employees with a target set of at least 42 employees (approx. 1.4% of our organisation) and their improved self-reported engagement through the delivery of a new Reconciliation Action Plan.	In FY22, the number of employees identifying as Aboriginal and Torres Strait Islander in our annual engagement survey decreased to 25 people, which equates to 0.9% of survey respondents² and 17 employees less than our target of 42 employees. This may be reflective of a reduction in overall participation in the survey. Engagement for this cohort was 8.1 which is above the Medibank average of 7.9 and above FY21's result of 6.9. Through the launch of our fifth Reconciliation Action Plan this year, we have set out our key focus areas from 2022 – 2024, including 16 new actions with deeper delivery accountability across the business. Cultural capability has been identified as a key priority and we are working on the development of a cultural responsiveness framework to provide practical and appropriate guidelines for the development and growth of cultural safety within Medibank, to be delivered by the end of this year.
Medibank will cultivate a disability confident culture leading to an increase in the representation and self-reported engagement of employees with a disability.	In FY22, the number of employees identifying as having a disability in our annual engagement survey rose to 163 people, which equates to 5.9% of survey respondents², an increase from 4% in FY21. Engagement for this cohort was 7.7, which is below the Medibank average of 7.9 and 0.1 lower than FY21's result of 7.8. We continued to focus on the inclusion of people with disabilities through the development of our second Accessibility and Inclusion Plan. It details our areas of focus for the next three years, including the creation of an inclusive, safe and disability confident workplace. As part of this focus, we launched our first disability awareness training module at the end of 2021. We are now working to include this training in our onboarding and annual compliance training programs.
Medibank will provide a market leading comprehensive and targeted support carers package to improve the engagement of employees with caring responsibility for elderly parents, or person with a disability or chronic condition.	A significant proportion of our people have caring responsibilities; either elderly parents, or a family member with a disability or chronic condition (19.3%, as measured by our employee survey). In FY21 we began developing a targeted carers support package, including a carers support network. This year, we launched a carers information hub and piloted a carers support program with a small group of employees, which we will review in FY23 to determine its potential to scale to all employees.

1. Workplace Gender Equality Agency (2020). Australia's gender equality scorecard.

2. Based on employee engagement survey response rate of 76% (2,758) from 3,628 employees invited to participate.

For 2023, the Board has set the following measurable objectives for achieving diversity at Medibank, including gender diversity, and is committed to reporting progress achieved against these in the 2023 corporate governance statement:

	Medibank will remain committed to ensuring a representation of at least 40% women across our executive leadership and senior leadership populations, and at least 40% of women on the Medibank Board.
	Medibank will aim to improve the gender balance across our manager and non-manager population by maintaining at least 40% women across our manager workforce and improving the representation of men in our non-manager workforce.
	Medibank will continue to focus on increasing the representation and engagement of Aboriginal and Torres Strait Islander employees with a target set of at least 43 employees (approx. 1.6% of survey respondents) as self-reported in our annual engagement survey.
	Medibank will continue to focus on increasing the representation and engagement of employees with disability with a target set of at least 178 employees (approx. 6.5% of survey respondents) as self-reported in our annual engagement survey.
	Medibank will provide a market leading comprehensive and targeted support carers package to improve the engagement of employees with caring responsibility for elderly parents, or person with a disability or chronic condition.

Market and shareholder communication

Market disclosure

We promote investor confidence and the rights of shareholders by ensuring the immediate disclosure of market sensitive information regarding Medibank. The measures to further these commitments are detailed in the Disclosure and Communication Policy approved by the Board, which is available on our website.

This policy is designed to facilitate compliance with Medibank's obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth) by assigning authorisation processes for market announcements and reserving certain matters for approval by the Board. The policy also requires the Board to receive copies of all material market announcements promptly after they have been made. Processes for engagement with analysts and investors are detailed in the policy as well as the assignment of spokespersons for market and media communications. Awareness and compliance is promoted by compulsory

periodic online employee training and additional information sessions for those likely to become aware of potentially market sensitive information.

The Board is supported by a management Disclosure Committee responsible for considering potentially market sensitive information and monitoring Medibank's disclosure processes and reporting framework. The Disclosure Committee Charter is available within the Disclosure and Communication Policy.

Medibank's full year financial reports are audited, and our half year financial reports reviewed, by our external auditor. For other periodic corporate reports, such as the annual report and sustainability report, relevant subject matter experts confirm the factual accuracy of relevant statements; final reports are also reviewed by senior executives who have the knowledge and skills to verify the accuracy of the information. Periodic corporate reports are reviewed and where appropriate, approved by the Board prior to publication.

Information about Medibank and its governance

Our website provides information about Medibank and its corporate governance, and an investor centre that provides information specifically for prospective and existing Medibank shareholders which links to Medibank's results, investor presentations, annual reports, share price, ASX announcements and AGM materials. We also maintain a shareholder calendar of upcoming events within the investor centre, along with information to assist investors in managing their shareholdings. Medibank's share register is managed by Computershare Investor Services Pty Limited (Computershare) which provides an accessible online platform for shareholders to access and manage their shareholdings.

Medibank encourages shareholders to receive communications securely by email for reasons of speed, security, environmental friendliness and cost reductions. Unless a shareholder elects to receive information by post, Medibank and through its share registry, Computershare, communicate with shareholders via email and other electronic channels, including providing notices of meetings and facilitating online voting on the AGM resolutions.

Investor engagement

We conduct briefings, meetings, telephone calls and webcasts for institutional and retail investors, analysts and proxy advisors to provide a greater understanding of the business and results. Investor briefings and ad hoc meetings with institutional and retail investors, analysts and proxy advisors provide a forum for two-way communications between Medibank and the investment community. During the year, we participated and presented at a number of conferences and investor events, including the Citi Australia and New Zealand Annual Investment Conference and the Credit Suisse Asia Pacific ESG Conference in October 2021, the Morgan Stanley Private Healthcare Forum in April 2022 and the Macquarie Australia Conference in May 2022.

Corporate governance statement

We generally communicate with the investment community through the CEO, the Group Executive – CFO & Group Strategy and the Senior Executive – Investor Relations. We also communicate through the Chair for governance and remuneration issues and the Company Secretary and Group Executive – People, Culture & Sustainability for environmental, social and governance issues. Feedback from engagement with the investor community is communicated to the Board at each Board meeting.

In all communications with investors, analysts and media, only publicly available information and information that is not market sensitive is discussed. In order to ensure that all shareholders have equal and timely access to material information concerning Medibank, advance notification of investor and analyst results briefings is announced via the ASX. The briefing materials are released first via the ASX and then on the investor centre section of our website, together with a recording of the half and full year results briefing. We also release the materials for new and substantive investor and analyst presentations to the ASX before the presentation starts.

Shareholder meetings

The Board encourages shareholders to attend the AGM and to take the opportunity to ask questions. In 2022 and subject to any COVID-19 related restrictions at that time, investors will be able to attend the meeting in person at an accessible venue in Melbourne, or virtually, with the ability to vote and ask questions at the venue or online; the meeting will also be webcast live and made available on our website. All substantive resolutions at the meeting are decided by a poll and not by a show of hands.

The external auditor attends the AGM and is available at the meeting to answer questions relevant to the auditor's report.

We provide shareholders with a clear and concise notice of meeting, setting out the business to be considered, including all material information relevant to the election or re-election of directors. These materials, together with the presentations at the AGM and the voting results, are released to the ASX and then made available on our website.

Integrity of financial reporting

The Board has a strong commitment to the integrity and quality of its financial reporting and its systems for risk management, compliance and internal control.

The role of the Audit Committee is to provide an objective, non-executive review of the effectiveness of Medibank's internal control, financial reporting and risk management framework, to assist the Board in carrying out its accounting, auditing, and financial reporting responsibilities. Details of the composition and key roles and responsibilities of the Audit Committee are set out on page 40. In addition to the members of the Audit Committee, any director may attend Audit Committee

meetings. Representatives of management and the Senior Executive – Internal Audit may attend Audit Committee meetings by standing invitation, and the Chief Actuary and external auditors are invited as required.

Financial reporting assurances

The preparation of the full year and half year financial statements is subject to a detailed process of review and approval by the Board supported by the Audit Committee.

As required under section 295A of the *Corporations Act 2001* (Cth), the Board receives a declaration from the CEO and the CFO that the financial records of the company have been properly maintained and that the financial statements and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and performance for the financial period. This includes a written declaration that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects.

This declaration was received by the Board prior to approving the financial statements for the half year ended 31 December 2021 and the full year ended 30 June 2022.

Internal audit

Medibank has an internal audit function that provides the Board and Audit Committee with an independent evaluation of the adequacy and the effectiveness of Medibank's financial and risk management framework. The Internal Audit Plan, which is approved by the Audit Committee, is developed using a risk-based approach and is driven by Medibank's strategy, risk profile and assurance priorities.

The Internal Audit Charter provides the internal audit team unrestricted access to review all activities of the business. The internal audit function is supplemented by the engagement of external subject matter experts when required.

The head of the internal audit function is the Senior Executive – Internal Audit. To ensure the independence of the internal audit function, the role reports directly to the Audit Committee Chair, with a direct communication line to the CEO and administrative reporting line to the CFO. The Senior Executive – Internal Audit (in addition to their standing invitation to attend Audit Committee meetings) reports to each Audit Committee meeting on progress against the Internal Audit Plan, audit findings and recommendations, business insights and the status of management actions.

Risk management

Medibank's risk management framework encompasses the systems, structures, policies, processes and people that manage risks across the business. It guides risk management activities across the business to effectively identify, assess, manage, monitor and report risks. The framework is

implemented through the three lines of defence model and its effectiveness is assessed by the internal audit function on an annual basis with a full comprehensive review on a three yearly basis in accordance with the Risk Management Committee Charter and APRA Prudential Standard CPS 220. The annual review of the framework was completed in 2022, with the three yearly comprehensive review having been undertaken in 2021. The Risk Management Committee reviews the documents comprising the risk management framework at least yearly and regularly monitors the framework's effectiveness.

A key component of the framework is the definition of Medibank's risk appetite by the Board which informs management's decision making process. The annual and three yearly reviews of the framework consider whether the framework is sound and Medibank is operating with due regard to the risk appetite set by the Board.

Medibank continues to operate and strengthen enterprise risk management practices in alignment with the requirements outlined in the APRA Prudential Standard CPS220 – Risk Management.

Material risks

Material business risks are those risks deemed to have a significant impact on Medibank's operations, financial prospects and business objectives. These are discussed in the operating and financial review on pages 28 to 29 of the Annual Report 2022. The material risks are strategic, credit, capital and liquidity, market and investment, insurance, clinical, operational and regulatory compliance.

Environmental, social and governance risks

Medibank's risk management framework also applies to the environment, social and governance (ESG) risks (including climate risk). Medibank's material ESG topics, as identified in our social and governance framework, have been mapped to our material risks in the operating and financial review on pages 28 to 29 of the Annual Report 2022.

Medibank commissioned an independent external review to assess our exposures to climate change risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The review did not identify material exposures at this time for Medibank; however, the outcomes of the review, and Medibank's response, have been reported on pages 53 to 59 of the Sustainability Report 2022. Further detail on Medibank's approach to sustainability and ESG issues can also be found in the Sustainability Report 2022.

Governance

The Board has overall responsibility for Medibank's risk management framework including setting the risk appetite for Medibank. The Board reviews the risk management framework at least annually and satisfies itself that management has developed and implemented a sound system of risk management and internal control to effectively manage risk across the business in line with regulatory and statutory requirements.

The Risk Management Committee assists the Board in overseeing the implementation of the risk management framework. Information about the committee's membership can be found on page 40; committee members are appointed based on their qualifications and experience to ensure that the committee can adequately discharge its duties.

Risk management plays an important role in remuneration outcomes. For an incentive award to be made to any employee, a risk, compliance and behaviour gateway must be achieved. Further, all employees have a risk KPI incorporated into their performance scorecard under the company-wide 'I Perform Better' performance framework. More information on the relationship between risk and remuneration can be found in the remuneration report on pages 51 to 72.

The Board is further assisted by the Investment and Capital Committee, which oversees the implementation and monitoring of the investment strategy and Capital Management Policy approved by the Board, including monitoring the effectiveness of the investment process in achieving optimum return relative to risk. The Executive Risk Committee and Divisional Risk Committees are management committees that assist the CEO with the oversight of risk management activities across the business to ensure material risks are managed in line with the approach defined in the risk management strategy and the risk appetite set by the Board.

Medibank has adopted a three lines of defence approach to define risk management roles, responsibilities and accountability:

First line: Management is accountable for identifying, assessing, monitoring and managing material risks in the business. They are responsible for decision making and the execution of business activities, whilst managing risk to ensure it is in line with the Board's risk appetite and strategy.

Second line: The enterprise risk and compliance functions provide objective advice and challenge to the first line on risk and control activities and provide assurance and guidance on the design and implementation of appropriate risk management activities.

Third line: The internal audit function provides independent assurance to the Audit Committee and the Board on the adequacy and effectiveness of the risk management framework, financial reporting processes and internal control and compliance systems operating in the first and second line.

This corporate governance statement is accurate and up to date as at 18 August 2022 and has been approved by the Board.

Directors' report

For the financial year ended 30 June 2022

The directors of Medibank Private Limited (Medibank) present their report on the consolidated entity consisting of Medibank and the entities it controlled (collectively referred to as the Group) for the year ended 30 June 2022.

References to 2021 and 2022 are to the financial years ended on 30 June 2021 and 30 June 2022 respectively unless otherwise stated.

Directors

The names of directors in office during the year and up to the date of this directors' report, unless stated otherwise, are as follows:

Current:

- Mike Wilkins AO – Chair
- David Koczkar – Chief Executive Officer
- Dr Tracey Batten
- Anna Bligh AC
- Gerard Dalbosco
- Peter Everingham (appointed effective 31 March 2022)
- David Fagan
- Kathryn Fagg AO (appointed effective 31 March 2022)
- Linda Bardo Nicholls AO

Former:

- Peter Hodgett (retired effective 18 November 2021)
- Christine O'Reilly (retired effective 18 November 2021)

Principal activities

The principal activities of the Group during the financial year were as a private health insurer, underwriting and distributing private health insurance policies under its two brands, Medibank and ahm. Medibank is also a provider of health services through the Medibank Health businesses, which capitalise on Medibank's experience and expertise, and support the Health Insurance business. There were no significant changes in the nature of those activities during the year.

Operating and financial review

Details of the operating and financial review of the Group including a review of operations during the year and results of those operations is included in the operating and financial review on pages 22 to 29.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Group during the year.

Events since end of financial year

No matter or circumstance has arisen since the end of the financial year that has significantly affected, or may significantly affect, Medibank's operations, or the results of those operations, or Medibank's state of affairs in future financial years. Details of subsequent events are set out in Note 20(d).

Future developments

Details of developments in Medibank's operations in future financial years and the expected results of those operations are included in the operating and financial review on pages 25 to 27.

Dividends

Dividends paid or determined by Medibank during and since the end of the year are set out in Note 6 to the financial statements and further set out below:

- A fully franked final ordinary dividend of 6.90 cents per share was determined in respect of the six-month period to 30 June 2021, payable on 30 September 2021 to shareholders registered on 9 September 2021.
- A fully franked interim ordinary dividend of 6.10 cents per share was determined in respect of the six-month period to 31 December 2021 and paid on 24 March 2022 to shareholders registered on 7 March 2022.
- A fully franked final ordinary dividend of 7.30 cents per share has been determined in respect of the six-month period to 30 June 2022, payable on 29 September 2022 to shareholders registered on 8 September 2022.

Directors' qualifications, experience and special responsibilities

Details of the qualifications, experience and special responsibilities of each director and company secretary in office as at the date of this report are set out on pages 30 to 32 and form part of the directors' report.

Directors' attendance at meetings

The table below shows the number of Board and committee meetings held and the number of meetings attended by directors during the year. All directors may attend committee meetings even if they are not a member of the relevant committee. The table below does not include the attendance of directors at committee meetings where they were not a committee member.

Director	Board (scheduled)		Board (unscheduled)		Audit Committee		Risk Management Committee		Investment and Capital Committee		People and Remuneration Committee		Nomination Committee	
	11		2		4		6		4		4		4	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Mike Wilkins ¹	11	11	2	2	2	2	-	-	4	4	4	4	4	4
Dr Tracey Batten ²	11	11	2	2	-	-	6	6	-	-	4	4	1	1
Anna Bligh ³	11	11	2	2	-	-	1	1	4	4	3	3	-	-
Gerard Dalbosco ⁴	11	11	2	2	4	4	6	6	-	-	-	-	3	3
Peter Everingham ⁵	3	3	2	2	1	1	-	-	-	-	1	1	-	-
David Fagan ⁶	11	11	2	2	3	3	6	6	4	4	-	-	4	4
Kathryn Fagg ⁷	3	3	2	2	1	1	-	-	-	-	1	1	-	-
Peter Hodgett ⁸	5	5	0	0	1	1	-	-	2	2	-	-	1	1
David Koczkar	11	11	2	2	-	-	-	-	-	-	-	-	-	-
Linda Bardo Nicholls ⁹	11	10	2	1	-	-	-	-	-	-	3	3	4	4
Christine O'Reilly ¹⁰	5	5	0	0	1	1	3	3	-	-	-	-	1	1

A Indicates the number of meetings held during the time the director held office or was a member of the committee during the year.

B Indicates the number of meetings attended during the time the director held office or was a member of the committee during the year.

1 Mike Wilkins was appointed a member of the Audit Committee effective 18 November 2021 and retired as a member of that committee effective 31 March 2022.

2 Tracey Batten was appointed a member of the Nomination Committee effective 31 March 2022.

3 Anna Bligh was appointed a member of the Risk Management Committee effective 31 March 2022 and retired as a member of the People and Remuneration Committee effective 31 March 2022.

4 Gerard Dalbosco was appointed a member of the Nomination Committee effective 18 November 2021.

5 Peter Everingham was appointed as a director and a member of the Audit Committee and People and Remuneration Committee effective 31 March 2022.

6 David Fagan was appointed a member of the Audit Committee effective 18 November 2021 and retired as a member of the Investment and Capital Committee effective 1 June 2022.

7 Kathryn Fagg was appointed as a director and a member of the Audit Committee and People and Remuneration Committee effective 31 March 2022.

8 Peter Hodgett retired as a director effective 18 November 2021.

9 Linda Bardo Nicholls was appointed a member of the Risk Management Committee and the Investment and Capital Committee effective 1 June 2022, retired as a member of the People and Remuneration Committee effective 1 June 2022 and retired as a member of the Nomination Committee effective 31 March 2022 and was re-appointed as a member of the Nomination Committee effective 1 June 2022.

10 Christine O'Reilly retired as a director effective 18 November 2021.

In addition, ad-hoc committees were convened for special purposes, including in relation to financial reporting and other matters.

Options and performance rights

During the financial year, 3,542,600 performance rights were issued to senior executives pursuant to Medibank's Performance Rights Plan. No performance rights have been issued since the end of the financial year up to the date of this directors' report.

During the financial year, 825,420 performance rights became eligible to vest and were exercised. Further information regarding performance rights is included in the remuneration report from page 51.

Directors' interests in securities

The relevant interests of directors in Medibank securities at the date of this directors' report were:

Director	Ordinary shares	Performance rights
Mike Wilkins	100,000	
David Koczkar	858,734	1,208,604
Dr Tracey Batten	50,000	
Anna Bligh	44,623	
Gerard Dalbosco	72,832	
Peter Everingham	40,000	
David Fagan	47,016	
Kathryn Fagg	32,750	
Peter Hodgett*	67,800	
Linda Bardo Nicholls	45,000	
Christine O'Reilly*	69,930	

* Peter Hodgett and Christine O'Reilly retired from the Board effective 18 November 2021, and their ordinary shareholding information is as at that date.

Directors' report

For the financial year ended 30 June 2022

Environmental regulation

The Group's operations are not subject to any particular or significant environmental regulation under either Commonwealth or State law.

Indemnification and insurance of directors and officers

The Medibank Constitution permits Medibank to indemnify, to the maximum extent permitted by law, every person who is or has been a director, secretary, officer or senior manager of the Group. The indemnity applies to liabilities incurred by a person in the relevant capacity (except liability for legal costs). The indemnity may however also apply to certain legal costs incurred in obtaining advice or defending legal proceedings. Further, the Medibank Constitution permits Medibank to maintain and pay insurance premiums for a director and officer liability insurance covering every person who is or has been a director, secretary, officer or senior manager of the Group, to the extent permitted by law.

Consistent with the provisions in Medibank's Constitution, Medibank has entered into deeds of indemnity, insurance and access with current and former directors and secretaries of the Group. Under these deeds, Medibank:

- Indemnifies current and former directors and secretaries against liabilities incurred as a director or secretary, as the case may be, to the maximum extent permitted by law.
- Maintains a directors' and officers' insurance policy covering current and former directors and secretaries against liabilities incurred in their capacity as directors or secretaries, as the case may be. Disclosure of the insurance premium and the nature of the liabilities covered by the insurance are prohibited by the contract of insurance.
- Grants current and former directors and secretaries access to Medibank's records for the purpose of defending any relevant action.

Auditor's independence declaration

A copy of the auditor's independence declaration given by PricewaterhouseCoopers (PwC) in relation to its compliance with independence requirements of section 307C of the *Corporations Act* is set out on page 121.

Non-audit services

During the year, PwC, the Group's external auditor, performed certain other services to the Group in addition to its statutory responsibilities as auditor. Details of the amounts paid or payable to PwC for non-audit services provided by it during the year are set out in Note 19 Auditor's remuneration.

Based on advice provided by the Audit Committee, the directors are satisfied that the provision of non-audit services during the year by PwC is compatible with the general standard of independence for auditors imposed by the *Corporations Act*, and that the provision of the non-audit services did not compromise the auditor independence requirements of the *Corporations Act*, for the following reasons:

- All non-audit services provided were approved in accordance with the process set out in Medibank's policies, including being reviewed by the Audit Committee to ensure that provision of the services did not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

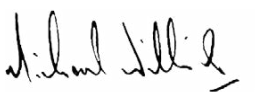
Remuneration report

The remuneration report on pages 51 to 72 forms part of the directors' report.

Rounding of amounts

The amounts contained in this directors' report and in the financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) unless specifically stated otherwise under the relief available pursuant to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Medibank is an entity to which that relief applies.

This report is made in accordance with a resolution of the directors.



Mike Wilkins AO
Chairman



David Koczkar
Chief Executive Officer

18 August 2022
Melbourne

Remuneration report

For the financial year ended 30 June 2022

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Remuneration report

For the financial year ended 30 June 2022

On behalf of the Board, I am pleased to present Medibank's remuneration report for 2022 which describes how non-executive directors and Executive Key Management Personnel (Executive KMP) are paid. Included in this report are the fixed and variable remuneration outcomes for Executive KMP, which were determined after considering the Company's results and their individual performance.

Our remuneration strategy has been developed to ensure remuneration is fair and competitive. During 2022 the Board continued to focus on a framework that rewards responsible behaviours, aligns remuneration with performance outcomes and regulatory requirements, and has regard for the expectations of our customers, shareholders and the community.

As a health company working to create Better Health for Better Lives by providing the best health and wellbeing experience for people across Australia, the Board is proud of how Medibank has continued to support our customers, employees and the broader community.

Despite the challenging environment over the last year, Medibank has delivered a strong result. As part of the standing commitment to not profit from COVID-19, the company continued to support customers and returned \$369.4 million of permanent net claims savings during the year. Our business performance was driven by continued policyholder growth, ongoing cost control, momentum in our Medibank Health businesses and an uplift in contributions from our healthcare investments, all of which helped deliver strong growth in Group operating profit.

Changes to key management personnel

As stated last year, following the changes to Medibank's Executive Leadership Team (ELT) composition and changes in ELT operation effective 1 July 2021, the Board assessed which ELT members had the requisite authority and responsibility within the Medibank Group to meet the definition of key management personnel (KMP) as set out in AASB 124 – Related Party Disclosures for the purposes of our remuneration reporting obligations. As a result of these changes, from 1 July 2021, Medibank's Executive KMP are the CEO, Group Executive – CFO & Group Strategy, Group Executive – CEO Amplar Health and Group Executive – Customer Portfolios.

Changes to the Board

During September 2021 Medibank announced that non-executive directors Christine O'Reilly and Peter Hodgett would not stand for re-election and would retire from the Board at the conclusion of the Annual General Meeting on the 18 November 2021. Both directors joined prior to Medibank's public listing in 2014 and played a critical role in Medibank's transformation over the past eight years into a health company.

Following the retirements of Peter and Christine, Medibank announced in February 2022 the appointment of Kathryn Fagg AO and Peter Everingham as non-executive directors effective 31 March 2022. Kathryn is a highly respected director and chair with significant, wide-ranging senior commercial and operational experience. Peter brings deep corporate and strategy experience, particularly as an executive in the digital and consumer sectors. As Medibank continues to grow and increase its focus on delivering for our customers, the Board is pleased to be able to appoint two new directors with such extensive experience and proven track records.

Remuneration decisions at a glance

- All Executive KMP met their individual risk, compliance and behaviour gateways for 2022.
- Discretion was exercised to reduce short-term incentive (STI) outcomes to Executive KMP members from an average of 84% to 72% of their maximum opportunity considering the challenging social and economic environment and the expectations of our shareholders, customers and the broader community.
- The final vesting outcome for the FY20 long-term incentive (LTI) is pending the release of market share data by APRA, however there will be partial vesting in accordance with the plan rules against the total shareholder return (TSR) performance hurdle.
- Fixed remuneration for Executive KMP increased by an average of 3.7% for 2023.
- Non-executive director aggregate fees have been increased by 3% for 2023 and remain below the approved total fee pool of \$2,300,000.

The new APRA regulatory standard on remuneration (CPS511) comes into effect on 1 July 2023 for private health insurers. Medibank has begun a conversation with APRA and determined that changes will be required to increase incentive deferral, enhance the use of non-financial performance measures and strengthen our clawback and malus policy to satisfy the new requirements. The Board will consider enhancements to the remuneration framework during 2023 to ensure that it remains competitive whilst meeting regulatory obligations.

Short-term incentives

Medibank delivered another strong result driven by continued policyholder growth, double-digit growth in Medibank Health and remaining disciplined in how we grow and run our business. Consistent with prior years, the Board adjusted outcomes to normalise for COVID-19 related impacts (both negative and positive) to ensure that executives are rewarded fairly for their efforts. Following this assessment, Group operating profit exceeded target, whilst Health Insurance revenue growth and Customer Net Promoter Score (cNPS) exceeded stretch expectations.

With consideration of the challenging social and economic environment and the expectations of our shareholders, customers and the broader community, the Board exercised its discretion to reduce Executive KMP incentive outcomes from 84% to 72% of their maximum opportunity.

Long-term incentives

Testing of the performance hurdles associated with Medibank's FY20 long-term incentive (LTI) plan is partially complete and will be finalised following the release of market share data.

Following the three-year performance period which concluded on 30 June 2022 both the earnings per share (EPS) and total shareholder return (TSR) hurdles were tested, with no vesting against the EPS measure and partial vesting against the TSR measure with a performance rank at the 53rd percentile against our comparator group. Performance against the market share hurdle will be tested following the release of June market share data by APRA in late August 2022. Final FY20 LTI vesting results will be mentioned at the 2022 Annual General Meeting (AGM) and included in the 2023 remuneration report.

Executive KMP remuneration and non-executive director fees

Following a review of fixed remuneration levels of Executive KMP members against the median of Medibank's market comparator group, the fixed remuneration of Executive KMP was increased by an average of 3.7%, effective 1 July 2022. This includes a remuneration increase for the Chief Executive Officer (CEO), David Koczkar of 3.3%.

Board and committee fees were also reviewed against the median of Medibank's market comparator group with a 3% increase in Board and Committee fees agreed. These changes are the first in three years, and the aggregate fee spend for non-executive directors remains below the total fee pool of \$2,300,000 approved by shareholders in the annual general meeting in 2018.

Shareholders are encouraged to vote to adopt the report at our annual general meeting in November.

Yours sincerely,



Dr Tracey Batten
Chair, People and Remuneration Committee

Remuneration report

For the financial year ended 30 June 2022

1. Key management personnel overview

Medibank's key management personnel (KMP) includes all non-executive directors and executives who have authority and responsibility for planning, directing and controlling the activities of Medibank. In 2022, KMP were as follows:

Key management personnel



David Koczkar
Chief Executive Officer
Full-year



Milosh Milisavljevic
Group Executive
– Customer Portfolios
Full-year



Mark Rogers
Group Executive – Chief Financial
Officer & Group Strategy
Full-year



Andrew Wilson
Group Executive –
CEO Amplar Health
Full-year

Non-executive directors



Mike Wilkins
Chair
Full-year



Peter Everingham
Non-executive director
From 31 March 2022



Tracey Batten
Non-executive director
Full-year



David Fagan
Non-executive director
Full-year



Anna Bligh
Non-executive director
Full-year



Kathryn Fagg
Non-executive director
From 31 March 2022



Gerard Dalbosco
Non-executive director
Full-year



Linda Bardo Nicholls
Non-executive director
Full-year

Former KMP



Peter Hodgett
Non-executive director
Retired 18 November 2021



Christine O'Reilly
Non-executive director
Retired 18 November 2021

2. Summary of remuneration outcomes

Key remuneration outcomes for Executive KMP and non-executive directors during the year are summarised below, with more detailed information contained throughout the report.

Executive key management personnel

Fixed remuneration	- Fixed remuneration for Executive KMP including the CEO increased by an average of 3.7% effective 1 July 2022. - Fixed remuneration of the Chief Executive Officer (CEO), David Koczkar was increased by 3.3% to \$1,550,000, effective 1 July 2022.
Short-term incentive (STI)	- STI awards for Executive KMP reflected Group operating profit exceeding target expectations and both Health Insurance revenue growth and Customer Net Promoter Score (cNPS) performance exceeding stretch expectations. - Discretion was exercised by the Board to reduce the 2022 STI outcomes for Executive KMP from an average of 84% of their maximum opportunity to 72%. 50% of STI awards for Executive KMP are deferred for 12 months in the form of performance rights. - STI target percentages for Executive KMP members, including the CEO, have been maintained at current levels.
Long-term incentive (LTI)	- Testing of the performance hurdles associated with Medibank's FY20 long-term incentive (LTI) Plan is partially complete and will be finalised following the release of market share data by APRA in late August 2022. - There was no vesting against the EPS CAGR measure and partial vesting against the relative TSR measure, with a performance rank at the 53rd percentile against our comparator group. - Performance against the market share hurdle will be tested following the release of June market share data by APRA in late August 2022. - LTI opportunity percentages for Executive KMP members, including the CEO, have been maintained at current levels.

Non-executive directors

Non-executive director fees	- The annual base fee for the Chair was increased by 3% to \$458,500, and the annual base fee for other non-executive directors was increased by 3% to \$170,000, both effective 1 July 2022. - Committee chair fees and committee membership fees were increased by 3% effective 1 July 2022 to \$41,200 and \$20,600 respectively. - The aggregate non-executive director fee spend remains below the approved total fee pool of \$2,300,000.
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Remuneration report

For the financial year ended 30 June 2022

3. Medibank's remuneration strategy

At Medibank, we believe that remuneration has a key influence on behaviour and is a valuable tool to reinforce our culture. Our people are guided by our strong set of values which are anchored to the core pillars of our culture – our purpose, our people and customers and our performance. We focus on our values every day to ensure we do the right thing by our customers, our people and the community.

Our remuneration strategy has been developed to focus our people on responsibly executing Medibank's strategy,

role-modelling behaviours that strengthen our values-based culture and achieving business objectives that increase value for our customers and shareholders. Supporting this strategy, our remuneration framework is designed to link reward to business outcomes, individual performance and behaviour, and to support Medibank's long-term financial soundness and risk management framework.

The diagram below illustrates the relationship between Medibank's remuneration strategy, reward framework and the timeline of when 2022 remuneration is delivered.

Medibank's remuneration strategy

Focus employees on responsibly executing Group strategy to increase customer and shareholder value with behaviours aligned to Medibank's values and purpose



Attract and retain key talent through competitive and fair fixed remuneration



Incentivise high performance through variable, at risk payments



Reward employees for the achievement of business outcomes aligned with Medibank's culture

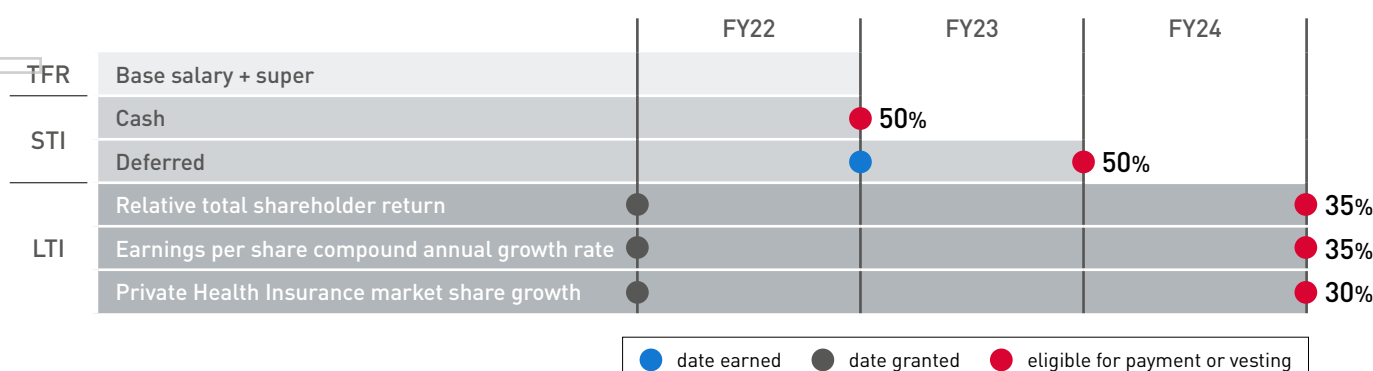


Align the interests of executives with increasing long-term customer and shareholder value

Medibank's total target reward framework

Total fixed remuneration (TFR)	- Determined with reference to capability, experience, the complexity of the role, as well as median pay levels of Medibank's comparator group - Paid on a fortnightly basis in base salary and superannuation		
	Gateways	Performance measures	Delivery
Short-term incentive (STI)	- Individuals must pass a risk, compliance and behaviour gateway to be eligible for an STI or LTI award - Financial Gateway (STI only) – Medibank must achieve a baseline Group operating profit target for an STI to be awarded	- Group operating profit - Health Insurance revenue growth - Customer Net Promoter Score (cNPS) - Role-specific metrics	50% cash 50% performance rights deferred for 12 months
Long-term incentive (LTI)		- Earnings per share compound annual growth rate - Relative total shareholder return - Growth of Medibank's private health insurance market share	Three-year deferred performance rights

2022 remuneration timeline



4. Remuneration governance

Medibank has a robust governance framework in place to ensure that our remuneration and performance practices are fair, reasonable and aligned with the requirements outlined in our risk management framework. Our governance framework also considers regulatory compliance, customer outcomes, community expectations and the delivery of sustainable shareholder value.

4.1 The role of the Board in remuneration

The People and Remuneration Committee (P&RC) is a committee of the Board. The diagram below outlines the role of the P&RC in assisting and advising the Board on people and culture policies and practices, including remuneration.

While there are four permanent members of the P&RC, a standing invitation exists to all non-executive directors to attend meetings. The Chief Executive Officer (CEO) and Group Executive – People, Culture & Sustainability are also invited to attend P&RC meetings, except where matters associated with their own performance or remuneration are considered. Specific governance activities with respect to the P&RC include regular reviews of the P&RC Charter to ensure consideration of changing regulations, guidelines and best practice and an annual audit of committee minutes against the P&RC Charter. For P&RC meeting attendance information, refer to the table on page 49 of the directors' report.

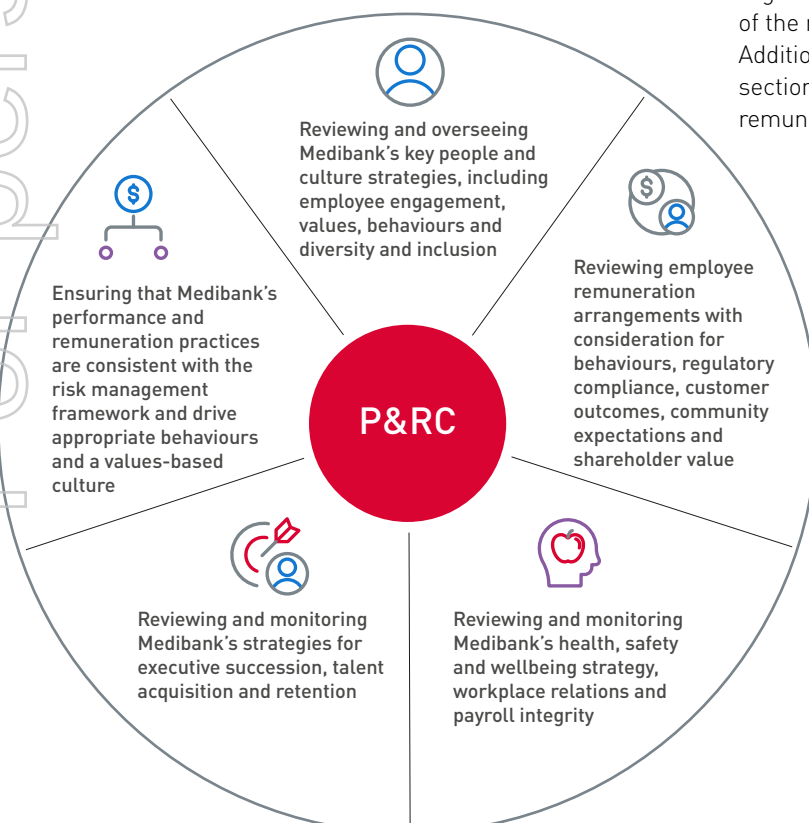
4.2 Executive remuneration policies

4.2.1 Performance evaluation of Executive KMP members

At the outset of each performance year, the Board determines the measures against which Executive KMP will be assessed. The measures are a combination of Medibank (Company) and role-specific (individual) performance measures that are aligned to the achievement of Medibank's customer and financial milestones set out in the Annual Report 2022. Aligned with Medibank's Group-wide performance framework 'I Perform Better', the role-specific measures for Executive KMP are known as 'Big Goals' (an acronym for Bold, Impactful Goals). Big Goals are designed to be ambitious, aspirational and shift expectations from delivering at a base level against core job requirements to driving strong, impactful performance. The Big Goals adopted by each Executive KMP then form the basis for the Big Goals adopted by their leadership team members and respective teams to ensure all employees across the Group are working towards a shared and consistent strategy.

At the completion of the performance year, Executive KMP are individually assessed against the risk, compliance and behaviour gateway which is outlined in section 6.3. KMP are then attributed an individual performance outcome against a 5-point rating scale (with a minimum rating of 3 required to receive a short-term incentive (STI) award) that assesses Executive KMP performance and behaviours against business outcomes and achievement of role-specific performance measures. The individual performance ratings of Executive KMP are then combined with performance against Company measures to determine STI outcomes.

With respect to fixed remuneration adjustments, consideration is given to role-specific performance, experience, the complexity of the role and Medibank's market comparator group. Additional detail on STI performance measures are included in sections 6 and 7 of this report and further information on fixed remuneration levels for Executive KMP is outlined in section 6.2.



Independent remuneration consultant

- Ernst & Young provides information to assist the P&RC in making remuneration decisions and recommendations to the Board
- The work undertaken by Ernst & Young in 2022 did not constitute a remuneration recommendation

Remuneration report

For the financial year ended 30 June 2022

The CEO provides his performance assessment of each Executive KMP, and other ELT members, to the Board for consideration. The Chair, in consultation with the Board, assesses the performance, behaviour and conduct of the CEO. The Board has ultimate discretion over final individual performance outcomes for all ELT members to ensure alignment with Medibank's performance, customer outcomes, community and shareholder expectations.

4.2.2 Clawback and malus of executive performance-based remuneration

Medibank has an Executive Remuneration Clawback Policy that provides discretion to the Board to reduce, cancel, or recover (clawback) any performance-based awards made to a senior executive employee in certain circumstances and subject to applicable laws, including the following:

- Serious misconduct, fraud or dishonesty by the employee.
- Any behaviour, act or omission by the employee that impacts on the Group's reputation or long-term financial soundness.
- A material misstatement of the Group's financial statements.
- The Board becomes aware of any other action or behaviour that it determines (acting in good faith) has resulted in the employee receiving an inappropriate benefit.

The Executive Remuneration Clawback Policy provides that if any of these events have occurred in the previous five financial years the Board may, in its absolute discretion, withhold an employee's performance-based payments, require the repayment of all, or part of, previous performance-based awards, lapse previously deferred and

unvested performance-based rewards, or otherwise alter an employee's remuneration subject to applicable laws. In addition to a stand-alone policy, Medibank's remuneration clawback provisions are outlined in executive employment contracts and employee equity offer documentation.

While clawback provisions allow an organisation to recover a performance-based award after it has been paid out (or share awards vested), malus provisions allow the organisation to reduce or cancel the award before it has been paid out.

4.2.3 Executive shareholding requirements

Executive KMP are subject to a Minimum Shareholding Policy that is designed to strengthen their alignment with customers and shareholders by requiring them to hold Medibank shares with a value equivalent to 100% of their annual fixed remuneration within five years of appointment to the Executive Leadership Team. The policy does not require a person to purchase shares, however they are restricted from selling their vested employee equity holdings (other than to satisfy income tax obligations) until they meet the minimum shareholding requirement.

All Medibank shares and unvested performance rights that are subject to a tenure-based hurdle held by, or on behalf of, the person (for example within a family trust or self-managed superannuation fund where they are the beneficial owner) will count towards satisfaction of the minimum shareholding requirement.

As at 30 June 2022, progress towards the minimum shareholding requirement for each Executive KMP is provided below:

Executive KMP	Minimum shareholding requirement \$ ¹	Value of eligible shareholdings as at 30 June 2022 \$ ²	Minimum shareholding requirement timeline
David Koczkar	1,500,000	2,790,886	Requirement satisfied
Milosh Milisavljevic	780,000	78,384	22 June 2026
Mark Rogers	1,000,000	1,275,154	Requirement satisfied
Andrew Wilson	1,000,000	3,234,137	Requirement satisfied

1. Minimum shareholding requirement based on each persons' total fixed remuneration (TFR) as at 30 June 2022.

2. Holding value is calculated with reference to the total number of eligible shares or performance rights held by each person, multiplied by the closing price of Medibank's shares on 30 June 2022 (\$3.25).

4.2.4 Share Trading Policy

We have a Share Trading Policy to ensure that all employees understand their obligations in relation to dealing in Medibank shares. The Share Trading Policy describes restrictions on buying and selling Medibank shares.

In addition, non-executive directors, all senior executives and employees with potential access to inside information are deemed to be 'Restricted Employees.' They are required to seek approval before dealing in Medibank shares and are

subject to share trading blackouts prior to financial result announcements and other times, as required. The policy also prohibits employees from entering into transactions relating to Medibank shares which limit their economic risks, including in relation to the long-term incentive (LTI) Plan and equity-based component of the STI Plan.

Our Share Trading Policy can be found within the corporate governance section on our website.

4.2.5 Termination provisions in Executive KMP contracts

All current Executive KMP are employed under ongoing contracts with notice periods set at 3 months (employee) and 6 months (employer), or in the case of the CEO, 6 months (both employee and employer). Termination provisions included in Executive KMP contracts are limited to 6 months payment of fixed remuneration, in lieu of notice.

If an Executive KMP is assessed by the Board as a 'good leaver' (meaning they cease employment by reason of death, serious disability, permanent incapacity, retirement, redundancy or with Board approval), the cash STI award in respect of the performance year in which they leave would be paid on a pro rata basis at the end of the STI performance period. The deferred component of the STI award will be paid in cash (rather than performance rights) on a pro rata basis with payment deferred until 12 months following the payment of the cash component. Any previously deferred STI remains restricted until the applicable vesting date, unless determined otherwise by the Board. Performance rights issued as LTI are retained on a pro rata basis by a 'good leaver'. Retained performance rights remain unvested and subject to the same vesting conditions that will be assessed at the end of the performance period. Further details of the termination provisions that relate to the STI and LTI plans are detailed in section 6 of this report.

5. Risk and remuneration

A key focus for Medibank's Board and the P&RC is ensuring our remuneration policies and practices are consistent with our risk management framework, aligned with prudent risk taking and support the effective management of financial and non-financial risks.

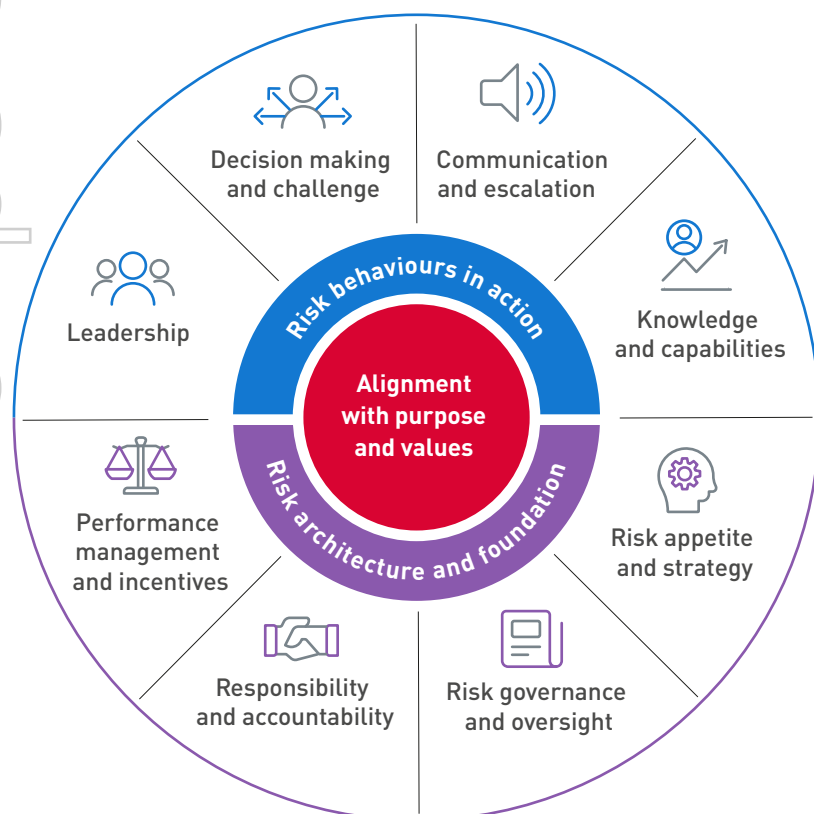
5.1 Risk culture

An engaged culture is contingent on alignment between purpose, values, behaviours and strategic direction. With a focus on ensuring we do the right thing for our people, customers and community, Medibank's purpose and values provide guidance for the behaviours we expect of our employees. We recently updated our risk culture framework, and our current suite of measurements (behavioural metrics and survey responses) fully align with the framework elements and risk behaviours to ensure they provide the right insights and conditions for positive action. The risk culture framework, outlined below, articulates the key elements that influence and shape our risk culture in terms of behaviours and practices.

Our risk culture framework builds on Medibank's Code of Conduct which sets out the way we work at Medibank and outlines practical principles and standards of behaviour and conduct which are expected of all Medibank employees. As an organisation, we are committed to not only complying with legal obligations, but also acting ethically and responsibly in relation to our people, customers and the community.

The behaviours that support our risk culture include:

Medibank risk culture framework



We actively challenge risk decisions to ensure benefit for our customers, our employees, our brand and our shareholders



We escalate risk issues without fear or favour



We all own risk issues



We expect that all our risk and reward discussions are viewed through our values and business goals



We learn from our experiences and mistakes to ensure we do better



5.2 Alignment of remuneration with prudent risk taking

We believe that the effective alignment of remuneration with the risk appetite set by the Board is critical to our remuneration strategy and framework. Under Medibank’s Group-wide performance framework ‘I Perform Better’, at the end of each financial year all employees are assessed against their personal scorecard, which is a combination of financial and non-financial measures, including performance against their risk, compliance and behaviour obligations. Through the performance assessment process, both positive and negative risk, compliance and behaviour outcomes are considered as part of a holistic performance assessment. Employees are then attributed an outcome against a five-point rating scale (with a minimum rating of three required to receive a short-term incentive (STI) award) that focuses on behaviours, business outcomes and achievement of role-specific performance measures. This then informs remuneration and performance-based incentive outcomes for the period.

The management of financial and non-financial risks by senior executives is reviewed by the Risk Management Committee (RMC). As part of this review the RMC considers the effective operation of divisional risk committees, incident identification, audit findings, remediation actions, health and safety, and feedback on risk culture from employees. In addition, the Chief Risk Officer, Group Executive – People, Culture & Sustainability and Group Executive – Legal, Governance & Compliance are specifically tasked with notifying the Board of any relevant risk and compliance outcomes and/or conduct which may impact performance and remuneration outcomes for Executive KMP (including the CEO) and other senior executives.

Further, as outlined throughout this report, Medibank’s executive reward framework includes long-term deferral across both our STI Plan and LTI Plan to ensure risk outcomes are considered over extended periods.

5.3 Consequence management

A well understood and consistently applied consequence management process is a key part of our risk culture and ensures risk, compliance and behaviour outcomes are aligned with remuneration outcomes. Consequences of employees breaching Medibank’s Code of Conduct are clearly articulated and may include an employee attending further training or counselling, a formal written warning being applied, or in certain circumstances, termination of employment.

The issue of a final written warning automatically results in the employee being given an ‘unsatisfactory’ performance rating for the relevant performance period, meaning the individual is ineligible for any performance-based reward outcome or fixed remuneration increase. Medibank’s individual incentive plan rules also clearly articulate that failure to meet the risk, compliance and behaviour gateway in any given performance period will consequently lead to ineligibility for an incentive award for the performance period and potential termination.

In 2022, 5 employees were issued with final written warnings following a breach of Medibank’s Code of Conduct, or another Medibank Group policy. In all cases, each employee received a performance rating of ‘unsatisfactory’ and was ineligible for any applicable performance-based incentive or fixed remuneration increase. A further 4 individuals in 2022 had their employment terminated following an incident of misconduct. Further details on consequence management can be found in our Sustainability Report 2022.

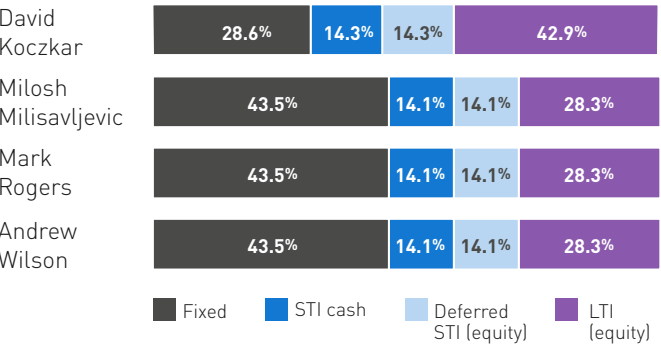
6. Executive KMP remuneration components

Target remuneration for Executive KMP is designed to reward sustained business performance with behaviours aligned with Medibank’s values and purpose that benefits both customers and shareholders. The Board aims to find a balance between:

- Fixed and at-risk remuneration.
- Short-term and long-term remuneration.
- Remuneration delivered in cash and deferred equity.

6.1 2022 target remuneration mix

The 2022 target remuneration mix for Medibank’s KMP is shown below.



6.2 Total fixed remuneration (TFR)

Total fixed remuneration (TFR) is the fixed portion of remuneration and includes base salary and employer superannuation contributions. Fixed remuneration is determined with reference to the executive's capabilities, experience, the complexity of the role, as well as median pay levels for similar roles at companies in the ASX 11-100 (excluding mining and energy companies). This ensures that fixed remuneration is set at competitive levels and enables Medibank to attract and retain high quality executives. Further details of Medibank's comparator group of companies is outlined in section 14 of this report. The table below outlines the current TFR settings for Executive KMP.

6.2.1 Total fixed remuneration

Executive KMP	30 June 2022 \$	1 July 2022 \$
David Koczkar	1,500,000	1,550,000
Milosh Milisavljevic	780,000	825,000
Mark Rogers	1,000,000	1,035,000
Andrew Wilson	1,000,000	1,020,000

6.3 Short-term incentive (STI)

STI is an at-risk element of remuneration, which is designed to reward executives for the creation of customer and shareholder value during the financial year. Executives must pass two separate gateways to participate in the plan. Once both gateways are achieved, executives have the opportunity to earn a percentage of their fixed remuneration as an incentive, based on company and individual performance.

6.3.1 STI gateways

For an STI award to be made to an executive, the following gateways must be achieved:

Risk, compliance and behaviour gateway

Individually assessed, the risk, compliance and behaviour gateway requires executives to:

- Adhere to Medibank's Code of Conduct which covers standards of behaviour and conduct which includes anti-harassment, anti-discrimination and anti-bribery and corruption obligations. Our Code of Conduct requires all employees to not only comply with our legal obligations, but also to act ethically and responsibly in relation to our customers, colleagues and the community.
- Complete all mandatory compliance training which includes privacy, cyber-security, health and safety, bullying and harassment, bribery and corruption and meeting our legal, ethical and governance requirements.

- Ensure that the risks in respect of their position are well managed. Multiple factors are considered when assessing risk management (including environment, social and corporate governance and climate risks where relevant), which differ based on an executive's role. Common elements include the effective operation of divisional risk committees, incident identification, audit findings, remediation actions, health and safety, and feedback on risk culture from employees.

Assessment of the risk, compliance and behaviour gateway is also subject to feedback provided by the Chief Risk Officer, Group Executive – People, Culture & Sustainability and Group Executive – Legal, Governance & Compliance as outlined in section 5.2.

Financial gateway

- Assessed at the Group level, Medibank must achieve a baseline Group operating profit target for an STI to be awarded.

6.3.2 STI performance measurement

The Board determines challenging levels of performance for each Medibank and role-specific STI performance measure. When setting performance expectations, the Board considers numerous factors, including Medibank's strategic objectives, prior year performance, the external environment, customer outcomes and shareholder expectations. The Board also ensures that performance levels are set for the current year in the context of achieving longer term customer and financial strategic goals. Further detail on each performance measure is outlined in section 7.1.

At the completion of the performance year, an assessment is first made on the achievement of the STI gateways. If achieved, executives are then assessed against the company and role-specific performance measures to determine STI award outcomes. There is a threshold level of performance for each Medibank and role-specific measure as set by the Board that needs to be achieved for an STI award to be paid (for that element of the award). For an executive to achieve a target STI award, performance against Medibank and role-specific measures must be at the target level of performance as set by the Board (for that element of the award) and delivered with behaviours aligned with Medibank's purpose and values.

For an executive to achieve a stretch STI award (therefore, award at maximum), performance against all Medibank and role-specific measures must be at or above stretch performance as set by the Board (for that element of the award) and delivered with behaviours aligned with Medibank's values and purpose. This would represent exceptional performance, well above that of Medibank's strategic plan.

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6.3.3 Key features of the STI plan

Over what period is performance assessed?	The STI performance period is the financial year 1 July to 30 June.
How are STI payments delivered?	50% of STI awarded to Executive KMP is paid as cash, with the remaining 50% deferred for 12 months (deferred STI). Deferred STI is provided in the form of 12-month deferred performance rights.
When are STI payments made?	The cash component of STI is paid following the release of audited financial results, with performance rights for the deferred STI component granted shortly thereafter.
What method is used to determine the number of performance rights granted to each participant as part of the deferred STI?	Performance rights under the STI plan are granted at face value. The deferred STI value for each Executive KMP is divided by the volume weighted average share price (VWAP) of Medibank shares to determine the number of units granted. For the 2022 deferred STI component the VWAP will be calculated on the 10 trading days up to and including 15 September 2022.
Are deferred STI performance rights entitled to receive a dividend payment?	Deferred STI performance rights do not attract dividends during the deferral period. To align participant outcomes with shareholders, on vesting of these performance rights additional Medibank shares are granted to ensure each participant receives a benefit equivalent to any dividends paid during the deferral period.
What gateways apply to the STI plan?	For an STI award to be made to Executive KMP, both the risk, compliance and behaviour gateway, and the financial gateway must be achieved. Further detail on these gateways is outlined in section 6.3.1.
What are the performance measures under the STI plan?	Performance measures under the STI plan are determined by the Board at the commencement of each performance period. For 2022, the performance measures were: • Group operating profit (excluding investment income). • Health Insurance premium revenue growth. • Customer Net Promoter Score (cNPS). • Role-specific metrics. Section 7.1 of this report provides a detailed description of Medibank's STI performance measures and a description of how the organisation has performed against each measure in 2022. Actual target values are not disclosed as this is considered commercially sensitive information.
Does Medibank have a clawback policy that applies to the STI plan?	Medibank has an Executive Remuneration Clawback Policy that provides discretion to the Board to reduce, cancel, or recover (clawback) any award made under the STI plan to Executive KMP in certain circumstances subject to applicable laws. Further detail on this policy is outlined in section 4.2.2.
What happens to STI entitlements if an executive leaves Medibank?	If an executive is a 'good leaver' (meaning they cease employment by reason of death, serious disability, permanent incapacity, retirement, redundancy, or with Board approval), pro rata payment of STI applies. Section 4.2.5 provides additional information on the treatment of STI for people deemed as 'good leavers' by the Board.
In what circumstances are STI entitlements forfeited?	In the event an ELT member is not considered a 'good leaver' (meaning they cease employment for any reason other than death, serious disability, permanent incapacity, retirement, redundancy or with Board approval), the ELT member will forfeit any payment under the STI plan, including any unvested deferred STI grants, unless otherwise determined by the Board.

6.3.4 Annual STI opportunity

The target and maximum annual STI opportunity as a percentage of total fixed remuneration for each Executive KMP is outlined in the table below.

Executive KMP	2022 & 2023	
	Target	Maximum
David Koczkar	100%	150%
Milosh Milisavljevic	65%	100%
Mark Rogers	65%	120%
Andrew Wilson	65%	120%

6.4 Long-term incentive (LTI)

LTI is an at-risk element of remuneration designed to reward executives for delivering sustainable business performance over the long term. Given the nature of the private health insurance industry and the fact that it is highly regulated, the Board considers it appropriate to measure long term performance over a three-year period. Each year executives are eligible to receive an LTI which is calculated as a percentage of their fixed remuneration. This incentive is subject to performance hurdles that will be tested at the end of the three-year performance period. Based on performance against these hurdles a percentage of the incentive will be retained by the executive with the remainder being forfeited.

6.4.1 Key features of the LTI plan

What is the aim of the LTI plan?	The Medibank LTI plan is designed to: • Align the interests of executives more closely with the interests of customers and shareholders, by providing an opportunity for those executives to receive an equity interest in Medibank through the granting of performance rights. • Assist in the motivation, retention and reward of executives over the three-year deferral period.
What is the performance period for 2022 LTI plan?	The performance period for the 2022 LTI plan is three financial years commencing 1 July 2021. A three-year performance period strikes a balance between providing a reasonable period to align reward with shareholder return and the LTI acting as a vehicle for executive motivation and retention.
What are performance rights?	Performance rights issued to executives under the LTI plan are conditional rights for the participant to subscribe for fully paid ordinary shares in Medibank. Each performance right entitles the executive to subscribe for one ordinary share if the performance hurdles are met at the conclusion of the performance period. No amount is payable by the participant upon exercise of the performance rights once they have vested.
What method is used to determine the number of performance rights granted to each participant?	Performance rights under the LTI plan are granted at face value. Each participant receives a percentage of their fixed remuneration in LTI (refer to section 6.4.2 for details). This amount is then divided by the face value of Medibank shares. For the 2022 LTI plan, the number of performance rights granted to each participant was determined using the volume weighted average price of Medibank shares on the ASX during the 10 trading days up to and including, 30 June 2021. This average price was \$3.13.
What gateways apply to the LTI plan?	Each participant must meet the risk, compliance and behaviour gateway prior to being granted LTI. Further detail on this gateway is outlined in section 6.3.1.

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What are the performance hurdles under the 2022 LTI plan?	Performance rights issued under the 2022 LTI plan are subject to three separate performance hurdles: • 35% of the performance rights are subject to a performance hurdle based on Medibank's earnings per share compound annual growth rate (EPS CAGR) over the performance period. The starting point for EPS will be calculated using Medibank's underlying profit as at 30 June 2021 and the performance period for the EPS performance hurdle will run for 3 years from 1 July 2021 through to 30 June 2024. Further detail on the profit measure used in the calculation of EPS is provided in section 6.4.3. • 35% of the performance rights are subject to a relative total shareholder return (TSR) performance hurdle, measured over the performance period. Medibank's relative TSR will be compared to a comparator group comprising companies with a market capitalisation positioned within the ASX 11-100 (excluding mining and energy companies). • 30% of the performance rights are subject to a performance hurdle based on the growth of Medibank's private health insurance market share (as reported by APRA) over the performance period. These performance hurdles were chosen by the Board as they are aligned with the interests of our customers and shareholders and represent well understood and transparent mechanisms to measure performance and provide a strong link between executive reward and shareholder wealth creation. The performance hurdles under the 2022 LTI plan have threshold levels which need to be achieved before vesting commences. Details of these thresholds are outlined in the vesting schedule in section 6.4.3.
When do the performance rights vest?	Performance hurdles are assessed as soon as practicable after the completion of the relevant performance period. The number of performance rights that vest (if any) will be relative to the achievement against the performance hurdles. See section 6.4.3 for the vesting schedule associated with each performance hurdle.
Are the performance hurdles re-tested?	No. Performance hurdles are only tested once at the end of the performance period. Any performance rights that remain unvested at the end of the performance period are immediately forfeited.
Are LTI performance rights entitled to receive a dividend payment?	LTI performance rights do not attract a dividend during the performance period, as they are still subject to performance hurdles that will determine the number of rights that convert to ordinary Medibank shares.
Does Medibank have a clawback policy that applies to the LTI plan?	Medibank has an Executive Remuneration Clawback Policy that provides discretion to the Board to reduce, cancel, or recover (clawback) any award made under the LTI Plan to an executive in certain circumstances subject to applicable laws. Further detail on this policy is outlined in section 4.2.2.
What happens to LTI entitlements if a participant leaves Medibank?	If a participant is a 'good leaver' (meaning they cease employment by reason of death, serious disability, permanent incapacity, retirement, redundancy, or with Board approval), a portion of the performance rights held (granted, but not vested) by that participant on cessation of employment will be forfeited on a pro rata basis according to a formula which takes into account the length of time the participant has held the performance rights relative to the performance period for the grant. The retained performance rights will remain unvested and will be tested at the end of the performance period against the existing performance hurdles.
In what circumstances are LTI entitlements forfeited?	LTI entitlements are forfeited if performance hurdles are not met. In the event a participant is not considered a 'good leaver' (meaning they cease employment for any reason other than death, serious disability, permanent incapacity, retirement, redundancy or with Board approval), the performance rights held (granted, but not vested) by that participant on cessation of employment will be automatically forfeited.

The annual LTI allocation value as a percentage of TFR for each Executive KMP is outlined in the table below.

6.4.2 Annual LTI allocation

Executive KMP	2022 & 2023
	LTI allocation value as % of TFR
David Koczkar	150%
Milosh Milisavljevic	65%
Mark Rogers	65%
Andrew Wilson	65%

6.4.3 LTI hurdles explained

Each year, the Board reviews the LTI targets and vesting conditions in the context of Medibank's operating environment. The Board is committed to setting targets which are appropriately challenging for management to meet while not being unattainable and which ultimately support the delivery of strong outcomes for our customers and shareholders. For the 2022 LTI offer, the Board also considered the uncertainty surrounding the economic and social impact of COVID-19 on Medibank's operating environment and the PHI landscape more broadly.

2022 EPS performance rights (35% of award)

In this context, the Board approved maintaining a threshold EPS CAGR target of 3% for the 2022 LTI grant and maintaining the vesting schedule that applied to the 2021 LTI offer. Details of the vesting schedule are outlined in the table below:

Medibank's EPS CAGR over the performance period	Percentage of EPS performance rights that vest
Less than 3% EPS CAGR	Nil
Between 3% and 7% EPS CAGR	Straight-line pro rata vesting between 50% and 100%
7% EPS CAGR or greater	100%

Medibank's performance against the EPS hurdle is calculated based on the compound annual growth rate (CAGR) of Medibank's EPS over the performance period. EPS is based on underlying profit, which adjusts statutory net profit after tax (NPAT) where appropriate, for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to the level of gains or losses from investments, due to the limited control that management has over these outcomes.

2022 TSR performance rights (35% of award)

Medibank's TSR will be compared against companies within the ASX 11-100 (excluding mining and energy companies), which is the same comparator group used for executive and non-executive remuneration benchmarking. For any of the 2022 TSR performance rights to vest, Medibank must achieve the threshold TSR ranking over the performance period. The percentage of the 2022 TSR performance rights that vest, if any, will be based on Medibank's TSR ranking

at the end of the performance period, as set out in the following vesting schedule:

Medibank's TSR rank in the 2022 comparator group	Percentage of TSR performance rights that vest
Less than 50th percentile	Nil
Between the 50th and 75th percentile	Straight-line pro rata vesting between 50% and 100%
At or above 75th percentile	100%

The TSR of Medibank and other companies within the comparator group, expressed as a compound annual rate of return, will be comprised of:

- The change in share price of each company over the performance period. The change in share price is calculated using the volume weighted average price (VWAP) of each entity over the 20 trading days leading up to and including the performance period start and end dates. The VWAP at the end of the performance period will be adjusted for any stock splits that occur during the performance period.
- The value of all dividends and other shareholder benefits paid by each company during the performance period assuming that:
 - The dividends and shareholder benefits are reinvested in the relevant company at the closing price of the securities on the date the dividend or shareholder benefit was paid.
 - Franking credits are disregarded.

The entities comprising the 2022 comparator group are determined at the commencement of the performance period. If the ordinary shares or stock of a member of the 2022 comparator group is not quoted on the ASX at the end of the performance period (for example if the member has been delisted for any reason), then it will be excluded from calculations of the TSR calculation, unless the Board, acting in good faith and in its absolute discretion, determine otherwise. In exercising its discretion, the Board may have regard to such matters it deems relevant including (but not limited to) the length of time that the member was quoted on the ASX during the performance period.

2022 market share performance rights (30% of award)

The Board approved maintaining a threshold private health insurance (PHI) market share growth target of 25 basis points. Details of the vesting schedule are set out below:

Medibank's PHI market share growth	Percentage of market share performance rights that vest
Less than 25 basis points	Nil
Between 25 basis points 75 basis points	Straight-line pro rata vesting between 50% and 100%
At or above 75 basis points	100%

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7. Linking remuneration and performance in 2022

7.1 2022 short-term incentive (STI) performance scorecard

The following table details the 2022 STI performance scorecard measures, weightings and assessment.

Measure	Description	Weighting			2022 Outcomes
		CEO	GE-CEO Amplar Health	Other Executive KMP	
Risk, compliance and behaviour gateway	Individually assessed, Executive KMP must adhere to Medibank's Code of Conduct, ensure that the risks in respect of their position are well managed and complete all mandatory compliance training.				
	Medibank's Code of Conduct requires all employees to not only comply with our legal obligations, but also to act ethically and responsibly in relation to our customers, colleagues and the community. The management of risks (including environment, social and corporate governance and climate risks where relevant) is reviewed by the Risk Management Committee and considers the effective operation of divisional risk committees, incident identification, audit findings, remediation actions, health and safety, feedback on risk culture from employees, and feedback provided by the Chief Risk Officer, Group Executive – People, Culture & Sustainability and Group Executive – Legal, Governance & Compliance as outlined in section 5.2.	Gateway	Gateway	Gateway	All achieved
Financial gateway	Medibank must achieve a baseline of financial performance, as determined by the Board for the performance period. In 2022, this baseline financial performance was a Group operating profit target.	Gateway	Gateway	Gateway	Met
Group operating profit	Group operating profit represents the core financial measure for the annual STI Plan and reflects the Board's belief that it is the best measure of underlying business performance and value created for customers and shareholders over the performance period.	45%	22.5%	35%	Above target
Health Insurance premium revenue growth	Measured alongside the core metric of Group operating profit, the focus of this measure is sustainable and profitable revenue growth to ensure optimal value creation for customers and shareholders.	20%	15%	25%	Above stretch
Customer Net Promoter Score (cNPS)	cNPS is a key customer advocacy metric that measures the likelihood of people recommending Medibank or ahm to their families and friends.	20%	12.5%	20%	Above stretch
Role-specific big goals	Aligned to one or more of the following milestones: 1. Deliver leading experiences – Continue to achieve a high level of advocacy by delivering exceptional experiences for our customers and employees. 2. Differentiate our insurance business – we aim to increase market share, achieve net policyholder growth of 3.1% to 3.3% (including continued growth in the Medibank brand) and to deliver FY22 productivity target of \$15 million (plus an additional \$25 million during FY23-FY24) 3. Expand in health – replace the reported FY18 \$30 million operating profit of Garrison and achieve 480,000 customers engaged with Live Better	15%	50%	20%	Ranging between 'on-target' to 'ahead of target'

7.2 Medibank's 2022 financial performance

Medibank's 2022 annual financial performance is provided in the table below in addition to the average 2022 STI award achieved by Executive KMP, as a percentage of maximum opportunity. This table illustrates the relationship between the key indicators of shareholder wealth creation and STI outcomes for Executive KMP.

Measure	2022	2021	2020	2019	2018
Health Insurance premium revenue growth	2.7%	2.1%	1.3%	2.4%	1.2%
Group operating profit ¹	\$594.1m	\$528.3m	\$461.0m	\$558.7m	\$548.8m
Group net profit after tax (NPAT)	\$393.9m	\$441.3m	\$315.0m	\$458.7m	\$445.1m
Dividend	13.4 cents p/s	12.7 cents p/s	12.0 cents p/s	13.1 cents p/s	12.7 cents p/s
Share price as at 1 July	\$3.16	\$2.99	\$3.49	\$2.92	\$2.80
Share price as at 30 June	\$3.25	\$3.16	\$2.99	\$3.49	\$2.92
Average Executive KMP STI as a percentage of maximum opportunity	72%	70%	0%	56%	58%

1. 2019 Group operating profit of \$558.7 million includes \$30.2 million of operating profit attributable to discontinued operations.

7.3 2022 STI awards

The table below provides a summary of STI awards for the 2022 performance year.

	Total STI achieved \$	STI cash (50%) \$	STI deferred (50%) \$	Total STI achieved as % of target	Total STI achieved as % of max opportunity
Executive KMP					
David Koczkar	1,722,456	861,228	861,228	115%	77%
Milosh Milisavljevic	604,826	302,413	302,413	119%	78%
Mark Rogers	844,084	422,042	422,042	130%	70%
Andrew Wilson	769,912	384,956	384,956	118%	64%

7.4 2020 Long-term incentive plan outcomes

The performance period for the 2020 LTI plan concluded on 30 June 2022. The table below outlines the final outcome against the EPS CAGR and Relative TSR (expressed as a compound annual rate of return) performance hurdles and associated vesting percentage for each. Testing of the market share performance hurdle will be completed following the release of market share information by APRA.

Performance hurdle	Weighting	Outcome	Vesting percentage
EPS CAGR	35%	0.2%	0%
Relative TSR	35%	53rd percentile	56%
Market Share	30%	Pending ¹	Pending
Total 2020 LTI vesting percentage			Pending

1. To be confirmed following the release of APRA market share data in late August 2022

Medibank's 2020 LTI was tested following the completion of the performance period on 30 June 2022. EPS CAGR and Relative TSR hurdles were assessed in line with the terms of the plan and the Board did not exercise discretion in determining the outcome. The total number of rights vesting will be confirmed once testing against the market share hurdle is completed. The performance rights under the 2020 LTI Plan that do not vest as a result of the performance hurdle outcomes not being met will lapse immediately.

The 2021 and 2022 LTI plans remain in restriction and will be assessed against their performance hurdles at the completion of the 2023 and 2024 financial years respectively.

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8. 2022 actual remuneration (Non-IFRS disclosure)

The table below represents the 2022 'actual' remuneration for Executive KMP and includes all cash payments made in relation to 2022, in addition to deferred short-term incentive (STI) awards that vested in 2022.

Statutory remuneration disclosures prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards differ to the numbers presented below, as they include (among other benefits) expensing for equity grants that are yet to realise or may never be realised. The statutory remuneration table for Executive KMP is presented in section 9.

Executive KMP	Base salary and superannuation \$	Cash STI for performance to 30 June 2022 \$	Total cash payments in relation to 2022 \$	Deferred equity awards that vested in 2022 ¹ \$	Total 2022 actual remuneration \$	Equity awards that lapsed in 2022 ² \$
David Koczkar	1,500,000	861,228	2,361,228	229,609	2,590,837	487,913
Milosh Milisavljevic	778,825	302,413	1,081,238	34,065	1,115,303	72,379
Mark Rogers	1,000,000	422,042	1,422,042	172,352	1,594,394	366,241
Andrew Wilson	999,846	384,956	1,384,802	242,225	1,627,027	514,720

1. Deferred equity awards that vested in 2022 relate to the 2019 LTI performance rights that vested during the year.

2. Equity awards that lapsed in 2022 relate to the portion of the 2019 long-term incentive (LTI) performance rights that lapsed following the testing of the performance hurdles in July 2021.

9. Statutory remuneration tables

9.1 Statutory remuneration table

The following table has been prepared in accordance with Section 300A of the *Corporations Act 2001* and details the statutory accounting expense of all remuneration-related items for Executive KMP. In contrast to the table in section 8 that details 2022 actual remuneration, the table below includes accrual amounts for equity awards being expensed throughout 2022 that are yet to, and may never, be realised.

Executive KMP	Financial year	Short-term benefits			Post-employment benefits		Long-term benefits		Equity-based benefits		Other	Total remuneration \$
		Salary \$ ¹	Short-term incentive (STI) \$	Other \$	Non-monetary benefits \$ ²	Superannuation \$	Leave \$ ³	Deferred STI \$	Performance rights \$ ⁴	Termination benefits \$		
David Koczkar	2022	1,523,622	861,228	-	21,838	27,500	47,627	-	1,279,338	-	-	3,761,153
	2021	1,027,440	364,896	-	18,895	22,650	174,791	-	512,839	-	-	2,121,511
Milosh Milisavljevic ⁵	2022	754,326	302,413	-	14,833	27,500	40,033	-	299,655	-	-	1,438,760
	2021	21,818	4,772	-	212	740	8	-	1,762	-	-	29,312
Mark Rogers	2022	980,097	422,042	-	15,836	23,749	64,362	-	649,377	-	-	2,155,463
	2021	882,649	335,405	-	17,457	21,802	146,945	-	458,958	-	-	1,863,216
Andrew Wilson	2022	971,537	384,956	-	20,614	25,000	60,576	-	626,895	-	-	2,089,578
	2021	963,798	331,296	-	22,936	25,096	33,501	-	498,587	-	-	1,875,214

Former Executive KMP

Craig Drummond	2021	1,555,477	871,312	-	15,364	25,096	51,868	871,312	1,227,715	-	-	4,618,144
Total	2022	4,229,582	1,970,639	-	73,121	103,749	212,598	-	2,855,265	-	-	9,444,954
Executive KMP ⁶	2021	4,451,182	1,907,681	-	74,864	95,384	407,113	871,312	2,699,861	-	-	10,507,397

1. Salary includes annual base salary paid on a fortnightly basis and annual leave entitlements accrued, but not taken, during the year which are expected to be taken in the next 12 months.

2. Non-monetary benefits may include death, total and permanent disablement insurance, salary continuance insurance, subsidised Medibank health insurance and fringe benefits that are on the same terms and conditions that are available to all employees of the Group.

3. Long-term leave comprises an accrual for long service leave and annual leave entitlements accrued, but not taken, during the year which are not expected to be taken in the next 12 months. Comparatives have been revised to represent the movement in annual leave entitlements accruals.

4. Performance rights include equity-based remuneration incurred during the relevant financial year. The values are based on the grant date fair value amortised on a straight-line basis over the performance period and any reversals required by AASB 2 Share-based Payments.

5. The remuneration figures disclosed for Milosh Milisavljevic for 2021 reflect the period from his commencement as a KMP on 22 June 2021.

6. Total remuneration for FY2021 is \$3.16 million less than that disclosed in the 2021 Remuneration Report as it does not include the Total Remuneration amounts of \$1.09m for Kylie Bishop, \$1.04m for John Goodall and \$1.03m for Mei Ramsay who were KMP in 2021. Effective 1 July 2021, following changes to ELT operation effective 1 July 2021, they are no longer deemed KMP.

9.2 Performance-related remuneration statutory table

The following table provides an analysis of the non-performance-related (fixed remuneration) and performance-related (short-term incentive (STI) and long-term incentive (LTI) components of the 2022 remuneration mix for Medibank's Executive KMP as detailed in the 'statutory remuneration table'.

Executive KMP	Non-performance-related			Performance-related		Total performance-related remuneration
	Financial year	Fixed remuneration ¹	Cash STI	Deferred STI ²	LTI ³	
David Koczkar	2022	43.1%	22.9%	16.3%	17.7%	56.9%
Milosh Milisavljevic	2022	58.2%	21.0%	10.5%	10.3%	41.8%
Mark Rogers	2022	50.3%	19.6%	17.6%	12.5%	49.7%
Andrew Wilson	2022	51.6%	18.4%	17.1%	12.9%	48.4%

1. Fixed remuneration includes the accounting expense from all columns of the 'statutory remuneration table' other than 'cash STI', 'performance rights' and 'deferred STI'.
2. Deferred STI includes the 2022 accounting expense of the 2022 deferred STI components within the 'performance rights' and 'deferred STI' columns of the 'statutory remuneration table'.
3. LTI includes the 2022 accounting expense of the 2020, 2021 and 2022 LTI component within the 'performance rights' column of the 'statutory remuneration table'.

10. Executive KMP equity awards

10.1 Executive KMP equity award transactions

Details of 2022 Executive KMP equity award transactions and outstanding holdings granted in previous years are set out below.

Executive KMP ¹	Award type ²	Balance 1 July 2021	Acquired during 2022 ³		Vested during 2022 ⁴		Lapsed during 2022 ⁵		Other changes	Balance 30 June 2022 ⁶	
			Units	Value	Units	Value	Units	Value		Units	Value
David Koczkar	Long-term incentive	590,232	718,849	1,674,918	65,045	229,609	138,219	487,913	-	1,105,817	2,532,485
	Short-term incentive	-	102,787	364,894	-	-	-	-	-	102,787	364,894
	Ordinary shares	793,689	-	-	65,045	229,609	-	-	-	858,734	2,790,886
Milosh Milisavljevic	Long-term incentive	109,948	161,980	377,413	9,650	34,065	20,504	72,379	-	241,774	554,237
	Short-term incentive	-	-	-	-	-	-	-	-	-	-
	Ordinary shares	14,468	-	-	9,650	34,065	-	-	-	24,118	78,384
Mark Rogers	Long-term incentive	501,952	207,667	483,864	48,825	172,352	103,751	366,241	-	557,043	1,257,796
	Short-term incentive	-	94,480	335,404	-	-	-	-	-	94,480	335,404
	Ordinary shares	343,530	-	-	48,825	172,352	-	-	-	392,355	1,275,154
Andrew Wilson	Long-term incentive	601,400	207,667	483,864	68,619	242,225	145,813	514,720	-	594,635	1,341,431
	Short-term incentive	-	93,322	331,293	-	-	-	-	-	93,322	331,293
	Ordinary shares	926,500	-	-	68,619	242,225	-	-	-	995,119	3,234,137

1. Effective 1 July 2021, Kylie Bishop, John Goodall and Mei Ramsey were no longer deemed KMP and as such their equity award transactions are not reported in the 2022 period.
2. Long-term incentive corresponds to performance rights awarded under the LTI plan that are subject to performance hurdles. Short-term incentive represents performance rights awarded under the STI Plan. Ordinary shares include all Medibank shares held by the executive or related parties.
3. Represents the maximum number of equity awards that may vest to each Executive in respect to their time as KMP during 2022. The minimum potential outcome for the equity awards is 0. The values are calculated using the fair value as at grant date. The fair value at grant has been based on a valuation by independent external consultants in accordance with accounting standard AASB 2 Share Based Payments. The fair values for the 2020, 2021 and 2022 long-term incentive (LTI) grants are used for accounting purposes only as all LTI grants are made using the face value, as outlined in section 6.4. Unit prices have been rounded to the nearest cent.
4. Awards that vested in 2022 relate to the 32% vesting of 2019 LTI award (granted 6 December 2018) following the assessment of performance hurdles. Performance rights that vested were automatically exercised and no payment was required from participants. Executives received one ordinary share for each performance right that vested during the financial year. The value of vested awards is calculated using the closing share price on vesting date.
5. Awards that lapsed in 2022 relate to the 68% of the 2019 LTI award that did not meet the performance hurdle and subsequently lapsed.
6. The value of unvested STI is determined by the number of units at 30 June 2022 multiplied by the unit price at grant. The value of unvested LTI is determined by the number of units at 30 June 2022 multiplied by the fair value at grant. The value of ordinary shares is determined by multiplying the number of ordinary shares at 30 June 2022 by the closing price of Medibank shares on the same date.

Remuneration report

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10.2 Overview of unvested equity awards and fair value assumptions

All awards are subject to continued employment, malus and clawback provisions.

Award	Award type	Performance start date	Performance end date ¹	Grant date	Performance measure	Weighting	Unit price at grant	Fair value at grant ²
2022 LTI performance rights	LTI	1/07/2021	30/06/2024	3/12/2021	EPS	35%	3.13	2.72
					Market share	30%	3.13	2.72
					TSR	35%	3.13	1.62
2021 Deferred STI performance rights	STI	1/07/2021	15/09/2022	3/12/2021	Service	100%	3.55	3.55
2021 LTI performance rights	LTI	1/07/2020	30/06/2023	26/11/2020	EPS	35%	3.02	2.54
					Market share	30%	3.02	2.54
					TSR	35%	3.02	1.58
2020 LTI performance rights	LTI	1/07/2019	30/06/2022	28/11/2019	EPS	35%	3.46	2.80
					Market share	30%	3.46	2.80
					TSR	35%	3.46	1.09
2019 LTI performance rights	LTI	1/07/2018	30/06/2021	6/12/2018	EPS	50%	2.91	2.44
					TSR	50%	2.91	1.37

1. The performance end date represents the earliest possible date the performance rights may vest, being the end of the performance period. The actual vesting and exercise date will be at a time and manner determined by the Board, with Medibank to notify the holder at that time. Performance rights that vest are automatically exercised and no payment is required from participants. Any performance rights that don't vest at this point will immediately expire.
2. Fair value of LTI performance rights has been calculated as at the start of the performance period.

11. Non-executive director remuneration and framework

Non-executive director fees are determined by the Board and reflect the role, market benchmarks and Medibank's objective to attract highly skilled and experienced independent non-executive directors. All non-executive directors are required to hold a minimum number of shares in Medibank to align with shareholder interests.

11.1 Non-executive director remuneration

Component	Delivered	Description
Base fee	Cash and superannuation	The base fee represents remuneration for service on the Medibank Board. The base fee for the Chair represents the entire remuneration for that role.
Committee fees	Cash and superannuation	Committee fees represent remuneration for chairing, or membership of, Board committees.

11.1.1 Non-executive director fee cap

Under Medibank's Constitution, the total fees paid in any financial year to all non-executive directors for their services (excluding, for these purposes, the salary of any executive director) must not exceed, in aggregate, the amount fixed at Medibank's annual general meeting in 2018 at \$2,300,000 per annum (fee cap).

11.1.2 Non-executive director remuneration

Under Medibank's Constitution, the Board is responsible for determining the total amount paid to each non-executive director as remuneration for their services. In making this determination, the Board has taken into account the level of work required for the role and has regard to the median remuneration paid to non-executive directors of companies positioned within the ASX 11-100 (excluding mining and energy companies).

Following the annual benchmarking exercise and the position of non-executive directors against the median of the benchmark group, non-executive director base and committee fees have been increased for 2023. Based on the composition of the Board, non-executive director fee spend for 2023 will be \$2,019,300 against the approved cap of \$2,300,000. Non-executive director fees applicable throughout 2022 and 2023 are set out in the table below:

Position	2022 \$	2023 \$
Chair	445,000	458,500
Non-executive directors	165,000	170,000
Committee chair fees		
Audit Committee	40,000	41,200
Risk Management Committee	40,000	41,200
People and Remuneration Committee	40,000	41,200
Investment and Capital Committee	40,000	41,200
Committee membership fees		
Audit Committee	20,000	20,600
Risk Management Committee	20,000	20,600
People and Remuneration Committee	20,000	20,600
Investment and Capital Committee	20,000	20,600

11.2 Non-executive director superannuation

Medibank meets its obligations under the Superannuation Guarantee legislation by paying superannuation contributions in respect of non-executive directors to their nominated complying superannuation funds up to the concessional contribution limits. Superannuation contributions for non-executive directors are drawn from the overall fees paid to non-executive directors.

As permitted under the Superannuation Guarantee legislation, people with multiple employers can elect to be exempt from the superannuation guarantee where contributions are likely to take them over the annual concessional contribution cap. If a non-executive director applies and receives an exemption from superannuation guarantee payments, Medibank will make those payments in cash.

11.3 Shareholding policy for non-executive directors

Medibank has a Minimum Shareholding Policy that requires non-executive directors to acquire shares with a value equal to one year's base fee after tax over a period of five years. Non-executive directors do not participate in, or receive, any performance-based remuneration as part of their role and do not participate in any equity plans that operate within Medibank.

As at 30 June 2022, all non-executive directors have met the minimum shareholding requirement. Further details of current non-executive director shareholdings are provided in section 13.

12. 2022 non-executive director remuneration statutory table

Non-executive director	Financial year	Short-term benefits		Post-employment benefits		Total \$
		Cash salary and fees \$	Non-monetary ¹ \$	Superannuation \$		
Mike Wilkins	2022	446,711	4,414	-		451,125
	2021	377,228	3,954	9,352		390,534
Tracey Batten	2022	191,670	2,703	19,196		213,569
	2021	187,935	2,581	17,854		208,370
Anna Bligh	2022	187,054	3,532	18,734		209,320
	2021	187,934	3,296	17,854		209,084
Gerard Dalbosco ²	2022	213,703	1,248	4,470		219,421
	2021	20,882	-	1,984		22,866
Peter Everingham ⁵	2022	47,308	593	4,731		52,632
David Fagan	2022	215,023	3,019	21,534		239,576
	2021	206,270	2,736	19,596		228,602
Kathryn Fagg ⁵	2022	47,308	-	4,731		52,039
Linda Bardo Nicholls	2022	204,643	3,026	-		207,669
	2021	187,456	3,014	18,127		208,597
Former non-executive directors						
Elizabeth Alexander ³	2021	107,435	9,434	6,112		122,981
Peter Hodgett ⁴	2022	79,846	6,070	8,053		93,969
	2021	206,270	3,849	19,596		229,715
Christine O'Reilly ⁴	2022	87,863	5,355	-		93,218
	2021	225,865	2,765	-		228,630
Total non-executive director remuneration	2022	1,721,129	29,960	81,449		1,832,538
	2021	1,707,275	31,629	110,475		1,849,379

1. Non-monetary benefits may include death, total and permanent disablement insurance, salary continuance insurance, subsidised Medibank health insurance and fringe benefits that are on the same terms and conditions that are available to all Medibank employees.

2. Gerard Dalbosco's 2021 remuneration reflects his commencement date as a non-executive director of 21 May 2021.

3. Elizabeth Alexander's 2021 remuneration reflects her retirement date from the Medibank Board of 1 October 2020.

4. Peter Hodgett's and Christine O'Reilly's 2022 remuneration reflects their retirement date from the Medibank Board of 18 November 2021.

5. Kathryn Fagg's and Peter Everingham's 2022 remuneration reflects their commencement date as non-executive directors of 31 March 2022.

Remuneration report

For the financial year ended 30 June 2022

13. Non-executive director ordinary shareholdings

	Balance 30 June 2021	Acquired during the year	Other changes	Balance 30 June 2022	Minimum shareholding requirement \$ ¹	Shareholding Value at 30 June 2022 \$ ²	Minimum shareholding requirement timeline
Non-executive director							
Mike Wilkins	100,000	-	-	100,000	222,500	325,000	Requirement satisfied
Tracey Batten	50,000	-	-	50,000	82,500	162,500	Requirement satisfied
Anna Bligh	44,623	-	-	44,623	82,500	145,025	Requirement satisfied
Gerard Dalbosco	24,432	48,400	-	72,832	82,500	236,704	Requirement satisfied
Peter Everingham ⁴	-	-	40,000	40,000	82,500	130,000	Requirement satisfied
David Fagan	47,016	-	-	47,016	82,500	152,802	Requirement satisfied
Kathryn Fagg ⁴	-	-	32,750	32,750	82,500	106,438	Requirement satisfied
Linda Bardo Nicholls	45,000	-	-	45,000	82,500	146,250	Requirement satisfied
Former non-executive director							
Peter Hodgett ³	67,800	-	(67,800)	-	-	-	Not applicable
Christine O'Reilly ³	69,930	-	(69,930)	-	-	-	Not applicable

1. Minimum shareholding requirement based on annual non-executive director base fees for 2022 and an assumed tax rate of 50%.

2. Value has been calculated with reference to the total number of eligible shares held by each non-executive director, multiplied by the closing price of Medibank's shares on 30 June 2022 (\$3.25).

3. Peter Hodgett and Christine O'Reilly ceased to be a KMP on 18 November 2021 and therefore their balance at 30 June 2022 has been adjusted to reflect no further holdings as a KMP.

4. Peter Everingham and Kathryn Fagg commenced as non-executive directors on 31 March 2022, and therefore their balance at 30 June 2021 was zero. Both Peter and Kathryn held Medibank shares prior to becoming non-executive directors of Medibank.

14. Medibank's comparator group

As outlined throughout this report, Medibank uses a comparator group for the purposes of benchmarking executive and non-executive director remuneration and for the assessment of Medibank's relative total shareholder return (TSR) performance under its long-term incentive (LTI) plan. Medibank's comparator group is the ASX 11-100, excluding mining and energy companies. In any given year, there may be changes in the mining and energy companies excluded from Medibank's comparator group due to companies either falling outside the ASX 11-100 or companies no longer being considered exclusively as a mining or energy company.

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Consolidated statement of comprehensive income

For the financial year ended 30 June 2022

	Note	2022 \$m	2021 \$m
Revenue			
Health Insurance premium revenue	2(b) 3(a)	6,881.2	6,691.1
Medibank Health revenue		247.3	219.3
		7,128.5	6,910.4
Other income		1.0	1.8
Expenses			
Claims expense	3(a)	(5,679.8)	(5,557.9)
Medical services expense		(34.7)	(34.0)
Employee benefits expense	13(a)(ii)	(467.5)	(439.9)
Office and administration expense		(90.1)	(88.6)
Marketing expense		(85.9)	(81.4)
Information technology expense		(73.8)	(72.3)
Depreciation and amortisation expense		(115.0)	(122.0)
Finance expense		(2.4)	(2.8)
Share of net profit/(loss) from equity accounted investments	16(b)	4.5	(1.0)
		(6,544.7)	(6,399.9)
Profit before net investment income and income tax		584.8	512.3
Net investment income/(expense)	7(a)	(24.8)	120.0
Profit for the year before income tax		560.0	632.3
Income tax expense	15(a)	(166.1)	(191.1)
Profit for the year		393.9	441.2
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain/(loss) on retirement benefit obligation, net of tax		0.2	0.4
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent		394.1	441.6
Earnings per share attributable to ordinary equity holders of the Parent - basic and diluted (cents)	6(b)	14.3	16.0

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2022

	Note	2022 \$m	2021 \$m
Current assets			
Cash and cash equivalents		596.7	671.7
Trade and other receivables	9(b)	225.4	215.9
Financial assets at fair value	7(b)	2,854.5	2,311.9
Deferred acquisition costs	4	35.4	33.6
Tax receivable		-	6.2
Other assets		19.3	18.8
Total current assets		3,731.3	3,258.1
Non-current assets			
Property, plant and equipment	11	88.4	101.7
Intangible assets	12	332.3	345.3
Deferred acquisition costs	4	47.5	47.5
Deferred tax assets	15(c)	243.6	85.9
Equity accounted investments	16(b)	103.7	77.1
Other assets		6.0	8.2
Total non-current assets		821.5	665.7
Total assets		4,552.8	3,923.8
Current liabilities			
Trade and other payables	9(c)	361.4	338.2
Claims liabilities	3(b)	860.9	622.4
Unearned premium liability	5	817.5	697.0
Tax liability		117.0	-
Customer give back provision	13(c)	178.6	103.0
Provisions and employee entitlements	13	104.6	94.7
Total current liabilities		2,440.0	1,855.3
Non-current liabilities			
Trade and other payables	9(c)	56.6	70.2
Claims liabilities	3(b)	10.2	9.1
Unearned premium liability	5	77.3	60.4
Provisions and employee entitlements	13	23.1	22.7
Total non-current liabilities		167.2	162.4
Total liabilities		2,607.2	2,017.7
Net assets		1,945.6	1,906.1
Equity			
Contributed equity	10(a)	85.0	85.0
Reserves	10(b)	25.7	22.3
Retained earnings		1,834.9	1,798.8
Total equity		1,945.6	1,906.1

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the financial year ended 30 June 2022

	Note	Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
Balance at 1 July 2020		85.0	22.4	1,690.4	1,797.8
Profit for the year		-	-	441.2	441.2
Other comprehensive income		-	-	0.4	0.4
Total comprehensive income for the year		-	-	441.6	441.6
Dividends paid	6(a)(i)	-	-	(333.2)	(333.2)
Acquisition and settlement of share-based payment, net of tax		-	(5.3)	-	(5.3)
Share-based payment transactions		-	5.2	-	5.2
Balance at 30 June 2021		85.0	22.3	1,798.8	1,906.1
Profit for the year		-	-	393.9	393.9
Other comprehensive income		-	-	0.2	0.2
Total comprehensive income for the year		-	-	394.1	394.1
Dividends paid	6(a)(i)	-	-	(358.0)	(358.0)
Acquisition and settlement of share-based payment, net of tax		-	(2.5)	-	(2.5)
Share-based payment transactions		-	5.9	-	5.9
Balance at 30 June 2022		85.0	25.7	1,834.9	1,945.6

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the financial year ended 30 June 2022

	Note	2022 \$m	2021 \$m
Cash flows from operating activities			
Premium receipts		7,089.4	6,798.8
Medibank Health receipts		274.6	234.9
Other receipts		3.3	3.8
Payments for claims and levies		(5,422.6)	(5,542.7)
Payments to suppliers and employees		(795.9)	(762.5)
Income taxes paid		(200.3)	(250.1)
Net cash inflow from operating activities	9(d)	948.5	482.2
Cash flows from investing activities			
Interest received		14.2	16.0
Investment expenses		(5.0)	(4.6)
Proceeds from sale of financial assets		1,349.6	1,081.1
Purchase of financial assets		(1,926.2)	(1,289.6)
Purchase of equity accounted investments	16(b)	(21.1)	(71.0)
Loan to associate	16(b)	-	(2.9)
Purchase of plant and equipment		(7.0)	(10.9)
Purchase of intangible assets		(28.1)	(24.2)
Net cash outflow from investing activities		(623.6)	(306.1)
Cash flows from financing activities			
Purchase of shares to settle share-based payment		(3.1)	(5.6)
Lease principal and interest payments	14	(38.8)	(37.0)
Dividends paid	6(a)(i)	(358.0)	(333.2)
Net cash outflow from financing activities		(399.9)	(375.8)
Net increase/(decrease) in cash and cash equivalents		(75.0)	(199.7)
Cash and cash equivalents at beginning of the year		671.7	871.4
Cash and cash equivalents at end of the year		596.7	671.7

The above statement should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

30 June 2022

Section 1. Basis of preparation

Overview

This section outlines the basis on which the Group's financial statements are prepared. Specific accounting policies are described in the note to which they relate.

Note 1: Basis of preparation

(a) Corporate information

Medibank Private Limited ("Medibank") is a for-profit company incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial statements of Medibank for the financial year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 18 August 2022. The directors have the power to amend and reissue the financial statements.

(b) Basis of preparation

The financial statements are general purpose financial statements which:

- Are for the consolidated entity ("the Group") consisting of Medibank ("parent entity") and its subsidiaries. Refer to Note 16(a) for the full group structure.
- Have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the *Corporations Act 2001*.
- Have been prepared under the historical cost convention, with the exception of financial assets measured at fair value, claims liabilities and lease liabilities which are measured at the present value of expected future payments.
- Are presented in Australian dollars, which is Medibank's functional and presentation currency.

- Have been rounded in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* to the nearest hundred thousand dollars unless otherwise stated.
- Adopt all new and amended accounting standards that are mandatory for 30 June 2022 reporting periods. Refer to Note 20(a) for further information.
- Do not apply any pronouncements before their operative date. Refer to Note 20(b) for further information on the new standards and interpretations which have been issued but are not effective for 30 June 2022 reporting periods.
- Include, where necessary, updates to prior year comparatives for changes in classification of amounts in the current reporting period.

(c) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the following notes:

- Note 3: Insurance underwriting result.
- Note 4: Deferred acquisition costs.
- Note 12: Intangible assets.
- Note 15: Income tax.

Section 2. Operating performance

Overview

This section explains the operating results of the Group for the year, and provides insights into the Group's result by reference to key areas, including:

- Results by operating segment.
- Insurance underwriting result.
- Shareholder returns.

Note 2: Segment information

Segment Reporting Accounting Policy

Operating segments are identified based on the separate financial information that is regularly reviewed by the Chief Operating Decision Maker (CODM). The term CODM refers to the function performed by the Chief Executive Officer (CEO) in assessing performance and determining the allocation of resources across the Group.

(a) Description of segments

Segment information is reported on the same basis as the Group's internal management reporting structure at the reporting date. Transactions between segments are carried out on an arm's length basis and are eliminated on consolidation.

The Group is not reliant on any one major customer.

For the financial year ended 30 June 2022, the Group was organised for internal management reporting purposes into two reportable segments, Health Insurance and Medibank Health.

Health Insurance



Offers private health insurance products including hospital cover and ancillary cover, as stand-alone products or packaged products that combine the two. Hospital cover provides members with health cover for hospital treatments, whereas ancillary cover provides members with health cover for healthcare services such as dental, optical and physiotherapy. The segment also offers health insurance products to overseas visitors and overseas students.

Private Health Insurance Premium Revenue Recognition Accounting Policy

Premium revenue is measured at the fair value of the consideration received or receivable and is recognised on a straight-line basis between the date Medibank accepts the insurance risk and the date the premium has been paid up to. Premium revenue is classified as an unearned premium liability in the consolidated statement of financial position when it relates to future financial periods.

Medibank Health



Derives its revenue from a range of activities including contracting with government and corporate customers to provide health management and in-home care services, as well as providing a range of telehealth services in Australia. In addition, the Group distributes travel, life and pet insurance products on behalf of other insurers as part of a broader strategy to retain members and leverage its distribution network.

Medibank Health Revenue Recognition Accounting Policy

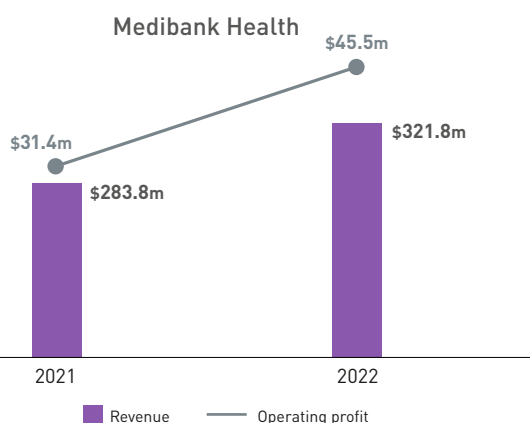
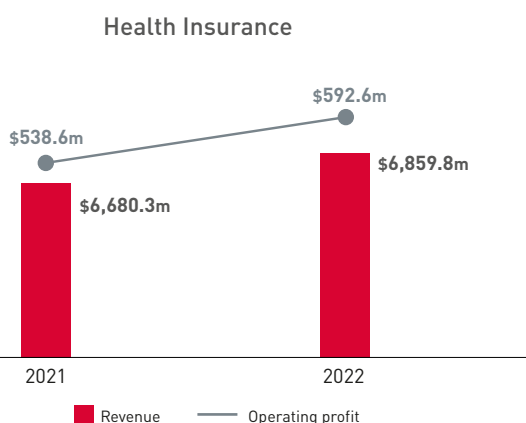
Medibank Health revenue is recognised when services are provided to the customer and at an amount the Group will be entitled to receive in relation to providing the services. A contract liability is recognised within trade and other payables in the consolidated statement of financial position when the Group has an obligation to transfer services to a customer for which it has already received consideration from the customer (or an amount of consideration is receivable). Contract liabilities are recognised as Medibank Health revenue when the services are provided.

Notes to the consolidated financial statements

30 June 2022

(b) Segment information provided to the CEO

The CEO measures the performance of the Group's reportable segments based on the operating profit of the segments. The segment information provided to the CEO for the year ended 30 June 2022 is as follows.



30 June 2022

	Note	Health Insurance \$m	Medibank Health \$m	Total \$m
Revenue				
Total segment revenue	2(c)(iii)	6,859.8	321.8	7,181.6
Inter-segment revenue		-	(53.1)	(53.1)
Revenue from external customers		6,859.8	268.7	7,128.5
Operating profit				
		592.6	45.5	638.1
<i>Items included in segment operating profit:</i>				
Depreciation and amortisation		(101.6)	(7.3)	(108.9)
Interest income from loans to associates		-	0.2	0.2
Share of profit/(loss) from equity accounted investments	16(b)	-	4.5	4.5

30 June 2021

	Note	Health Insurance \$m	Medibank Health \$m	Total \$m
Revenue				
Total segment revenue	2(c)(iii)	6,680.3	283.8	6,964.1
Inter-segment revenue		-	(53.7)	(53.7)
Revenue from external customers		6,680.3	230.1	6,910.4
Operating profit				
		538.6	31.4	570.0
<i>Items included in segment operating profit:</i>				
Depreciation and amortisation		(104.8)	(8.3)	(113.1)
Interest income from loans to associates		-	0.2	0.2
Share of profit/(loss) from equity accounted investments	16(b)	-	(1.0)	(1.0)

(c) Other segment information

(i) Segment operating profit or loss

A reconciliation of segment operating profit to the profit for the year before income tax of the Group is as follows:

	Note	2022 \$m	2021 \$m
Total segment operating profit		638.1	570.0
Unallocated to operating segments:			
Corporate operating expenses		(44.0)	(41.7)
Group operating profit		594.1	528.3
Net investment income/(expense)	7(a)	(24.8)	120.0
Acquisition intangible amortisation		(2.0)	(4.6)
Mergers and acquisitions expenses		(1.7)	(5.5)
Other income/(expenses)		(5.6)	(5.9)
Profit for the year before income tax		560.0	632.3

(ii) Other items

Segment operating profit excludes the following:

- Corporate operating expenses of \$44.0 million (2021: \$41.7 million) relating to the Group's corporate function.
- Net investment income/(expense), which comprises:
 - Interest and distribution income and related investment management expenses (refer to Note 7(a)), as this arises from investments which are managed by a central treasury function.
 - Net gains and losses on disposals of and fair value movements on financial assets and liabilities (refer to Note 7(a)), as they are not indicative of the Group's long-term performance.
- Acquisition intangible amortisation of \$2.0 million (2021: \$4.6 million) not allocated to segments.
- Expenses in relation to mergers and acquisitions of \$1.7 million (2021: \$5.5 million) which are not allocated to the operating activities of the Group's segments.
- Other income/(expenses) of \$5.6 million (2021: \$5.9 million) which do not relate to the current period's trading activities of the Group's segments, comprising primarily net sublease rent.

(iii) Loyalty program

Segment private health insurance premium revenue is after \$21.4 million (2021: \$10.8 million) of transfers between the Group's other operating segments in relation to the loyalty program.

(iv) Segment assets and segment liabilities

No information regarding segment assets and segment liabilities has been disclosed, as these amounts are not reported to the CEO for the purpose of making strategic decisions.

(v) Geographic information

Segment revenue based on the geographical location of customers has not been disclosed, as the Group derives all of its revenues from its Australian operations.

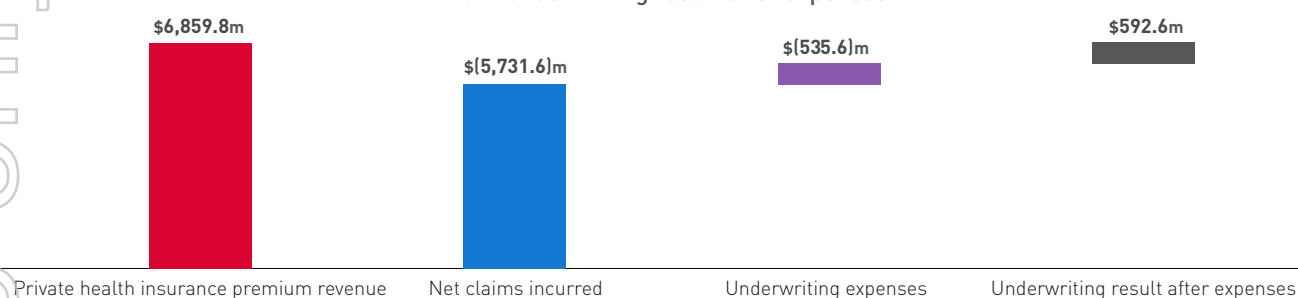
Notes to the consolidated financial statements

30 June 2022

Note 3: Insurance underwriting result

This note presents the Group's insurance underwriting result and provides information on the Group's claims liabilities, which comprise the outstanding claims liability, the COVID-19 claims liability and the provision for bonus entitlements.

2022 underwriting result after expenses



Insurance Contracts Accounting Policy

An insurance contract arises when the Group accepts significant insurance risk from another party by agreeing to compensate them from the adverse effects of a specified uncertain future event. The significance of insurance risk depends on both the probability and magnitude of an insurance event.

Once insurance cover has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk

significantly reduces during the period. With the exception of travel, life and pet insurance, for which the Group does not act as an underwriter, all other types of insurance cover are insurance contracts.

A COVID-19 claims liability has been recorded for deferred claims that were a result of surgeries and other health services which were inaccessible to policyholders due to COVID-19 restrictions. Medibank has an obligation to settle these claims when they occur in future periods.

(a) Insurance underwriting result

	Note	2022 \$m	2021 \$m
Private health insurance premium revenue	(i)	6,859.8	6,680.3
Claims expense			
Claims incurred	(ii)	(5,415.0)	(5,606.2)
(Increase)/decrease in COVID-19 claims liability	(iv)	(224.5)	73.3
State levies		(55.5)	(53.3)
Net Risk Equalisation Special Account payments		(36.1)	(24.6)
Net claims incurred excluding claims handling costs		(5,731.1)	(5,610.8)
Movement in claims handling costs on outstanding claims liabilities		(0.5)	0.2
Net claims incurred	(iii)	(5,731.6)	(5,610.6)
Underwriting expenses		(535.6)	(531.1)
Underwriting result after expenses		592.6	538.6

- (i) Private health insurance premium revenue is after \$21.4 million (2021: \$10.8 million) of transfers between the Group's other operating segments in relation to the loyalty program and \$369.4 million (2021: \$103.0 million) in relation to the recognition of customer give backs publicly announced by the Group during the period to return permanent net COVID-19 savings to eligible policyholders (refer to Note 5 and Note 13(c) for further information).
- (ii) Claims incurred are prior to elimination of transactions with the Group's other operating segments of \$51.8 million (2021: \$52.7 million).

- (iii) Net claims incurred consists of amounts paid and payable to hospital, medical and ancillary providers which consists of claims paid and payable, changes in claims liabilities, change in amounts receivable from and payable to the Risk Equalisation Special Account, applicable state levies, costs incurred in health management services and the COVID-19 claims liability.
- (iv) This balance relates to the COVID-19 claims liability. Refer to Note 3(b) for further information.

Health Insurance Premium Revenue Recognition Accounting Policy

Premium revenue is recognised in the consolidated statement of comprehensive income when it is earned. Premium revenue is measured at the fair value of the consideration received or receivable and is recognised on a straight-line basis between the date Medibank accepts the risk from the insured under the insurance contract and the date the premium has been paid up to. Adjustments made to past premiums are recognised as a reduction in premium revenue. See Note 5 and Note 13(c) for further information.

Premium revenue includes the movement in the premiums in arrears which is assessed based on past experience of the likelihood of collection. Premium revenue is classified as an unearned premium liability in the consolidated statement of financial position when it relates to future financial periods.

The Australian Government contributes a rebate towards eligible policyholder's premium and pays this directly to the Group.

This rebate is recognised within premium revenue in the consolidated statement of comprehensive income. Rebates due from the government but not received at balance date are recognised as trade and other receivables in the consolidated statement of financial position.

Net Risk Equalisation Special Account Levies and Rebates Accounting Policy

Under legislation, all private health insurers must participate in the Risk Equalisation Special Account in which all private health insurers share the cost of the eligible claims of members aged 55 years and over, and claims meeting the high cost claim criteria.

The Australian Prudential Regulation Authority (APRA) determines the amount payable to or receivable from the Risk Equalisation Special Account after the end of each quarter. Estimates of amounts payable or receivable are provided for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unrepresented and outstanding claims.

(b) Gross claims liability

	Note	2022 \$m	2021 \$m
Current			
Outstanding claims liability - central estimate	(i,ii)	359.3	347.2
COVID-19 claims liability	(vi)	448.3	223.8
Risk margin	(i,iii)	35.1	33.2
Claims handling costs	(iv)	8.9	8.5
		851.6	612.7
Claims liability - provision for bonus entitlements	(v)	9.3	9.7
Gross claims liabilities	(c)	860.9	622.4
Non-current			
Outstanding claims liability - central estimate	(i,ii)	3.1	1.8
Risk margin	(i,iii)	0.3	0.2
Claims handling costs	(iv)	0.1	-
		3.5	2.0
Claims liability - provision for bonus entitlements	(v)	6.7	7.1
Gross claims liabilities	(c)	10.2	9.1

Notes to the consolidated financial statements

30 June 2022

Claims Liability Accounting Policy

The outstanding claims liability provides for claims received but not assessed and claims incurred but not received. It is based on an actuarial assessment that considers historical patterns of claim incidence and processing. It is measured as the central estimate of the present value of expected future payments arising from claims incurred at the end of each reporting period under insurance cover issued by the Medibank health fund, plus a risk margin reflecting the inherent uncertainty in the central estimate. The expected future payments are discounted to present value using a risk-free rate.

The liability also allows for an estimate of claims handling costs, which comprises all direct expenses of the claims department and general administrative costs directly attributable to the claims function. These include internal and external costs incurred from the negotiation and settlement of claims.

COVID-19 Claims Liability

The COVID-19 claims liability is based on the best estimate, taking into account relevant risks and uncertainties, of expenditure required to settle claims deferred as a result of surgeries and other health services restricted for policyholders as a result of the COVID-19 pandemic. Medibank has an obligation to settle these claims when they occur in future periods. The liability is calculated by comparing the difference between the actual and expected claims since the commencement of COVID-19 restrictions from March 2020. The expected claims level is based on the estimated underlying claims growth per Single Equivalent Unit per policy (PSEU) that would have occurred if the COVID-19 pandemic did not eventuate, taking into account changes in the customer base. The key judgements and inputs to determine the expected claims level are detailed in Note 3(b)(vi).

Key estimate

The outstanding claims liability estimate is based on the hospital, ancillary and overseas claim categories.

Hospital and overseas

Calculated using statistical methods adopted for all service months but with service levels for the most recent service month (hospital) or two service months (overseas) being based on the latest forecast adjusted for any observed changes in payment patterns.

Ancillary

Calculated using statistical methods adopted for all service months.

The critical assumption in determining the outstanding claims liability is the extent to which claim incidence and development patterns are consistent with past experience. Adjustments are then applied to reflect any unusual or abnormal events that may affect the estimate of claims levels such as major variability to claims processing volumes.

The process for establishing the outstanding claims liability involves consultation with internal actuaries (including the Chief Actuary), claims managers and other senior management. The process includes monthly internal claims review meetings attended by senior management.

(i) Outstanding claims liability – central estimate

The central estimate is an estimate of the level of the outstanding claims liability.

Key estimate

The central estimate is based on statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimate is based on a judgemental consideration of this analysis and other qualitative information, such as claims processing delays and pre-admission hospital eligibility check volumes. The central estimate excludes the impact of the Risk Equalisation Special Account. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Special Account.

(ii) Discounting

The outstanding claims liability central estimate is discounted to present value using the three-month risk-free rate of 1.81% per annum which equates to a reduction in the central estimate of \$0.9 million (2021: 0.03%, less than \$0.1 million).

(iii) Risk margin	An overall risk margin considers the uncertainty surrounding the outstanding claims liability. The risk margin applied to the Group's outstanding claims central estimate (net of risk equalisation) at 30 June 2022 is 9.4% (2021: 9.4%). Key estimate The risk margin is based on an analysis of past experience, including comparing the volatility of past payments to the adopted central estimate. The risk margin has been estimated to equate to the Group's objective of achieving a probability of adequacy of at least 95% (2021: 95%). This risk margin is only applied to the outstanding claims liability, however relevant risks and uncertainties have been taken into account in key assumptions used to estimate the COVID-19 claims liability.
(iv) Claims handling costs	The allowance for claims handling costs at 30 June 2022 is 2.5% of the outstanding claims liability (2021: 2.5%).
(v) Claims liability – provision for bonus entitlements	Certain private health insurance products (Package Bonus, Ultra Bonus and Membership Bonus) include benefits that carry forward. Package Bonus carries forward unused benefit entitlements in a calendar year for five calendar years. Membership Bonus carries forward unused benefit entitlements in a calendar year for 10 calendar years. Ultra Bonus carries forward unused benefit entitlements without limit. The Group's claims liabilities include a provision to cover expected future utilisation of these benefit entitlements of the current membership. Key estimate The bonus provision includes the total entitlement available to members under the terms of the relevant insurance policies, less any amounts utilised, with a probability of utilisation based on past experience and current claiming patterns applied. The true cost of these entitlements cannot be known with certainty until any unclaimed entitlements are processed.
(vi) COVID-19 claims liability	The COVID-19 claims liability represents the continued and prolonged impact of the COVID-19 pandemic during the period on availability and accessibility to surgeries and other health services. The COVID-19 claims liability includes hospital claims of \$405.6 million (2021: \$220.2 million), which includes surgical and non-surgical claims, and ancillary claims of \$42.6 million (2021: \$3.6 million). Key estimate – Hospital The liability is calculated by comparing the difference between the actual and expected volume of insured surgical, non-surgical and ancillary procedures since the commencement of COVID-19 restrictions from March 2020. Any shortfall is deferred into the liability at the applicable claims deferral rate. Utilisation of the liability occurs where actual claims exceed expected claims. The liability has been assessed by geography and modality (claim type) with the deferral of claims (and any subsequent utilisation) varying based on the extent of COVID-19 restrictions. The ancillary liability resets for ancillary claims with expired limits. Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key judgements and inputs into this liability estimate include: • The expected claims level at the Single Equivalent Unit per policy (PSEU), which is based on statistical analysis of the estimated underlying claims growth per PSEU that would have occurred if the COVID-19 pandemic did not eventuate. It has then been applied to the average actual number of PSEUs. • The expected rate at which deferred insured surgical and non-surgical procedures will be caught up, which is based on the analysis and expert opinion of the Chief Medical Officer and internal analysis. The expected claims deferral rate is analysed based on modality and is 85% (2021: 85%) for surgical claims, 40% (2021: 50%) for non-surgical claims and 50% (2021: 50%) for ancillary claims. • This liability only includes insured surgeries and other health services that will ultimately be performed for policyholders of the Group. Given the extended duration of the COVID-19 pandemic, a policyholder lapse rate has been applied to the surgical and non-surgical claims. This rate is based on the average lapse rate since the commencement of the COVID-19 pandemic. The ancillary liability does not include a lapse rate as it resets when limits expire.

Notes to the consolidated financial statements

30 June 2022

(c) Reconciliation of movement in claims liabilities

	Note	2022 \$m	2021 \$m
Balance at 1 July		631.5	639.2
Claims incurred during the period		5,369.8	5,496.1
Increase/(decrease) in COVID-19 claims liability	(i)	224.5	(73.3)
Claims paid during the period		(5,348.1)	(5,414.4)
Amount (over)/under provided on central estimate		(8.2)	(22.0)
Risk margin		2.0	6.1
Claims handling costs		0.5	(0.2)
Movement in discount rate		(0.9)	-
Balance at 30 June		871.1	631.5

Note: Movement includes both current and non-current. Claims incurred and claims settled exclude levies and rebates.

(i) Reconciliation of movement in COVID-19 claims liability

The table below provides a reconciliation of the movement in the COVID-19 claims liability during the period.

	Hospital \$m	Ancillary \$m	Total \$m
Balance at 1 July 2021	220.2	3.6	223.8
Change in respect of previous period	(8.5)	(0.2)	(8.7)
Net change in assumptions ¹	(42.2)	-	(42.2)
Net deferral/(utilisation) during the period	236.1	39.3	275.4
Balance at 30 June 2022	405.6	42.7	448.3

1. Includes change in expected deferral rate of \$19.2 million and changes in other assumptions, including policyholder lapse rate and price indexation.

(d) Impact of changes in key variables on the claims liabilities

Outstanding claims liability

The central estimate, discount rate, risk margin and weighted average term to settlement are the key outstanding claims variables. A 10% increase/decrease in the central estimate would result in a \$25.4 million decrease/increase to profit after tax and equity (2021: \$24.4 million). A 1% movement in other key outstanding claims variables, including discount rate, risk margin and weighted average term to settlement, would result in an insignificant decrease/increase to profit after tax and equity.

COVID-19 claims liability

The following describe the individual impacts of changes in the key estimate on the COVID-19 claims liability:

- A 4% increase/decrease in the expected claims level would result in a \$117.9 million decrease/increase to profit after tax and equity (2021: \$67.0 million).

- An increase/decrease of 10 percentage points in the adopted deferral rate for COVID-19 hospital claims would result in a \$54.2 million decrease/increase to profit after tax and equity (2021: \$26.8 million). The reasonable possible range for the hospital deferral assumption is 75-100% for surgical claims (2021: 75-100%) and 30-70% for non-surgical and ancillary claims (2021: 30-70%).

(e) Insurance risk management

The Group provides private health insurance products including hospital cover and ancillary cover, as stand-alone products or packaged products that combine the two, for Australian residents, overseas students studying in Australia and overseas visitors to Australia. These services are categorised as two types of contracts: hospital and/or ancillary cover.

The table below sets out the key variables upon which the cash flows of the insurance contracts are dependent.

Type of contract	Detail of contract workings	Nature of claims	Key variables that affect the timing and uncertainty of future cash flows
Hospital cover	Defined benefits paid for hospital treatment, including accommodation, medical and prostheses costs.	Hospital benefits defined by the insurance contract or relevant deed.	Claims incidence and claims inflation.
Ancillary cover	Defined benefits paid for ancillary treatment, such as dental, optical and physiotherapy services.	Ancillary benefits defined by the insurance contract or relevant deed.	Claims incidence and claims inflation.

Insurance risks and the holding of capital in excess of prudential requirements are managed through the use of claims management procedures, close monitoring of experience, the ability to vary premium rates, and risk equalisation.

Mechanisms to manage risk

Claims management	Strict claims management ensures the timely and correct payment of claims in accordance with policy conditions and provider contracts. Claims are monitored monthly to track the experience of the portfolios.
Experience monitoring	Monthly financial and operational results, including portfolio profitability and prudential capital requirements, are reported to management committees and the Board. Results are also monitored against industry for insurance risks and experience trends as published by the regulator, APRA. Monitoring of claims experience since the commencement of the COVID-19 pandemic includes daily and weekly dashboard reports.
Prudential capital requirements	All private health insurers must comply with prudential capital requirements to provide a buffer against certain levels of adverse experience. The Board has a target level of capital which exceeds the regulatory requirement.
Ability to vary premium rates	The Group can vary future premium rates subject to the approval of the Minister for Health.
Risk equalisation	Private health insurance legislation requires resident private health insurance contracts to meet community rating requirements. This prohibits discrimination between people on the basis of their health status, gender, race, sexual orientation, religious belief, age (except as allowed under Lifetime Health Cover provisions), increased need for treatment or claims history. To support these restrictions, all private health insurers must participate in the Risk Equalisation Special Account.
Concentration of health risk	The Group has health insurance contracts covering hospital and ancillary cover, and private health insurance for overseas students and visitors to Australia. There is no significant exposure to concentrations of risk because contracts cover a large volume of people across Australia.
COVID-19 claims liability	The Group's Capital Management Policy requires a sufficient level of capital to be held by the Group. The Group also created a sub-portfolio within the Health Fund Investment Portfolio with the express purpose of funding the COVID-19 claims liability and customer give backs.

Notes to the consolidated financial statements

30 June 2022

Note 4: Deferred acquisition costs

Movements in the deferred acquisition costs are as follows:

	2022 \$m	2021 \$m
Balance at 1 July	81.1	78.1
Costs deferred during the year	39.6	42.3
Amortisation expense	(37.8)	(39.3)
Balance at 30 June	82.9	81.1

Note: Movement includes both current and non-current.

Deferred Acquisition Costs Accounting Policy

Costs incurred in obtaining health insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the consolidated statement of comprehensive income in subsequent reporting periods.

Deferred acquisition costs are amortised systematically over the average expected retention period of the insurance contracts to which they relate. This is in accordance with the expected pattern of the incidence of risk under the

insurance contracts to which they relate and corresponds to the earning pattern of the corresponding actual and expected premium revenue. The Group amortises these costs on a straight-line basis over a period of four years (2021: four years). The recoverability of deferred acquisition costs is considered as part of the liability adequacy test (refer to Note 5). Deferred acquisition costs which are not included in this test are separately assessed for recoverability in accordance with the Group's accounting policy set out in Note 20(c).

Key judgement and estimate

The amortisation period of four years has been determined based on the average expected retention period of members. The actual retention period of a member can be longer or shorter than four years. The straight-line method systematically follows the initial period of customer tenure with some customers remaining with Medibank

over a longer period of time. The Group maintains data on the retention period of all members, and performs a retention period analysis of those who are subject to these acquisition costs to ensure the period of amortisation remains appropriate.

Note 5: Unearned premium liability

Movement in the unearned premium liability is as follows:

	2022 \$m	2021 \$m
Balance at 1 July	757.4	746.1
Deferral of premium on contracts written during the year	700.9	682.4
Earning of premiums deferred in prior years	(697.0)	(671.1)
Movement in provision for premium deferral	133.5	-
Balance at 30 June	894.8	757.4

Note: Movement includes both current and non-current.

The unearned premium liability balance at 30 June 2022 includes a provision for premium deferral of \$133.5 million (2021: nil). This balance is comprised of an initial recognition of \$184.8 million during the period, offset by \$51.3 million utilisation. The provision for premium deferral represents amounts owed at balance date in relation to the announcements made by the Group during the period to return permanent net COVID-19 savings to eligible policyholders via a 7 month deferral of the 1 April 2022 premium increase.

A separate customer give back provision of \$178.6 million (2021: \$103.0 million) is recognised in the statement of consolidated position. Refer to Note 13(c) for further information.

(a) Liability adequacy test

The expected cash outflows and the risk margin in the 30 June 2022 liability adequacy test (LAT) includes the impacts of COVID-19. The LAT did not result in the identification of any deficiency as at 30 June 2022 and 2021. The LAT is not sensitive to reasonably plausible changes in key assumptions applied.

Unearned Premium Liability Accounting Policy

The proportion of premium received that has not been earned at the end of each reporting period is recognised in the consolidated statement of financial position as an unearned premium liability. The unearned premium liability is released to the consolidated statement of comprehensive income as revenue in accordance with Note 3(a) over the term of the insurance cover.

Unexpired Risk Liability Accounting Policy

At each balance date, a liability adequacy test is performed to determine whether the unearned premium liability, net of related deferred acquisition costs, is adequate to cover expected future claims arising from current insurance coverage. An additional risk margin is included in the test to reflect the inherent uncertainty in the central estimate. The test is performed at the level of a portfolio of contracts that

are subject to broadly similar risks and that are managed together as a single portfolio.

The unearned premium liability is deemed to be deficient where the present value of the expected future claims, including a risk margin, exceeds the net unearned premium liability. The entire deficiency is recognised immediately in the statement of comprehensive income by first writing down any related intangible assets and then related deferred acquisition costs, with any excess being recognised in the consolidated statement of financial position as an unexpired risk liability.

Deferred acquisition costs which are not included in this test are separately assessed for recoverability and are amortised in accordance with the Group's accounting policy set out in Note 4.

Note 6: Shareholder returns

(a) Dividends

(i) Dividends paid or payable

	Cents per fully paid share	\$m	Payment date
2022			
2021 final fully franked dividend	6.90	190.0	30 September 2021
2022 interim fully franked dividend	6.10	168.0	24 March 2022
2021			
2020 final fully franked dividend	6.30	173.5	24 September 2020
2021 interim fully franked dividend	5.80	159.7	25 March 2021

Notes to the consolidated financial statements

30 June 2022

(ii) Dividends not recognised at the end of the reporting period

On 18 August 2022, the directors determined a final fully franked ordinary dividend for the six months ended 30 June 2022 of 7.30 cents per share. The dividend is expected to be paid on 29 September 2022 and has not been provided for as at 30 June 2022.

(iii) Franking account

Franking credits available at 30 June 2022 for subsequent reporting periods based on a tax rate of 30% are \$372.7 million (2021: \$324.2 million).

(iv) Calculation of dividend paid

Medibank's target dividend payout ratio for the 2022 financial year is 75-85% (2021: 75-85%) of full year normalised net profit after tax (underlying NPAT). Normalised net profit after tax is calculated based on statutory net profit after tax adjusted for short-term outcomes that are expected to normalise over the medium to longer term, most notably in relation to the level of gains or losses from investments and movement in credit spreads, and for one-off items, especially those that are non-cash, such as impairments.

	2022 \$m	2021 \$m
Profit for the year – after tax	393.9	441.2
Normalisation for growth asset returns	22.7	(31.2)
Normalisation for defensive asset returns – credit spread movement	18.5	(11.3)
Underlying NPAT	435.1	398.7

Dividends Accounting Policy

A liability is recorded for any dividends determined on or before the reporting date, but that have not been distributed at that date.

(b) Earnings per share

	2022	2021
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (cents)	14.3	16.0
Profit for the year attributable to ordinary equity holders of the parent (\$m)	393.9	441.2
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	2,754,003,240	2,754,003,240

Basic Earnings Per Share Accounting Policy

Basic earnings per share (EPS) is calculated by dividing the profit attributable to equity holders of Medibank, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the reporting period and excluding treasury shares.

Diluted Earnings Per Share Accounting Policy

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- The after income tax effect of any interest and other financing costs associated with dilutive potential ordinary shares.
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Section 3. Investment portfolio and capital

Overview

This section provides insights into the Group's exposure to market and financial risks and outlines how these risks are managed. This section also describes how the Group's capital is managed.

Note 7: Investment portfolios

This note provides information on the net investment income/ (expense) and the carrying amounts of the financial assets residing in the two investment portfolios; the Health Fund Investment Portfolio (including the sub-portfolio) and the Non-Health Fund Investment Portfolio.

Health Fund Investment Portfolio

The Health Fund Investment Portfolio is managed in accordance with the requirements of the Board approved Capital Management Policy, APRA regulatory requirements and the overall objective of achieving a capital base that is both stable and liquid. Consequently, the asset allocation of the Health Fund Investment Portfolio is skewed towards defensive assets (less risky and generally lower returning) rather than growth assets (riskier but potentially higher returning). The Board approved short-term target asset allocation (TAA) for the Health Fund Investment Portfolio is 20%/80% for growth and defensive assets, and the long-term TAA is 25%/75% for growth and defensive assets.

During, and because of, the COVID-19 pandemic, the Short-term Operational Cash (STOC) sub-portfolio was created with the purpose of funding the COVID-19 claims liability and the customer give backs. Given the sub-portfolio's short-term nature, it is managed separately from the TAA framework. This sub-portfolio is permitted to invest in bank deposits, short-term domestic money market securities with a minimum credit rating of A-1+ and Fixed Income assets with a minimum credit rating of AA-.

Non-Health Fund Investment Portfolio

The Non-Health Fund Investment Portfolio is designed to provide the Group with additional liquidity and financial flexibility. The portfolio resides outside of the health fund and is not subject to the same regulatory requirements as the Health Fund Investment Portfolio. The CFO has delegation from the Investment and Capital Committee to manage the portfolio in accordance with the Board approved Investment Management Policy and investment strategy. The Non-Health Fund Investment Portfolio is permitted to invest in bank deposits, short-term domestic money market securities with a minimum credit rating of A-1+ and Fixed Income assets with a minimum credit rating of AA-.

	Health Fund Investment Portfolio ¹	Short-term Operational Cash (STOC)	Non-Health Fund Investment Portfolio	Total
Portfolio composition 30 June 2022 (\$m)				
<i>Cash portfolio</i>				
Cash and cash equivalents (as reported in the statement of financial position) ²	232.2	326.6	13.6	572.4
Cash investments with longer maturities	322.2	199.4	19.8	541.4
Less cash allocated to the Fixed income portfolio	(14.4)	-	-	(14.4)
<i>Fixed income portfolio</i>				
Fixed income (as reported in the statement of financial position)	1,769.8	433.8	176.2	2,379.8
Less cash investments with longer maturities	(322.2)	(199.4)	(19.8)	(541.4)
Cash allocated to the Fixed income portfolio	14.4	-	-	14.4
<i>Growth portfolio</i>				
Equities and investment trusts	474.7	-	-	474.7
Total investment portfolio	2,476.7	760.4	189.8	3,426.9

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Portfolio composition 30 June 2021 (\$m)	Health Fund Investment Portfolio ¹	Short-term Operational Cash (STOC)	Non-Health Fund Investment Portfolio	Total
<i>Cash portfolio</i>				
Cash and cash equivalents (as reported in the statement of financial position) ²	428.8	178.2	52.9	659.9
Cash investments with longer maturities	179.0	-	-	179.0
Less cash allocated to the Fixed income portfolio	(37.3)	-	-	(37.3)
<i>Fixed income portfolio</i>				
Fixed income (as reported in the statement of financial position)	1,563.6	148.6	111.2	1,823.4
Less cash investments with longer maturities	(179.0)	-	-	(179.0)
Cash allocated to the Fixed income portfolio	37.3	-	-	37.3
<i>Growth portfolio</i>				
Equities and investment trusts	488.5	-	-	488.5
Total investment portfolio	2,480.9	326.8	164.1	2,971.8

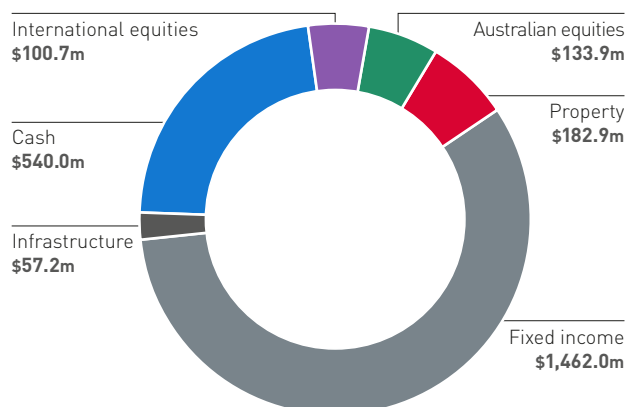
1. The Health Fund Investment Portfolio excludes the Short-term Operational Cash (STOC) sub-portfolio.

2. Cash and cash equivalents as reported in the statement of financial position also include operational cash of \$24.3 million (2021: \$11.8 million).

The Health Fund Investment Portfolio excluding the Short-term Operational Cash sub-portfolio comprises the following:

	Portfolio composition 30 June 2022	Portfolio composition 30 June 2021	Target asset allocation
Growth			
Australian equities	5.4%	4.8%	6.0%
International equities	4.1%	6.0%	5.0%
Property	7.4%	6.9%	7.0%
Infrastructure	2.3%	2.1%	2.0%
	19.2%	19.8%	20.0%
Defensive			
Fixed income	59.0%	57.8%	60.0%
Cash	21.8%	22.4%	20.0%
	80.8%	80.2%	80.0%
	100.0%	100.0%	100.0%

Health Fund Investment Portfolio



Financial Assets at Fair Value Accounting Policy

Investments in listed and unlisted equity securities held by the Health Fund Investment Portfolio are accounted for at fair value through profit or loss (FVTPL). Fixed income investments held by the Health Fund Investment Portfolio are also accounted for at FVTPL, as the Group applies the fair value option to eliminate an accounting mismatch. Transaction costs relating to these financial assets are expensed in the consolidated statement of comprehensive income. These assets are subsequently carried at fair value, with gains and losses recognised within net investment income in the consolidated statement of comprehensive income.

Non-Health Fund Investment Portfolio

Fixed income assets held by the Non-Health Fund Investment Portfolio are accounted for at fair value through other comprehensive income (FVOCI) as the objective of these assets is to collect contractual cash flows and to sell the assets if required, and the contractual cash flows are solely payments of principal and interest. These assets are measured at fair value, with unrealised gains and losses recognised within equity in other comprehensive income. When the assets are derecognised, the cumulative unrealised gain or loss previously recognised in other comprehensive income is reclassified from equity to profit

Financial Assets at Fair Value Accounting Policy continued

or loss. Interest income is recognised within net investment income/(expense) in the consolidated statement of comprehensive income using the effective interest method.

For financial assets measured at FVOCI, the Group applies the general impairment approach under AASB 9, which requires the recognition of a loss allowance based on either 12-month expected credit losses or lifetime expected

credit losses depending on whether there has been a significant increase in credit risk since initial recognition. Expected credit losses do not reduce the carrying amount of the financial asset in the statement of financial position, which remains at fair value. Instead, a loss allowance is recognised in other comprehensive income as the accumulated impairment amount.

Key judgement and estimate

Fair value measurement may be subjective, and investments are categorised into a hierarchy depending on the level of subjectivity involved in the valuation techniques used to measure fair value. The hierarchy is described in Note 7(b).

The fair value of level 2 financial instruments is determined using a variety of valuation techniques, which make assumptions based on market conditions existing at the end

of each reporting period. Valuation methods include quoted market prices or dealer quotes for similar instruments, yield curve calculations using the mid yield, vendor or independent developed models.

The fair value of level 3 financial instruments is determined using inputs that are not based on observable market data.

(a) Net investment income/(expense)

Net investment income/(expense) is presented net of investment management fees in the consolidated statement of comprehensive income.

	2022 \$m	2021 \$m
Interest income ¹	17.9	17.7
Trust distributions	43.1	38.0
Net gain/(loss) on fair value movements on financial assets	(93.0)	47.8
Net gain/(loss) on disposal of financial assets	12.3	21.2
Investment management expenses	(5.1)	(4.7)
Net investment income/(expense)	(24.8)	120.0

1. Includes interest income of \$1.0 million (2021: \$0.7 million) relating to financial assets at fair value through other comprehensive income (Non-Health Fund Investments).

Net Investment Income/(Expense) Accounting Policy

Net investment income/(expense) includes:

- Interest income, which is recognised using the effective interest method.

- Trust distribution income derived from financial assets at FVTPL, which is recognised when the Group's right to receive payments is established.
- Gains or losses arising from changes in the fair value of financial assets measured at FVTPL.
- Investment management fees.

(b) Fair value hierarchy

The Group's financial instruments are categorised according to the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted current bid price) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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The following tables present the Group's financial assets measured and recognised at fair value on a recurring basis.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
30 June 2022				
Financial assets at fair value through profit or loss				
Australian equities ¹	-	133.9	-	133.9
International equities ¹	-	100.7	-	100.7
Property ¹	-	-	182.9	182.9
Infrastructure ¹	-	-	57.2	57.2
Fixed income	53.0	2,150.6	-	2,203.6
Financial assets at fair value through other comprehensive income - Fixed income	-	176.2	-	176.2
Balance at 30 June 2022	53.0	2,561.4	240.1	2,854.5
30 June 2021				
Financial assets at fair value through profit or loss				
Australian equities ¹	-	119.3	-	119.3
International equities ¹	-	147.4	-	147.4
Property ¹	-	-	169.3	169.3
Infrastructure ¹	-	-	52.5	52.5
Fixed income	82.0	1,630.2	-	1,712.2
Financial assets at fair value through other comprehensive income - Fixed income	-	111.2	-	111.2
Balance at 30 June 2021	82.0	2,008.1	221.8	2,311.9

1. Australian equities, international equities, property and infrastructure are indirectly held through unit trusts.

The Group's other financial instruments, being trade and other receivables and trade and other payables, are not measured at fair value. The fair value of these instruments has not been disclosed, as due to their short-term nature, their carrying amounts are assumed to approximate their fair values.

Transfers between fair value hierarchy levels are recognised from the date of effect of the transfer. There were no transfers between the fair value hierarchy levels during the year.

Fair value measurements using significant unobservable market data (level 3)

The Group's investments in infrastructure and property financial assets are classified within level 3 of the fair value hierarchy. These assets are held in unlisted unit trusts and are valued at the redemption value per unit as reported by the managers of such funds. They are classified within level 3 of the fair value hierarchy as their fair values are not based on observable market data due to the infrequent trading of these investments which results in limited price transparency.

The following table presents the changes in level 3 financial instruments during the period.

	Infrastructure \$m	Property \$m	Total \$m
Balance at 1 July 2021	52.5	169.3	221.8
Acquisitions	4.3	6.5	10.8
Net unrealised gain/(loss) on fair value movements	0.4	7.1	7.5
Balance at 30 June 2022	57.2	182.9	240.1

A 10% increase/decrease in the redemption price would decrease/increase the fair value of the level 3 financial assets by \$24.0 million.

Note 8: Financial risk management

This note reflects risk management policies and procedures associated with financial instruments. The Group's principal financial instruments comprise cash and cash equivalents (short-term money market instruments), fixed income assets (floating rate notes, asset-backed securities, syndicated loans, fixed income absolute return funds and hybrid investments), property assets, infrastructure assets, Australian equities and international equities.

A strategic asset allocation is set and reviewed at least annually by the Board, and establishes the maximum and minimum exposures in each investment class. Transacting in individual investments is subject to the delegation of authorities and approval process that is established and reviewed by the Investment and Capital Committee (ICC).

Trading of derivative instruments for purposes other than risk management cannot be undertaken, unless explicitly approved by the ICC. The Group was in compliance with this policy during the current and prior reporting periods.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. Primary responsibility for the consideration and control of financial risks rests with the ICC under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified, including the setting of limits for trading in derivatives, foreign currency contracts and other instruments. Limits are also set for credit exposure and interest rate risk.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Interest rate risk

Description	The risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.
Exposure	The Group has exposure to Australian variable and global fixed interest rate risk in respect of its cash and cash equivalents (2022: \$596.7 million, 2021: \$671.7 million) and fixed income assets (2022: \$2,379.8 million, 2021: \$1,823.4 million). Both classes of financial assets have variable interest rates and are therefore exposed to cash flow movements if these interest rates change. The Group regularly analyses its interest rate exposure and resets interest rates on longer-term investments every 90 days on average. At balance date, the Group's fixed income assets had a modified duration of 0.3 years (2021: 0.5 years).
Sensitivity	A 50bps increase/decrease in interest rates for the entire reporting period, with all other variables remaining constant, would have resulted in a \$6.9 million increase/decrease to profit after tax and equity (2021: \$4.4 million). The sensitivity analysis has been conducted using assumptions from published economic data.

(ii) Foreign currency risk

Description	The risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates.
Exposure	All of the Group's financial assets with a non-AUD currency exposure are fully economically hedged, except for International equities which are unhedged. At balance date, international equities financial assets (2022: \$100.7 million, 2021: \$147.4 million) had net exposure to foreign currency movements.
Sensitivity	A 10% increase/decrease in foreign exchange rates, with all other variables remaining constant, would have resulted in a \$7.8 million decrease/increase to profit after tax and equity (2021: \$11.5 million) in the AUD valuation of international equities financial assets. Balance date risk exposures represent the risk exposure inherent in the financial instruments.

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(iii) Price risk

Description	The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.																																	
Exposure	The Group is exposed to price risk in respect of its fixed income assets primarily due to movements in credit spreads. This risk is managed through active management of credit exposures and credit spread duration. The Group's equity price risk arises from investments in property, infrastructure, Australian equities and international equities. It is managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector and market.																																	
Sensitivity	These investments are exposed to short-term fluctuations in price with their fair value movements being recorded in the consolidated statement of comprehensive income. Price risk is managed by taking a longer-term view of the investment portfolio. The following sensitivity analysis is based on the equity price risk exposures on the average monthly balances during the period and shows the impact on profit after tax and equity if market prices had moved, with all other variables held constant. <table> <tr> <th></th><th colspan="2">2022 \$m</th><th colspan="2">2021 \$m</th></tr> <tr> <th></th><th>+10.0%</th><th>-10.0%</th><th>+10.0%</th><th>-10.0%</th></tr> <tr> <td>Australian equities</td><td>9.1</td><td>(9.1)</td><td>8.7</td><td>(8.7)</td></tr> <tr> <td>International equities</td><td>8.3</td><td>(8.3)</td><td>10.1</td><td>(10.1)</td></tr> <tr> <td>Property</td><td>12.3</td><td>(12.3)</td><td>11.6</td><td>(11.6)</td></tr> <tr> <td>Infrastructure</td><td>3.8</td><td>(3.8)</td><td>2.1</td><td>(2.1)</td></tr> </table> In relation to fixed income assets, a 25bps increase/decrease in credit spreads, with all other variables remaining constant, would have resulted in a \$5.8 million decrease/increase to profit after tax and equity (2021: \$5.9 million). Balance date risk exposures represent the risk exposure inherent in the financial instruments.					2022 \$m		2021 \$m			+10.0%	-10.0%	+10.0%	-10.0%	Australian equities	9.1	(9.1)	8.7	(8.7)	International equities	8.3	(8.3)	10.1	(10.1)	Property	12.3	(12.3)	11.6	(11.6)	Infrastructure	3.8	(3.8)	2.1	(2.1)
	2022 \$m		2021 \$m																															
	+10.0%	-10.0%	+10.0%	-10.0%																														
Australian equities	9.1	(9.1)	8.7	(8.7)																														
International equities	8.3	(8.3)	10.1	(10.1)																														
Property	12.3	(12.3)	11.6	(11.6)																														
Infrastructure	3.8	(3.8)	2.1	(2.1)																														

(b) Credit risk

(i) Cash and cash equivalents and financial assets at fair value through profit or loss

Description	The risk of potential default of a counterparty, with a maximum exposure equal to the carrying amount of these instruments.
Exposure	Credit risk exposure is measured by reference to exposures by ratings bands, country, industry and instrument type. The Investment Management Policy limits the majority of internally managed credit exposure to A- or higher rated categories for long-term investments, and A2 or higher for short-term investments (as measured by external rating agencies such as Standard & Poor's). Departures from this policy and the appointment of external managers require Board approval. The Group does not have any financial instruments to mitigate credit risk and all investments are unsecured (except for covered bonds, asset-backed securities and mortgage-backed securities). However, the impact of counterparty default is managed through the use of Board approved limits by counterparty and rating and diversification of counterparties.
Sensitivity	The Group's cash and fixed income portfolios are subject to counterparty exposure limits. These limits specify that no more than 50% (2021: 50%) of the cash portfolio can be invested in any one counterparty bank and no more than 10% (2021: 10%) in any one counterparty corporate entity. In the Group's fixed income portfolio, the maximum amounts that can be invested in any one counterparty bank and any one counterparty corporate entity are 50% (2021: 50%) and 15% (2021: 15%) of the portfolio respectively. As at 30 June 2022 and 2021, the counterparty exposure of the Group was within these limits.

(ii) Trade and other receivables

Description	Due to the nature of the industry and value of individual policies, the Group does not request any collateral nor is it the policy to secure its premiums in arrears and trade and other receivables. The Group regularly monitors its premiums in arrears and trade and other receivables, with the result that exposure to bad debts is not significant. The credit risk in respect to premiums in arrears, incurred on non-payment of premiums, will only persist during the grace period of 63 days as specified in the Fund Rules, after which the policy may be terminated. The Group is not exposed to claims whilst a membership is in arrears, although a customer can settle their arrears up to the 63 day grace period and a claim for that arrears period will then be paid. Trade and other receivables are monitored regularly and escalated when they fall outside of terms. The use of debt collection agencies may be used to obtain settlement.
Exposure	There are no significant concentrations of credit risk on trade and other receivables within the Group.

(iii) Counterparty credit risk ratings

The following tables outline the Group's credit risk exposure by classifying assets according to the short-term and equivalent long-term credit ratings (as per published Standard & Poor's correlations) of the counterparties. Assets that fall outside the range AAA to BBB are classified as non-investment grade. The Group's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets in the consolidated statement of financial position.

Short-term rating	A-1+	A-1+	A-1	A-2	B & below		
Long-term rating	AAA	AA	A	BBB	BB & below	Not rated	Total
2022	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cash and cash equivalents	-	596.7	-	-	-	-	596.7
Premiums in arrears	-	-	-	-	-	6.3	6.3
Trade and other receivables	-	-	-	-	-	219.1	219.1
Financial assets							
Australian equities	-	-	-	-	-	133.9	133.9
International equities	-	-	-	-	-	100.7	100.7
Property	-	-	-	-	-	182.9	182.9
Infrastructure	-	-	-	-	-	57.2	57.2
Fixed income	285.5	819.9	378.8	329.2	7.6	382.6	2,203.6
Financial assets at fair value through other comprehensive income	-	176.2	-	-	-	-	176.2
Total	285.5	1,592.8	378.8	329.2	7.6	1,082.7	3,676.6
2021							
Cash and cash equivalents	-	671.7	-	-	-	-	671.7
Premiums in arrears	-	-	-	-	-	8.5	8.5
Trade and other receivables	-	-	-	-	-	207.4	207.4
Financial assets							
Australian equities	-	-	-	-	-	119.3	119.3
International equities	-	-	-	-	-	147.4	147.4
Property	-	-	-	-	-	169.3	169.3
Infrastructure	-	-	-	-	-	52.5	52.5
Fixed income	183.2	528.4	293.0	301.3	7.9	398.4	1,712.2
Financial assets at fair value through other comprehensive income	-	111.2	-	-	-	-	111.2
Total	183.2	1,311.3	293.0	301.3	7.9	1,102.8	3,199.5

The not rated fixed income assets relate to investments in unrated unit trusts. The majority of the underlying securities held by these unit trusts are investment grade assets and Senior Loans.

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(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. It may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

In order to maintain appropriate levels of liquidity, the Health Fund Investment Portfolio's target asset allocation is to hold 20% (2021: 20%) of its total investment assets in cash/bank deposits and highly liquid short-term money market instruments and fixed income securities. The Non-Health Fund Investment Portfolio provides the Group with additional liquidity and financial flexibility over and above the Fund's target allocation.

Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant and equipment and investments in working capital. These assets are considered by the Group in the overall liquidity risk. To monitor existing financial liabilities as well as to enable an effective overall controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial liabilities.

The tables below reflect all contractually fixed pay-offs for settlement and interest resulting from recognised financial liabilities as at 30 June 2022, as well as the respective undiscounted cash flows for the respective upcoming fiscal years. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022.

	Under 6 months \$m	6 to 12 months \$m	1 to 2 years \$m	Over 2 years \$m	Total contractual cash flows \$m	Carrying amount \$m
2022						
Other trade and other payables ¹	329.8	1.4	2.5	7.4	341.1	341.1
Lease liabilities ²	17.7	17.4	31.8	15.9	82.8	76.9
Total trade and other payables	347.5	18.8	34.3	23.3	423.9	418.0
Claims liabilities	389.8	23.8	6.8	3.3	423.7	422.8
COVID-19 claims liability ³	95.9	352.4	-	-	448.3	448.3
Total claims liabilities	485.7	376.2	6.8	3.3	872.0	871.1
2021						
Other trade and other payables ¹	309.4	0.7	1.1	3.8	315.0	315.0
Lease liabilities ²	16.1	15.4	29.7	36.4	97.6	93.4
Total trade and other payables	325.5	16.1	30.8	40.2	412.6	408.4
Claims liabilities	376.7	21.9	5.5	3.6	407.7	407.7
COVID-19 claims liability ³	63.5	160.3	-	-	223.8	223.8
Total claims liabilities	440.2	182.2	5.5	3.6	631.5	631.5

1. Contractual cash flows greater than 6 months primarily relate to the loyalty program.

2. Refer to Note 14 for further information on lease liabilities.

3. The COVID-19 claims liability is specifically funded by the Short-term Operational Cash (STOC) sub-portfolio (refer to Note 7 for further information). Refer to Note 3(b) for further information on the COVID-19 claims liability.

It is not possible for a company primarily transacting in insurance business to predict the requirements of funding with absolute certainty. The theory of probability is applied based on past observed practices. The amounts and maturities in respect of insurance liabilities are therefore based on management's best estimate which incorporates

statistical techniques and past experience. It is not possible for the Group to predict the ongoing restrictions on surgeries and other health services due to COVID-19 which could result in the maturity profile of the COVID-19 claims liability extending beyond 12 months. This liability is specifically funded by the STOC sub-portfolio.

Note 9: Working capital

The Group's working capital balances are summarised in this note.

(a) Capital management

Medibank's health insurance fund is required to maintain sufficient capital to comply with APRA's solvency and capital adequacy standards. The solvency standard aims to ensure that the fund has enough cash or liquid assets to meet all of its liabilities as they become due, even if the cash flow is 'stressed'. The standard consists of a requirement to hold a prescribed level of cash, and also mandates a Liquidity Management Plan.

The capital adequacy standard aims to ensure that there is sufficient capital within a health insurance fund

to enable the ongoing conduct of the business of the fund. The standard consists of a requirement to hold a prescribed level of assets to be able to withstand adverse experience, and also mandates a Capital Management Policy. The Capital Management Policy includes target capital levels, capital trigger points and corrective action plans.

The health insurance fund is required to comply with these standards on a continuous basis and report results to APRA on a quarterly basis. The fund has been in compliance with these standards throughout the year.

The Board has established a Capital Management Policy for the health insurance fund. Capital is managed against this policy and performance is reported to the Board on a monthly basis.

(b) Trade and other receivables

	Note	2022 \$m	2021 \$m
Premiums in arrears		11.9	13.2
Allowance for impairment loss		(5.6)	(4.7)
	(i)	6.3	8.5
Trade receivables		66.7	59.0
Allowance for impairment loss		(2.1)	(2.2)
	(ii)	64.6	56.8
Government rebate scheme		137.7	133.8
Accrued revenue		13.4	13.2
Other receivables		3.4	3.6
		154.5	150.6
Total trade and other receivables		225.4	215.9

Note: Government rebate scheme is non-interest bearing and generally on 15-day terms.

Past due but not considered impaired

- (i) Premiums in arrears past due but not impaired are \$6.3 million (2021: \$8.5 million).
- (ii) Trade receivables past due but not impaired are \$8.0 million (2021: \$8.3 million). Each business unit of the Group has reviewed their individual debtors and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Trade and Other Receivables Accounting Policy

Trade and other receivables are non-interest bearing and generally due for settlement within 7 - 30 days. These receivables are initially measured at fair value and subsequently at amortised cost using the effective interest method, less a loss allowance for expected credit losses. The carrying value of trade and other receivables is considered to approximate fair value, due to the short-term nature of the receivables. Collectability of trade receivables is reviewed on an ongoing basis. The Group applies the

simplified impairment approach under AASB 9, where expected lifetime losses are assessed based on historical bad and doubtful debt roll rates and adjusted for forward looking information where required. Uncollectible trade receivables are written off against the allowance account when identified. Any impairment loss on trade receivables is recognised within other expenses in the consolidated statement of comprehensive income. Any impairment loss on premiums in arrears is offset against health insurance premium revenue.

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(c) Trade and other payables

	Note	2022 \$m	2021 \$m
Current			
Trade creditors		241.4	239.9
Other creditors and accrued expenses		66.2	55.6
Lease liabilities	14	30.2	28.1
Risk Equalisation Special Account		16.7	7.7
Other payables ¹		6.9	6.9
Total current		361.4	338.2
Non-current			
Lease liabilities	14	46.7	65.3
Other payables ¹		9.9	4.9
Total non-current		56.6	70.2

1. Other payables include a contract liability in relation to the loyalty program.

Trade and Other Payables Accounting Policy

Trade and other payables, with the exception of lease liabilities, are non-interest bearing and are initially measured at fair value and subsequently at amortised cost using the effective interest method. The carrying value of trade and other payables is considered to approximate fair value, due to the short-term nature of the payables.

Refer to Note 3(a) for the Risk Equalisation Special Account accounting policy.

Refer to Note 14 for the accounting policy for lease liabilities.

Loyalty Program Accounting Policy

Where the amount of health insurance premium revenue includes a loyalty component, revenue is allocated to this component based on the relative estimated stand-alone selling price. The component of loyalty revenue is initially deferred as a liability on the consolidated statement of financial position, and subsequently recognised in the consolidated statement of comprehensive income upon redemption when Medibank is obliged to provide the specified goods or services itself.

(d) Reconciliation of profit after income tax to net cash flow from operating activities

	Note	2022 \$m	2021 \$m
Profit for the year		393.9	441.2
<i>Non-cash items</i>			
Depreciation and amortisation		115.0	122.0
Non-cash share-based payments expense		5.9	5.2
Share of (profit)/loss from equity accounted investments	16(b)	(4.5)	1.0
Other non-cash items		1.6	-
<i>Investing and financing items</i>			
Net realised loss/(gain) on financial assets		(12.3)	(21.2)
Net unrealised loss/(gain) on financial assets		93.0	(47.8)
Interest income		(17.9)	(17.7)
Trust distributions		(43.1)	(38.0)
Investment management expenses		5.1	4.7
Interest paid – leases	14	2.4	2.8

	Note	2022 \$m	2021 \$m
<i>(Increase)/decrease in operating assets</i>			
Trade and other receivables		(11.1)	(8.8)
Deferred acquisition costs		(39.6)	(42.3)
Other assets		1.7	6.2
Income tax receivable/liability		123.2	(63.9)
Net deferred tax assets		(157.1)	4.3
<i>Increase/(decrease) in operating liabilities</i>			
Trade and other payables		34.2	15.7
Unearned premium liability		137.4	11.3
Claims liabilities		239.6	(7.7)
Provisions and employee entitlements		81.1	115.2
Net cash inflow from operating activities		948.5	482.2

Cash and Cash Equivalents Accounting Policy

Cash and cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant change in value. These investments have original maturities of three months or less and include cash on hand, short-term bank bills, term deposits and negotiable certificates of deposit.

Amounts in cash and cash equivalents are the same as those included in the consolidated statement of cash flows.

Note 10: Contributed equity and reserves

(a) Contributed equity

Contributed equity consists of 2,754,003,240 fully paid ordinary shares at \$0.03 per share. Ordinary shares entitle their holder to one vote, either in person or by proxy on a poll, at a general meeting of Medibank, and in a reduction of capital, the right to repayment of the capital paid up on the shares.

Ordinary shares entitle their holders to receive dividends and, in the event of winding up Medibank, entitle their holders to participate in the distribution of the surplus assets of Medibank.

(b) Reserves

	2022 \$m	2021 \$m
Equity reserve ¹	17.8	17.8
Share-based payments reserve ²	7.9	4.5
Total	25.7	22.3

- During the 2009 financial year, the parent entity entered into a restructure of administrative arrangements, which gave rise to an equity reserve representing the difference between the book value of the net assets acquired from Medibank Health Solutions Pty Ltd (formerly Health Services Australia Pty Ltd) and the total purchase consideration.
- The share-based payments reserve is used to record the cumulative expense recognised in respect of performance rights issued to participating employees. Refer to Note 18 for further information.

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Section 4. Other assets and liabilities

Overview

This section provides insights into the operating assets used and liabilities incurred to generate the Group's operating result.

Note 11: Property, plant and equipment

(a) Closing net carrying amount

	Note	2022 \$m	2021 \$m
Plant and equipment		10.0	10.2
Leasehold improvements		16.8	23.7
Assets under construction		7.1	4.5
Right-of-use assets	14	54.5	63.3
Total property, plant and equipment		88.4	101.7

(b) Reconciliation of the net carrying amount

	Plant and equipment \$m	Leasehold improvements \$m	Assets under construction \$m	Total \$m
2022				
Gross carrying amount	23.6	96.0	7.1	126.7
Accumulated depreciation and impairment	(13.6)	(79.2)	-	(92.8)
Net carrying amount	10.0	16.8	7.1	33.9
Net carrying amount at 1 July	10.2	23.7	4.5	38.4
Additions	-	0.4	6.4	6.8
Transfers in/(out)	1.1	2.7	(3.8)	-
Depreciation expense	(1.3)	(10.0)	-	(11.3)
Net carrying amount at 30 June	10.0	16.8	7.1	33.9
2021				
Gross carrying amount	22.9	95.0	4.5	122.4
Accumulated depreciation and impairment	(12.7)	(71.3)	-	(84.0)
Net carrying amount	10.2	23.7	4.5	38.4
Net carrying amount at 1 July	6.1	31.0	3.0	40.1
Additions	6.2	1.0	4.4	11.6
Transfers in/(out)	1.7	1.2	(2.9)	-
Depreciation expense	(3.8)	(9.5)	-	(13.3)
Net carrying amount at 30 June	10.2	23.7	4.5	38.4

(c) Property, plant and equipment capital expenditure commitments

	2022 \$m	2021 \$m
Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities	2.0	0.2

Property, Plant and Equipment Accounting Policy

Refer to Note 14 for the accounting policy for right-of-use assets.

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and any subsequent expenditure eligible for capitalisation. Repairs and maintenance costs are recognised in the consolidated statement of comprehensive income during the period in which they are incurred.

Depreciation

Property, plant and equipment is depreciated using the straight-line method over the estimated useful life as follows:

Plant and equipment	3 - 15 years
Leasehold improvements	the lease term
Assets under construction	not depreciated until in use

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Disposal

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs). These gains or losses are included in the consolidated statement of comprehensive income.

Note 12: Intangible assets

	Goodwill \$m	Customer contracts and relationships \$m	Software \$m	Assets under construction \$m	Total \$m
2022					
Gross carrying amount	282.9	89.7	479.4	26.3	878.3
Accumulated amortisation and impairment	(78.4)	(88.0)	(379.6)	-	(546.0)
Net carrying amount	204.5	1.7	99.8	26.3	332.3
Net carrying amount at 1 July	204.5	3.7	111.9	25.2	345.3
Additions	-	-	4.5	20.5	25.0
Transfers in/(out)	-	-	19.4	(19.4)	-
Amortisation expense	-	(2.0)	(36.0)	-	(38.0)
Net carrying amount at 30 June	204.5	1.7	99.8	26.3	332.3
2021					
Gross carrying amount	282.9	89.7	455.5	25.2	853.3
Accumulated amortisation and impairment	(78.4)	(86.0)	(343.6)	-	(508.0)
Net carrying amount	204.5	3.7	111.9	25.2	345.3
Net carrying amount at 1 July	204.5	8.3	124.7	26.2	363.7
Additions	-	-	4.1	19.7	23.8
Transfers in/(out)	-	-	20.7	(20.7)	-
Amortisation expense	-	(4.6)	(37.6)	-	(42.2)
Net carrying amount at 30 June	204.5	3.7	111.9	25.2	345.3

Goodwill Accounting Policy

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Key estimate

Refer to Note 12(a) for further information on the assumptions used in the recoverable amount calculations.

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Software Accounting Policy

Software is carried at cost less accumulated amortisation and impairment losses. Costs capitalised include external direct costs of acquiring software, licences and service, and payroll related costs of employees' time spent on the project. Assets are capitalised where there is control of the underlying software asset and where they will contribute to future financial benefits, through revenue generation and/or cost reduction.

Amortisation is calculated on a straight-line basis over the expected useful lives of the software (1.5 to 10 years).

Customer Contracts and Relationships Accounting Policy

Customer contracts and relationships acquired as part of a business combination are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful lives (5 to 12 years).

Customer contracts and relationships are assessed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(a) Impairment tests for goodwill – key assumptions and judgements

Below is a summary of the Group's goodwill allocation to cash generating unit (CGU) and the key assumptions made in determining the recoverable amounts.

	2022			2021		
	Goodwill allocation \$m	Growth rate %	Pre-tax discount rate %	Goodwill allocation \$m	Growth rate %	Pre-tax discount rate %
Health Insurance	96.2	2.5	11.6	96.2	2.5	10.5
Medibank Health Telehealth	11.1	1.0	12.4	11.1	1.0	11.3
Medibank Health Home Care	97.2	2.5	12.4	97.2	2.5	11.3

Forecast future cash flows	The recoverable amounts of the CGUs are based on value in use (VIU) calculations, which use a three-year cash flow projection per the Group's Board approved Corporate Plan. A terminal value has been assumed in all the VIU calculations, except for the Medibank Health Telehealth CGU VIU calculation which is based on the expected tenure of current contracts.
Discount rates	Estimated future cash flows are discounted using post-tax discount rates which reflect risks specific to each CGU. The equivalent pre-tax discount rates are disclosed above.
Growth rates	The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate as per industry forecasts.
Other key assumptions	The key assumptions underpinning the cash flows are specific to each CGU and the industry in which it operates. The assumptions applied are based on management's past experience and knowledge in the market in which the CGU operates. They include the following: • Health Insurance CGU: Key assumptions include policyholder growth and future premium revenue rate rises, along with claims growth and claims inflation. • Medibank Health Telehealth CGU: The business model of the CGU is contract based by nature and the forecast cash flows contain key assumptions for key customer contracts, including contract renewals, new wins and losses. • Medibank Health Home Care group of CGUs: Comprises acquired and internally developed in-home care businesses. Goodwill has been allocated to the Home Care CGUs as the Group derives strategic and operational synergies, and the Group monitors business performance at the combined Home Care level. The forecast cash flows contain key assumptions around volumes of services performed across geographic areas, expected contract renewals and new wins and losses.

There are no reasonably possible changes in key assumptions that could have resulted in an impairment loss for the Health Insurance CGU, Medibank Health Telehealth CGU or the Medibank Health Home Care group of CGUs in the current or prior reporting periods.

Impairment Accounting Policy

For the purposes of assessing impairment, goodwill is allocated to the CGU, or group of CGUs, at which the goodwill is monitored and where the synergies of the combination are expected. A CGU is the smallest group of assets that generate separately identifiable cash inflows.

An impairment loss is recognised if the asset's or CGU's carrying amount exceeds its recoverable amount. The

recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and VIU. In assessing VIU, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

(b) Intangible assets capital expenditure commitments

	2022 \$m	2021 \$m
Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities	0.7	1.9

Note 13: Provisions and employee entitlements

(a) Employee entitlements

(i) Employee entitlements provision

	2022 \$m	2021 \$m
Current	72.4	69.7
Non-current	13.8	13.0
Total employee entitlements	86.2	82.7

This provision incorporates annual leave, long service leave, bonus plans and termination payments.

(ii) Employee benefits expense

Included in the Group's employee benefits expense are the following:

	2022 \$m	2021 \$m
Superannuation expense	31.0	30.4
Other long-term benefits expense	4.9	5.4
Termination benefits expense	3.3	3.7
Share-based payment expense	5.9	5.2

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Employee Entitlements Accounting Policy

Short-term obligations Liabilities for wages and salaries, including non-monetary benefits, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefit obligations Liabilities for employee entitlements includes long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the period. The liabilities are measured at the present value of expected future payments using the projected unit credit method, taking into account:

- Expected future wage and salary levels.
- Experience of employee departures.
- Periods of service.

Expected future payments are discounted using market yields at the end of the reporting period, using corporate bonds with terms to maturity that closely match the estimated future cash outflows. The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Bonus plans Liabilities for bonuses are based on a formula that takes into consideration the performance of the employee against targeted and stretch objectives, the profit of the Group and other financial and non-financial key performance indicators. The Group recognises a provision when it is contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- When the Group can no longer withdraw the offer of those benefits.
- When the Group recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(b) Provisions

Movements in provisions are as follows:

	Commissions	Make good	Workers	Corporate	Contingent	Other	Total
	\$m	\$m	compensation	loyalty benefits	consideration	\$m	\$m
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2021	8.9	5.0	5.3	10.0	2.7	2.8	34.7
Additional provision	7.2	-	0.5	4.2	5.4	2.8	20.1
Amounts utilised during the year	(7.4)	(0.8)	(1.3)	(3.1)	-	(0.3)	(12.9)
Reversal of unused provision	-	-	-	(0.4)	-	-	(0.4)
Balance at 30 June 2022	8.7	4.2	4.5	10.7	8.1	5.3	41.5
Balance comprised of:							
Current	8.7	1.4	0.7	10.7	5.4	5.3	32.2
Non-current	-	2.8	3.8	-	2.7	-	9.3

(i) Commissions provision

This provision relates to estimated commissions payable to third parties in relation to the acquisition of health insurance contracts.

(ii) Make good provision

In accordance with certain lease agreements, the Group is obligated to restore leased premises to their original condition at the end of the lease term. Due to the long-term nature of the liability, there is uncertainty in estimating the ultimate amount of these costs. The provision has been discounted to take into account the time value of money throughout the remaining term of the lease.

(iii) Workers compensation provision

The parent entity is self-insured for workers' compensation claims. Provisions are recognised based on claims reported and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuarial valuation performed at each reporting date. The parent entity has entered into \$10.0 million (2021: \$10.0 million) of bank guarantees in relation to its self-insured workers compensation obligations.

(iv) Corporate loyalty benefits provision

This provision relates to estimated incentives payable to third parties in relation to the acquisition of corporate health insurance contracts.

(v) Contingent consideration provision

Contingent consideration relates to the investment in East Sydney Day Hospital Pty Limited (refer to Note 16(b) for further information).

(c) Customer give back provision

Movement in the customer give back provision is as follows:

	Total \$m
Balance at 1 July 2021	103.0
Additional provision	184.6
Amounts utilised during the year	(109.0)
Balance at 30 June 2022	178.6

During the current and prior periods, the Group has announced various customer give backs as part of its commitment to return permanent net COVID-19 savings to eligible policyholders. These give backs are initially recognised as a reduction to Health Insurance premium revenue in the consolidated statement of comprehensive income with the

corresponding liability recognised in either the customer give back provision or provision for premium deferral in the unearned premium liability (refer to Note 5) depending on the mechanism used to provide the give back to eligible policyholders. One-time cash payments are recognised in the customer give back provision, and premium deferrals are recognised within the unearned premium liability.

The 2021 give back of \$103.0 million that was recognised at 30 June 2021 has all been returned to eligible policyholders during the period. The total amount given back was \$104.6 million, with the additional \$1.6 million recognised in the current period consolidated statement of comprehensive income.

Further customer give backs totalling \$367.8 million were announced during the current period in relation to a 7 month deferral of the 1 April 2022 premium increase and a one-time cash payment. Of this, \$183.0 million has been recognised within the customer give back provision, with \$4.4 million of this being paid during the current period. The remaining give back amount of \$184.8 million has been recognised in the provision for premium deferral in the unearned premium liability (refer to Note 5).

Provisions Accounting Policy

Provisions are recognised when:

- The Group has a present legal or constructive obligation as a result of past events.
- It is probable that an outflow of resources will be required to settle the obligation.
- The amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period using corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The increase in the provision due to the passage of time is recognised as interest expense.

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(d) Contingent liabilities

From time to time, the Group is exposed to contingent liabilities which arise from the ordinary course of business, including:

- Losses which might arise from litigation.
- Investigations from internal reviews and by state and federal regulators such as the ACCC, ASIC, APRA or other regulatory bodies into past conduct on either industry-wide or Medibank specific matters.

It is anticipated that the likelihood of any unprovided liabilities arising is either remote or not material.

The Group has issued \$17.6m of bank guarantees to third parties for various operational and legal purposes, including \$10.0 million (2021: \$10.0 million) in relation to its self-insured workers compensation obligations (refer to Note 13(b) (iii)) and other guarantees relating to conditions set out in property agreements.

It is not expected that these guarantees will be called upon.

Note 14. Leases

(a) Group as a lessee

Leases are entered into as a means of acquiring access to corporate and retail property. Rental payments are generally fixed, with differing clauses to adjust the rental to reflect increases in market rates. These clauses include fixed incremental increases, market reviews and inflation escalation clauses during a lease on which contingent rentals are determined. No operating leases contain restrictions on financing or other leasing activities.

The Group leases unused office space under non-cancellable leases agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 30 June 2022, management have determined it is not reasonably certain that any of its leases will be extended or terminated.

The table below sets out the carrying amounts of the right-of-use asset and the movements during the year.

	2022 \$m	2021 \$m
Balance at 1 July	63.3	72.1
Net additions	19.1	18.4
Depreciation expense	(27.9)	(27.2)
Balance at 30 June	54.5	63.3

The table below sets out the carrying amounts of the lease liabilities and the movements during the year.

	2022 \$m	2021 \$m
Balance at 1 July	93.4	109.2
Additions	19.9	18.4
Accretion of interest	2.4	2.8
Lease payments	(38.8)	(37.0)
Balance at 30 June	76.9	93.4
Balance comprised of:		
Current	30.2	28.1
Non-current	46.7	65.3

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is provided in Note 8(c).

Leases Accounting Policy

As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease by determining whether::

- The contract involves the use of an identified asset.
- The Group has the right to direct the use of the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use or the end of the lease term. In addition, the right-of-use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. In determining the incremental borrowing rate, the following components are considered:

- Reference rate (incorporating currency, environment, term).
- Financing spread adjustment (incorporating term, indebtedness, entity, environment).
- Lease specific adjustment (incorporating asset type).

The interest expense recognised on the lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments, with a corresponding adjustment made to the carrying amount of the right-of-use asset (or profit or loss if the carrying amount of the right-of-use asset has been reduced to zero).

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) Group as a Lessor

Finance lease receivables of \$4.9 million have been recognised by the Group at 30 June 2022 (2021: \$7.0 million). These are presented within other assets in the consolidated statement of financial position.

Leases Accounting Policy

As a lessor

The Group acts as an intermediate lessor for two subleases. The Group's interest in the head lease and sublease are accounted for separately. At the sublease commencement, the Group determines whether it is a finance or operating lease by assessing whether the lease transfers substantially all of the risks and rewards of ownership to the lessee, with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

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Section 5. Other

Overview

This section includes additional information that must be disclosed to comply with Australian Accounting Standards, the *Corporations Act 2001* and the Corporations Regulations.

Note 15: Income tax

Tax consolidation legislation

Medibank and its wholly owned Australian controlled entities are members of a tax consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

The entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several

liability of the wholly owned entities in the case of a default by the head entity, Medibank.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Medibank for any current tax payable and are compensated by Medibank for any current tax receivable.

(a) Income tax expense

	2022 \$m	2021 \$m
Current tax	322.0	182.2
Deferred tax ¹	(156.6)	8.6
Adjustment for tax of prior period	0.7	0.3
Income tax expense	166.1	191.1

¹ Current period includes deferred tax of \$130.2 million in relation to the movements in the COVID-19 claims liability and provision for customer give backs (including premium deferral). Refer to Note 15(c).

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2022 \$m	2021 \$m
Profit for the year before income tax expense	560.0	632.3
Tax at the Australian tax rate of 30%	168.0	189.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	0.9	2.8
Tax offset for franked dividends	(1.6)	(1.2)
Share of (profit)/loss from equity accounted investments	(1.3)	0.3
Other items	(0.6)	(0.8)
	165.4	190.8
Adjustment for tax of prior period	0.7	0.3
Income tax expense	166.1	191.1

(c) Deferred tax assets and liabilities

Deferred tax balances comprise temporary differences attributable to following items.

	2022 \$m	2021 \$m
Recognised in the income statement		
Trade and other receivables	2.3	2.0
Financial assets at fair value through profit or loss	(4.2)	(28.4)
Deferred acquisition costs	(24.9)	(24.3)
Property, plant and equipment	(17.2)	(19.6)
Intangible assets	(11.1)	(13.0)
Trade and other payables	26.9	30.6
Employee entitlements	25.8	24.8
Claims liabilities ¹	139.3	72.2
Provisions ²	104.1	40.6
Business capital costs	0.1	0.3
Other (liabilities)/assets	2.1	0.3
	243.2	85.5
Recognised directly in other comprehensive income		
Actuarial loss on retirement benefit obligation	0.4	0.4
	0.4	0.4
Net deferred tax assets	243.6	85.9

1. Includes deferred tax of \$134.5 million (2021: \$67.1 million) in relation to the COVID-19 claims liability. Refer to Note 3(b) for further information.
2. Includes deferred tax of \$53.6 million (2021: \$30.9 million) in relation to the customer give back provision and \$40.1 million in relation to the provision for premium deferral recognised in the unearned premium liability. Refer to Note 5 and Note 13(c) for further information.

Income Tax Accounting Policy

Current Taxes Accounting Policy

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred Taxes Accounting Policy

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the end of each reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, other than for the following:

- Where they arise from the initial recognition of goodwill.
- Where they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

- For temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Offsetting balances

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Notes to the consolidated financial statements

30 June 2022

Key judgement

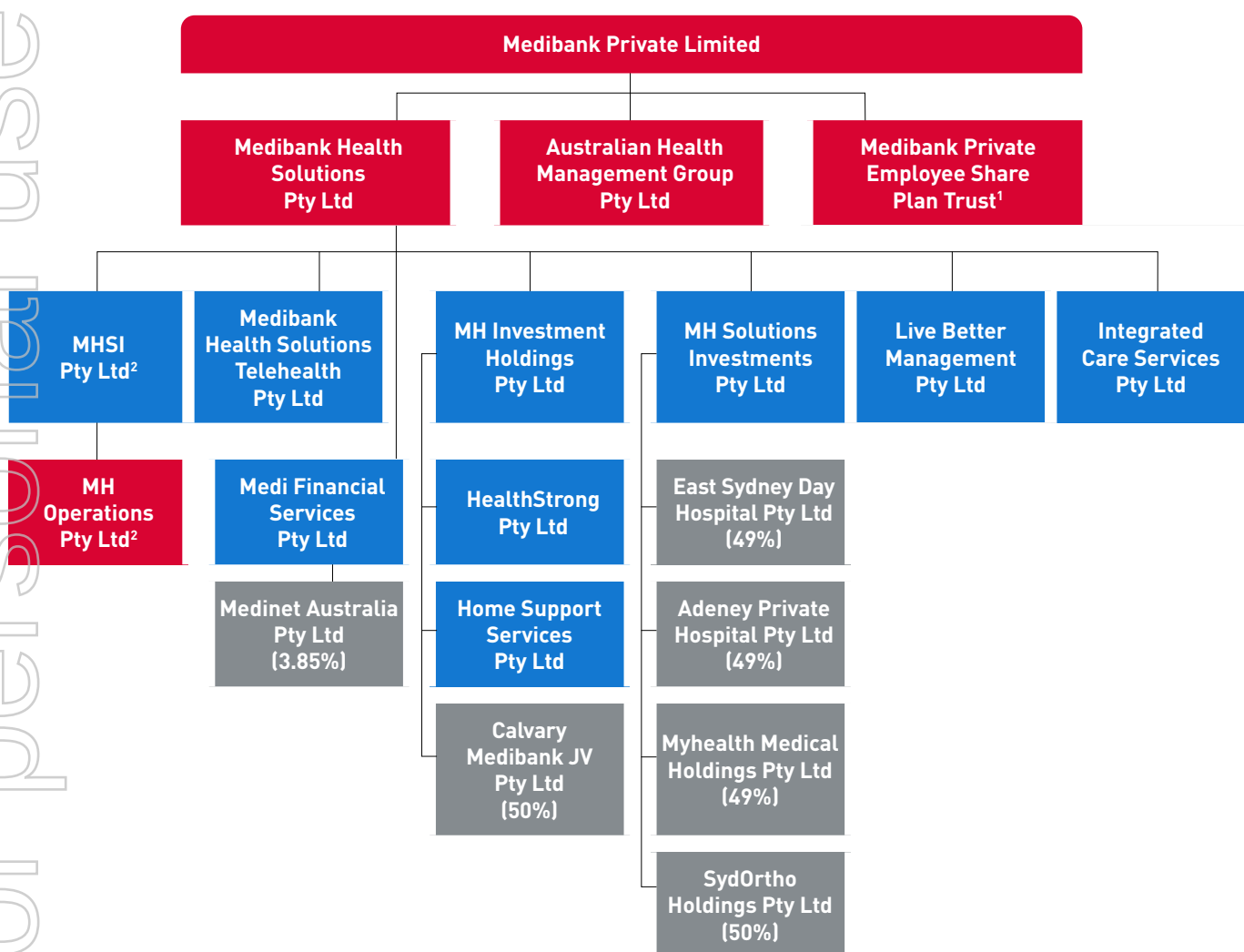
The deferred tax asset in relation to the COVID-19 claims liability has been recognised in the consolidated statement of financial position. Recognition is on the basis that the Group can demonstrate that:

- The temporary difference will reverse when the expected deferred claims are incurred.
- Sufficient profits are forecast to exist to utilise the tax asset in the future.

Note 16: Group structure

(a) Group structure

The consolidated financial statements incorporate the following entities. All entities, unless otherwise stated, are 100% controlled.



■ These subsidiaries are wholly owned by Medibank Health Solutions Pty Ltd and have been granted relief from the necessity to prepare financial reports in accordance with the *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

■ These entities are equity accounted investments. Refer to Note 16(b) for further information.

1. Refer to Note 18(a) for further information on the Employee Share Plan Trust.

2. MHSI Pty Ltd and MH Operations Pty Ltd were registered on 9 May 2022.

Consolidation Accounting Policy

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred and the liabilities incurred. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and

contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired, is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(b) Equity accounted investments

As at 30 June 2022 the Group held the following investments in associates and joint ventures:

Name of company	Principal activity	Place of incorporation	Type	Ownership interest %	
				2022	2021
East Sydney Day Hospital Pty Ltd ⁽ⁱⁱⁱ⁾	Short stay hospital	Australia	Associate	49.00%	49.00%
Calvary Medibank JV Pty Ltd	Medical services	Australia	Joint Venture	50.00%	50.00%
Myhealth Medical Holdings Pty Ltd	Medical services	Australia	Associate	49.00%	49.00%
Adeney Private Hospital Pty Ltd ⁽ⁱⁱⁱ⁾	Short stay hospital	Australia	Associate	49.00%	49.00%
Medinet Australia Pty Ltd ⁽ⁱ⁾	Digital health services	Australia	Associate	3.85%	-
SydOrtho Holdings Pty Ltd ⁽ⁱⁱ⁾	Short stay hospital	Australia	Joint Venture	50.00%	-

The following table shows the Group's aggregated interests in equity accounted investments.

	2022 \$m	2021 \$m
Balance at 1 July	77.1	-
Additions	22.1	78.1
Share of net profit/(loss) for the year	4.5	(1.0)
Balance at 30 June	103.7	77.1

(i) Medinet Australia Pty Ltd

On 15 March 2022, Medi Financial Services Pty Ltd acquired a 3.85% shareholding in Medinet Australia Pty Ltd, a digital health service provider, for \$10.0 million. The Group has significant influence over Medinet as it has 28.5% of the voting power.

(ii) SydOrtho Holdings Pty Ltd

On 16 March 2022, MH Solutions Investments Pty Ltd acquired a 50% shareholding in SydOrtho Holdings Pty Ltd (SydOrtho) for \$1.5 million, to develop a hospital in Sydney for short stay surgical procedures. As part of the purchase agreement, the Group may make future equity purchases in SydOrtho up to \$13.3 million. These future equity purchases are contingent on SydOrtho achieving certain milestones in the development of the hospital and therefore will only be recognised when the milestones are achieved.

(iii) Other

Other additions during the period comprised:

- Non-cash addition of \$5.4 million in relation to the increase in the East Sydney Day Hospital Pty Ltd contingent consideration provision [refer to Note 13(b)(v)].
- Subscription for an additional \$5.2 million of shares in Adeney Private Hospital Pty Ltd (APH) in line with APH's achievement of milestones.

Notes to the consolidated financial statements

30 June 2022

Equity Accounted Investments Accounting Policy

The Group's associates and joint ventures, which are entities over which the Group has significant influence or joint control, are accounted for using the equity method. Under this method, the investment associate or joint venture is initially recognised at cost and is increased or decreased to recognise the Group's share of profit

or loss. Equity accounting of losses is restricted to the Group's interest in the associate or joint venture. The Group's share of profit or loss for the period is reflected in the consolidated statement of comprehensive income. Investments in associates and joint ventures are tested for impairment if an event occurs that has an impact on the estimated future cash flows from the net investment.

(c) Parent entity financial information

(i) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2022 \$m	2021 \$m
Statement of financial position		
Current assets	3,441.7	3,186.5
Total assets	4,192.8	3,794.7
Current liabilities	2,207.1	1,832.2
Total liabilities	2,355.8	1,980.2
<i>Shareholders' equity</i>		
Issued capital	85.0	85.0
Reserves		
Equity reserve	6.3	6.3
Share-based payment reserve	7.9	4.5
Retained earnings	1,737.8	1,718.7
Total shareholders' equity	1,837.0	1,814.5
Profit for the year	377.1	432.7
Total comprehensive income	377.1	432.7

(iii) Guarantees entered into by parent entity

The parent entity has entered into \$10.0 million (2021: \$10.0 million) of bank guarantees in relation to its self-insured workers compensation obligations. Refer to Note 13(b)(iii) for further information on the provision for workers compensation.

(iii) Contingent liabilities of the parent entity

Refer to Note 13(d) for details of the contingent liabilities of the parent entity.

(iv) Parent entity capital expenditure commitments

	2022 \$m	2021 \$m
Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities		
Property, plant and equipment	2.0	0.2
Intangible assets	0.4	1.6

Parent Entity Financial Information Accounting Policy

The financial information for the parent entity, Medibank, has been prepared on the same basis as the consolidated financial statements, except as set out below:

- Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of Medibank.
- Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised by Medibank as current assets or current liabilities.

Note 17: Related party transactions

(a) Transactions with equity accounted investments

	2022 \$m	2021 \$m
Transactions with equity accounted investments		
Claims incurred	(3.8)	(2.9)
Services provided	26.6	1.7
Interest received	0.2	0.2
Outstanding balances with related parties		
Amounts payable	(0.1)	-
Amounts receivable	1.5	1.5
Loan receivable	2.9	2.9

The Group has entered into the following transactions with its equity accounted investments during the year:

- Payment of policyholder claims. These transactions are under normal commercial terms.
- Receipts in relation to services rendered, largely comprised of services provided to Calvary Medibank JV Pty Ltd for the COVID Care at Home programs.
- Reimbursement of costs incurred.

(b) Key management personnel remuneration

	2022 \$	2021 \$
Short-term benefits	8,024,431	10,300,436
Post-employment benefits	185,198	281,954
Long-term benefits	212,598	1,420,495
Share-based payments	2,855,265	3,515,299
Total key management personnel	11,277,492	15,518,184

Refer to the Remuneration Report for further details of the composition of the key management personnel.

(c) Transactions with other related parties

Certain key management personnel hold director positions in other entities, some of which transacted with the Group during the current and prior reporting periods. All transactions that occurred were in the normal course of business on terms and conditions no more favourable than those available on an arm's length basis.

Note 18: Share-based payments

(a) Share-based payments arrangements

Performance rights to acquire shares in Medibank are granted to members of the Executive Leadership Team (ELT), Senior Executive Group (SEG) and other selected senior employees as part of Medibank's short-term incentive (STI) and long-term incentive (LTI) plans. These plans are designed to:

- Align the interests of participating employees more closely with the interests of customers and shareholders by providing an opportunity for those employees to receive an equity interest in Medibank through the granting of performance rights.
- Assist in the motivation, retention and reward of participating employees.

Performance rights granted do not carry any voting rights.

Medibank has an Employee Share Plan Trust to manage its share-based payments arrangements. Shares allocated by the trust to the employees are acquired on-market prior to allocation. The Trust held nil shares at 30 June 2022.

(i) LTI offer

Under the LTI plan, performance rights were granted to members of the ELT, SEG and other selected senior employees as part of their remuneration. Performance rights granted under the LTI plan are subject to the following performance hurdles:

- 35% of the performance rights will be subject to a vesting condition based on Medibank's earnings per share compound annual growth rate (EPS CAGR) over the performance period.
- 35% of the performance rights will be subject to a relative total shareholder return (TSR) vesting condition, measured over the performance period against a comparator group of companies.
- 30% of the performance rights will be subject to a performance hurdle based on the growth of Medibank's private health insurance market share (as reported by APRA) over the performance period.

Share-based Payment Accounting Policy

The fair value of the performance rights is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions and the impact of any non-vesting conditions, but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest.

Each performance hurdle under the LTI plan has a threshold level of performance which needs to be achieved before vesting commences. Details of these thresholds are outlined in the remuneration report. The vesting conditions for performance rights in grants will be tested over a three-year performance period commencing on 1 July of the relevant period. The vesting conditions must be satisfied for the performance rights to vest. On satisfaction of the vesting conditions, each performance right will convert into a fully paid ordinary share on a one-for-one basis.

The number of rights granted in the 2022 grants were determined based on the monetary value of the LTI award, divided by the volume-weighted average share price of Medibank shares on the ASX during the 10 trading days up to and including 30 June 2021. This average price was \$3.13.

(ii) Annual STI offer

Under the Group's STI plan, 50% of STI awarded to ELT members is paid in cash after the announcement of financial results. The remaining 50% is deferred for 12 months in the form of performance rights granted under the Performance Rights plan. Vesting of deferred performance rights is conditional on the participant remaining employed by Medibank until the end of the 12-month deferral period.

On vesting of the performance rights, each performance right will convert into a share on a one-for-one basis, subject to any adjustment required to ensure that the participant receives a benefit equivalent to any dividends paid by Medibank during the deferral period.

The number of rights to be granted will be determined based on the monetary value of the STI award, divided by the volume-weighted average share price over the 10 trading days up to and including the payment date of cash STI.

The total expense is recognised over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At the end of each reporting period, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. The impact of the revision to original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

(b) Performance rights – Group

	Number of equity instruments	
	2022	2021
Outstanding at 1 July	8,079,042	8,938,073
Granted	3,542,600	3,168,794
Forfeited ¹	(1,371,837)	(624,784)
Exercised ²	(825,420)	(1,980,272)
Lapsed ³	(1,753,932)	(1,422,769)
Outstanding at 30 June	7,670,453	8,079,042
Exercisable at 30 June	-	-

1. Forfeited relates to instruments that lapsed on cessation of employment.
2. Performance rights are exercised as soon as they vest.
3. Lapsed relates to instruments that lapsed on failure to meet the performance hurdles.

(c) Fair value of performance rights granted

Below is a summary of the fair values of the 2021 and 2022 LTI plans and the key assumptions used in determining the valuation. The fair value was determined in consultation with the Group's professional service advisors, KPMG, including key inputs and the valuation methodology for the performance rights granted.

The fair value at grant date differs for each grant primarily due to the Medibank share price on that grant date and for the TSR performance rights, the Medibank share price relative to the comparator group.

	TSR performance rights		EPS and market share performance rights	
	2022	2021	2022	2021
Grant date	1 July 2021	1 July 2020	1 July 2021	1 July 2020
Date of commencement of service and performance period	1 July 2021	1 July 2020	1 July 2021	1 July 2020
Expected vesting date	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Fair value at grant date	\$1.62	\$1.58	\$2.72	\$2.54
Share price at grant date	\$3.14	\$2.97	\$3.14	\$2.97
Dividend yield (per annum effective)	3.7%	4.0%	3.7%	4.0%
Franking rate	100.0%	100.0%	100.0%	100.0%
Risk free discount rate (per annum)	0.2%	0.3%	n/a	n/a
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model	Black-Scholes option pricing methodology	Black-Scholes option pricing methodology
<i>Volatility assumptions (per annum)</i>				
Medibank	20%	28%	n/a	n/a
Comparator group average	32%	35%	n/a	n/a
Correlation between comparator companies' TSR	30%	25%	n/a	n/a

Notes to the consolidated financial statements

30 June 2022

Note 19: Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of Medibank, its related practices and non-related audit firms:

	2022 \$	2021 \$
PricewaterhouseCoopers Australia (PwC):		
Amounts received or due and receivable by the Company's auditor for:		
- An audit or review of the financial report of the Company and any other entity within the Group	1,693,192	1,570,108
Other assurance services in relation to the Company and any other entity within the Group:		
- Audit of regulatory compliance returns	281,550	231,830
- Accounting and other assurance services	248,280	15,530
Other services in relation to the Company and any other entity within the Group:		
- Health consulting services	229,780	199,517
Total remuneration of PwC	2,452,802	2,016,985

Note 20: Other

(a) New and amended standards adopted

Certain new accounting standards and amendments became effective for the annual reporting period commencing on 1 July 2021 but did not have a material impact on the Group's accounting policies or on the consolidated financial report.

(b) New accounting standards and interpretations not yet adopted

Certain new accounting standards have been published that are not mandatory for 30 June 2022 reporting periods but will be applicable to the Group in future reporting periods. The Group's assessment of the impact of these new standards is set out below.

(i) AASB 17: Insurance Contracts

AASB 17 *Insurance Contracts* is effective for reporting periods beginning on or after 1 January 2023 and will replace AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The Group will apply AASB 17 for the annual period beginning 1 July 2023.

The standard introduces a new general measurement model for accounting for insurance contracts. However, a simplified premium allocation approach, similar in nature to the Group's existing measurement basis under AASB 1023 is permitted in certain circumstances (such as for short-duration contracts).

The Group has a comprehensive project underway to assess the potential impact on its consolidated financial statements.

This includes identifying changes to the Group's accounting policies, reporting requirements, systems, processes and controls and consideration of industry interpretations and regulatory responses.

The Group expects to apply the simplified premium allocation approach to all of its insurance contracts. The Group is considering applying the option provided under AASB 17 for groups of contracts that apply the simplified approach (and have a coverage period of less than one year) to recognise insurance acquisition cash flows as expenses when incurred. This is different to the current approach of amortising acquisition costs over the average expected retention period, however this potential change in treatment is not expected to result in a significant change to measurement. The impact of AASB 17 on the recognition, measurement and classification of the COVID-19 deferred claims liability and customer give backs is currently being evaluated by the Group.

All other key estimates and judgements in relation to the measurement of the Group's claim liabilities are expected to remain largely the same under the new standard. However, it is expected that under AASB 17 there will be substantial changes in presentation of the financial statements and disclosures.

(ii) Other accounting standards or amendments that will become applicable in future reporting periods

Other accounting standards or amendments that will become applicable in future reporting periods are not expected to have a material impact on the Group's accounting policies or on the consolidated financial report.

(c) Other accounting policies

Impairment of Tangible and Intangible Assets (other than Goodwill) Accounting Policy

Assets other than goodwill and financial assets classified at fair value through other comprehensive income, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs).

Financial Assets and Financial Liabilities Accounting Policy

The Group's financial assets consist of cash and cash equivalents, financial assets at fair value and trade and other receivables. Management determines the classification of its financial assets at initial recognition based on the business model test and cash flow characteristics. Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred. The Group's financial liabilities comprise trade and other payables. Financial liabilities are classified and measured at amortised cost and derecognised when the Group's contractual obligations are discharged, cancelled or expired.

Goods and Services Tax (GST) Accounting Policy

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Events occurring after the reporting period

There have been no events occurring after the reporting period which would have a material effect on the Group's financial statements at 30 June 2022.

Directors' declaration

The directors declare that, in the opinion of the directors:

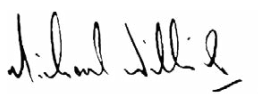
- (a) the financial statements and notes set out on pages 73 to 119 are in accordance with the *Corporations Regulations 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Regulations 2001* for the year ended 30 June 2022.

This declaration is made in accordance with a resolution of the directors.

On behalf of the Board,



Mike Wilkins AO
Chair



David Koczkar
Chief Executive Officer

18 August 2022
Melbourne

Auditor's independence declaration



Auditor's Independence Declaration

As lead auditor for the audit of Medibank Private Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Medibank Private Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'C.J. Heath', written over a light blue horizontal line.

CJ Heath
Partner
PricewaterhouseCoopers

Melbourne
18 August 2022

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Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report

To the members of Medibank Private Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Medibank Private Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
For the purpose of our audit we used overall Group materiality of \$27 million, which represents approximately 5% of the Group's profit before tax. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. We performed: - an audit of the financially significant component of the Group, being the Health Insurance segment. - specific audit procedures over significant risks and financially significant balances of the Medibank Health segment.	Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: - Continued impact of the COVID-19 pandemic - Estimation of the outstanding claims liability - Impairment test of goodwill allocated to the Home Care group of Cash Generating Units (CGUs) - Reliance on automated processes and controls These are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Continued impact of the COVID-19 pandemic <i>Estimation of the COVID-19 deferred claims liability</i> (Refer to Note 3: \$448.3m) The COVID-19 claims liability relates to expected future payments to customers as a result of the Coronavirus pandemic (COVID-19) preventing access to surgery and other health services (referred herein as 'COVID-19 restrictions'). The COVID-19 claims liability is calculated by considering: - the difference between actual claims service levels and estimated underlying claims growth that would have occurred in the absence of COVID-19 restrictions (expected claims service level) - the rate at which deferred surgical and non-surgical procedures will catch up in future periods (deferral rate) - variations in the above key assumptions by geography and modality (claim type) - average policyholder lapse rate. Utilisation of the COVID-19 claims liability is assessed with reference to claims levels and the extent of COVID restrictions by geography and modality. The COVID-19 deferred claims liability is included in the financial statement line item titled 'Claims liabilities' recognised on the consolidated statement of financial position but does not form part of the outstanding claims liability (refer to the Key Audit Matters titled '<i>Estimation of outstanding claims liability</i>'). We considered this a key audit matter due to the: - complexity, significant uncertainties and subjectivity impacting the Group's estimate of the liability, including:	We performed the following audit procedures, amongst others: - Evaluated the design of the Group's relevant key controls over the COVID-19 provisioning process. - Evaluated the Group's accounting policy for the deferral of claims due to the COVID-19 pandemic against applicable Australian Accounting Standard requirements, Private Health Insurance (PHI) industry practices and publicly available health services data. - Assessed, on a sample basis, significant data inputs used in the Group's modelling and estimation of the COVID-19 claims liability (including relevance and reliability of data, appropriateness of data in the context of the applicable financial reporting framework, and potential indicators of management bias). - Analysed claims patterns across key claims attributes (e.g. hospital versus ancillary claims and surgical versus non-surgical). - Together with PwC actuarial experts, we: - Assessed significant assumptions, and any changes to these assumptions, adopted by the Group in determining the impact of continued COVID-19 restrictions on claims deferred to future periods with reference to PHI trends, clinical analysis of deferral expectations and claims patterns with and without COVID-19 restrictions. - Considered the appropriateness of the Group's methodologies used to determine claims deferred to future periods with reference to PHI actuarial practices.



Key audit matter

How our audit addressed the key audit matter

- | | |
|--|--|
| <ul style="list-style-type: none"> ○ the impact and variability of disruptions to planned insured surgeries and other insured procedures arising from COVID-19 restrictions ○ an absence of historical precedent on which to analyse data due to the impact of COVID-19 on claims patterns ○ the determination of the proportion of claims not incurred that is attributable to COVID-19 restrictions ○ the estimation of the proportion of deferred claims expected to be made post balance date. • the focus on disclosures that are fundamental to understanding the impact of COVID-19 on the Group's financial report, including the methodology and key assumptions used to estimate the COVID-19 deferred claims liability and the impact of changes in key variables on the COVID-19 deferred claims liability. | <ul style="list-style-type: none"> ○ On a sample basis, performed recalculations over the mathematical accuracy of the Group's COVID-19 claims liability model. • Assessed the reasonableness of disclosure of the COVID-19 claims liability in the financial report against the requirements of the applicable Australian Accounting Standards. |
|--|--|

Recognition of COVID-19 customer give backs

(Refer to Note 3: \$369.4m, Note 5: \$133.5m and Note 13(c): \$178.6m)

The COVID-19 customer give backs represent the Group's commitments to return permanent net COVID-19 savings to eligible customers arising from COVID-19 restrictions.

COVID-19 customer give backs are recognised with reference to the Group's publicly announced customer initiatives representing a return of past premiums to eligible policyholders prevented from accessing insured services during the period.

The Group's COVID-19 customer give backs announced during the year are recognised as a reduction in the financial statement line item 'Health Insurance premium revenue' on the consolidated statement of comprehensive income. The portion of COVID-19 customer give backs owed to customers as at 30 June 2022 is included in the consolidated statement of financial position as 'Unearned premium liability' (Note 5) or 'Customer give back provision' (Note 13(c)), depending on the mechanism used to give back to customers.

We performed the following audit procedures, amongst others:

- Developed an understanding of the Group's public announcements and commitments to financial analysts, shareholders and policyholders during the year.
- Develop an understanding of the Group's key controls relevant to estimating and processing the COVID-19 customer give backs.
- Assessed the reasonableness of accounting treatment and disclosure of the COVID-19 customer give backs within the Group's financial report against the requirements of the applicable Australian Accounting Standards, having regard to the Group's public announcements, give back mechanisms and policyholder eligibility.
- Reconciled the amount and nature of customer give back public announcements made by the Group during the year with amounts recognised and disclosed in the Group's financial report.



Key audit matter

We considered this a key audit matter due to the impact of the Group's public announcements on:

- key recognition criteria under applicable Australian Accounting Standards with reference to the nature of commitments made by the Group and eligibility of policyholders
- the classification and disclosure of customer give backs with reference to specific characteristics of the give back mechanisms.

Estimation of the outstanding claims liability

(Refer to Note 3: \$406.8m)

The liability for outstanding claims relates to claims incurred during the financial year or prior periods but either not assessed or received by the Group at year end.

The liability for outstanding claims is estimated by the Group as a central estimate but, as is the case with any accounting estimate, there is a risk that the ultimate claims paid will differ from the initial estimates. There is also additional uncertainty relating to the continued impact of the COVID-19 pandemic on claims patterns.

A risk margin is applied by the Group to reflect the uncertainty in the estimate. The central estimate and risk margin combined, which are estimated based on judgements and actuarial expertise, are intended to achieve an actuarially defined probability of adequacy (PoA) of 95% (2021: 95%).

The estimation of the outstanding claims liability involves complex and subjective judgements about future events, both internal and external to the business. Primarily, judgement is required by the Group in order to estimate the:

- type and amount of claims incurred during the last two months of financial year but not received or processed by year end
- speed of processing claims by providers issuing claims on behalf of policyholders
- claims cost inflation and medical trends impacting utilisation of benefits by members
- impact of the COVID-19 pandemic on claims patterns.

How our audit addressed the key audit matter

- Performed analytics over the proportion of COVID-19 customer give backs recognised as an unearned premium liability (Note 5) versus a customer give back provision (Note 13(c)) by comparing to the give back mechanisms publicly announced by the Group during the year.

We performed the following audit procedures, amongst others:

Controls design and operating effectiveness

- We evaluated the design of the Group's relevant key controls over the claims reserving process (including data reconciliation, data inputs, data quality, and the Group's review of the estimate) and assessed, on a sample basis, whether these controls were operating effectively throughout the year

Use of actuarial expertise

Together with PwC actuarial experts, we:

- Assessed, on a sample basis, significant data inputs used in the Group's modelling and measurement of the central estimate (including relevance and reliability of data, appropriateness of data in the context of the applicable financial reporting framework, and potential indicators of management bias).
- Considered whether the Group's actuarial methodologies were consistent with actuarial practices and those used in the PHI industry.
- On a sample basis, performed recalculations over the mathematical accuracy of the Group's actuarial models.
- Considered the impact on the estimate of reasonably plausible alternative assumptions such as changes in service levels, payment history, recent claims trends and COVID-19 environmental factors.



Key audit matter

We considered this a key audit matter because of the significant judgement required by the Group in estimating claims liabilities, including continued uncertainty on member claiming patterns due to impact of the COVID-19 pandemic, and because a small change in assumptions can result in a material change in the estimated liability and corresponding charge to profit for the year.

How our audit addressed the key audit matter

- Assessed the significant actuarial assumptions used by the Group in forecasting expected claims, particularly those relating to the two months prior to the year end. This included comparing the significant actuarial assumptions to the Group's historical experience, observable market trends, environmental factors, estimated payment patterns, member claiming patterns, and our industry knowledge.
- Assessed the Group's approach to setting the risk margin in accordance with the requirements of Australian Accounting Standards, including an assessment of the reasonableness of the Group's actuarial calculation of the PoA.
- Assessed the reasonableness of disclosure of the outstanding claims liability in the financial report against the requirements of the applicable Australian Accounting Standards.

Claims received after the year end

- We considered whether actual claims activity after year end supported the key assumptions used by the Group to estimate the outstanding claims liability at year end.

Impairment test of goodwill allocated to the Home Care group of Cash Generating Units (CGUs)

(Refer to Note 12: \$97.2m)

The Group recognised goodwill of \$97.2 million in respect of a number of in-home care businesses. This goodwill has been allocated to a group of Cash Generating Units (CGUs) referred to as the Home Care CGU (Home Care).

An impairment test of Home Care is performed annually by the Group by comparing the carrying value of Home Care to the recoverable amount.

We considered this to be a key audit matter due to the:

We performed the following procedures, amongst others:

- Developed an understanding of the process by which the projected future cash flows of Home Care were developed, including consideration of expected operational, productivity and financial synergies and realisation of planned strategic objectives.
- Considered the level of business performance monitoring by the Group and assessed whether the monitoring was performed at the Home Care level.
- Compared the cash flows included in the impairment assessment with the three-year business plan presented to and approved by the Board.



Key audit matter

- financial significance of the goodwill allocated to Home Care which accounts for 48% of the goodwill balance recognised by the Group
- fact that the recoverable amount of Home Care is determined using a value-in-use model that requires significant judgement by the Group to estimate future cash flows based on a number of key assumptions, including revenue forecasts and expected synergies
- judgements and assumptions applied by the Group in performing the impairment test, including cash flows forecasts related to the realisation of planned strategic objectives for Home Care over the next three years, discount rates and growth rates.

How our audit addressed the key audit matter

- Considered whether the cash flow forecasts were reasonable and were based on supportable assumptions by comparing the forecasts to actual cash flows from previous years.
- Considered the impact on the impairment test of reasonably plausible alternative assumptions, such as achieving cash flow forecasts and changes in the discount rate.
- On a sample basis, tested the mathematical accuracy of the value-in-use model.
- Assessed the reasonableness of disclosure of the impairment test for Home Care goodwill in the Group financial report against the requirements of the applicable Australian Accounting Standards.

Together with PwC valuation experts, we:

- Developed an understanding of the Group's impairment test methodology and key assumptions.
- Evaluated the valuation methodology supporting the Group's impairment analysis against applicable Australian Accounting Standards.
- Compared the growth rate assumed in the cash flow projections extrapolated beyond three years to market data and industry research.
- Evaluated the Group's discount rate assumptions against market data, comparable data and industry research.

Reliance on automated processes and controls

The Group utilises a number of complex and interdependent Information Technology (IT) systems to capture, process and report a high volume of transactions.

We considered this a key audit matter because the:

- operations and financial reporting processes of the Group are heavily reliant on IT systems
- underlying IT controls over business processes are significant to the financial reporting process

We developed an understanding of the Group's IT governance framework, as well as performing testing over the information technology internal controls designed to mitigate the risk of material errors in the Group's financial report:

- program development and changes
- access to programs and data
- computer operations
- business process
- key automated controls and reports.



Key audit matter

How our audit addressed the key audit matter

- data migration activities which occurred during the year impacted the key IT processes, systems and controls relevant to the financial reporting process.

Together with PwC IT specialists, we have evaluated the design and assessed, on a sample basis, the operating effectiveness of key IT controls relevant to the Group's financial reporting processes.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Operating and Financial Review and the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 51 to 72 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Medibank Private Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

CJ Heath

CJ Heath
Partner

Melbourne
18 August 2022

Shareholder information

The shareholder information below is current as at 18 August 2022.

Distribution of equity securities

Size of shareholding	Number of shareholders	Number of shares
1 – 1,000	43,965	39,105,916
1,001 – 5,000	137,328	385,303,765
5,001 – 10,000	14,629	101,238,523
10,001 – 100,000	7,169	151,637,443
100,001 & over	200	2,076,717,593
Total	203,291	2,754,003,240

Unmarketable parcels

There were 886 holdings of less than a marketable parcel (\$500) of shares (141 shares based on a market price of \$3.55 per share) and such holders held a total of 24,109 shares.

20 largest shareholdings

	Number of shares	% of issued capital
1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	904,623,020	32.85
2 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	494,010,434	17.94
3 CITICORP NOMINEES PTY LIMITED	294,226,334	10.68
4 NATIONAL NOMINEES LIMITED	116,099,097	4.22
5 BNP PARIBAS NOMS PTY LTD <DRP>	93,624,000	3.40
6 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	25,673,694	0.93
7 BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	25,647,778	0.93
8 CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	20,692,879	0.75
9 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	9,947,321	0.36
10 BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	6,588,819	0.24
11 AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS IOOF EMPLOYER SUPER A/C>	5,913,816	0.21
12 NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	4,651,553	0.17
13 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,427,034	0.16
14 BOND STREET CUSTODIANS LIMITED <COCKEJ - F01832 A/C>	3,287,129	0.12
15 NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	3,085,762	0.11
16 BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,511,692	0.09
17 SOLIUM NOMINEES (AUSTRALIA) PTY LTD <VSA A/C>	1,782,571	0.06
18 AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IDPS A/C>	1,773,399	0.06
19 NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	1,696,936	0.06
20 NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	1,660,511	0.06
Total	2,021,923,779	73.42

Shareholder information

Substantial shareholders

As at 18 August 2022 the following holders had provided a substantial shareholding notice:

Name of holder	Number of shares	% of issued capital
BlackRock Group	224,049,642	8.13%
State Street Corporation	141,100,861	5.12%
The Vanguard Group	137,868,557	5.006%

Voting rights

At a general meeting of the Company, every shareholder present (including virtually present) or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each share held.

On-market purchases of shares

During the financial year ended 30 June 2022, 825,420 Medibank ordinary shares were purchased on market at an average price of \$3.53 for the purposes of Medibank's employee incentive schemes.

On-market share buy-back

There is no current on-market share buy-back.

Financial calendar

Key dates



Full year results announcement	18 August 2022
Ex-dividend share trading commences	7 September 2022
Record date for final dividend	8 September 2022
Payment date for final dividend	29 September 2022
Annual general meeting	16 November 2022
Half year results announcement	February 2023
Payment date for interim dividend	March 2023

The above dates and payments are subject to confirmation.
Any change will be notified to the Australian Securities Exchange (ASX).

Corporate directory

Company



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Share registry



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Medibank Private Limited

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