Annual Report 2023

Contents

This report is part of our suite of reporting for the 2023 financial year. You can find more information about our performance in our Full Year Results Investor Presentation and Sustainability Report

References to a year are to the financial years ending 30 June in that year. References to COVID are for COVID-19. Reference to Net Zero or our Net Zero pathway are based on the 2022 business-as-usual operations of Medibank Private Limited (ACN 080 890 259) and its ultimately wholly owned subsidiaries and are exclusive of our investment portfolio.

We're a health company working to deliver the best health and wellbeing experience for Australia. From our beginnings as a health insurer, we've grown to become more to millions of people across the country.

We're giving people more control of their own health by working to provide greater choice, better access and more value. We're investing more in preventative health and new ways of delivering care, working with other health innovators, hospitals and governments and we're building more products and services personalised to people's needs. In doing so, we're changing healthcare for people across Australia – both now and in the future.

Purpose

Better Health for Better Lives

Vision

The best health and wellbeing for Australia

Our strategy

Growing as a health company

Values

- Customer obsessed
- Show heart
- Brilliance together
- Break boundaries

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 program
- Preventative health programs
- Clinical homecare and virtual care
- Investments in primary care, virtual care and health system navigation support
- Investments in no gap programs

Sustainability focus areas

- Customer health
- Employee health
- Community health
- Environmental health
- Governance

Delivering results

Customer

4m+ total health insurance customers

c. **$1.15b** total COVID financial support

Medibank **40.1** (-5.2)

ahm **42.7** (+0.3)

customer advocacy
(average Service NPS)

+10.9k (+0.6%) net resident policyholder growth

+78.4k (+39.9%) net non-resident policy unit growth

$6b total claims paid

Healthcare

697k (+34%) Live Better Rewards participants

16,493 (+64%) preventative health program participants

1.6m+ virtual health interactions

5,129 patients used My Home Hospital

$15.5m initial investment in iMH mental health joint venture

People and community

7.7/10 employee engagement

c. **$3m** community investment

Place to work **+23**

Products and service **+24**

employee advocacy

3,640 employees

including around

950 health professionals

Financial

$511.1m (+29.8%) Group net profit after tax

14.6 cps total ordinary dividend
fully franked

$650.4m (+9.8%) Health Insurance operating profit

$138.6m net investment income

27.08% market share

c. **$7m** productivity savings

All data is presented on a statutory basis as at 30 June 2023. Some figures are subject to rounding.

"We are evolving as the needs of our customers evolve. We're helping our customers both be better and get better"

David Koczkar, CEO

Committed to being responsible and sustainable

Mike Wilkins AO

We have focused on doing what is right for our customers, our shareholders, our people and our community following the cybercrime event.

The 2023 financial year was a difficult one for Medibank, characterised by the cybercrime event which we identified in October of 2022 and an increasing difficult economic environment. Notwithstanding these challenges, the Company has continued to demonstrate its resilience and customer focus and delivered a solid financial result for the year.

At our 2022 Annual General Meeting, I said that Medibank would be measured on how we responded to the cybercrime and how we supported our customers. We have continued to focus on our customers and their needs, and while there is more work ahead for us, I am pleased to report that this focus has led to Medibank now having more than 4 million health insurance customers, for the first time in our 47-year history.

The cybercrime was a significant event that has impacted both our customers and our people. It has been a critical focus for the Board throughout the year, particularly as we have overseen Medibank's response to the event and support for those impacted, as well as the ongoing work to continue strengthening our IT security environment.

Recognising the expectations of our customers, our shareholders and our community for there to be meaningful consequences as a result of the cybercrime event, the Board determined the executive leadership team would receive zero short-term incentives for the FY23 year. You can find more detail on the decisions made in the remuneration section of this report.

Throughout the 2023 financial year we have continued working to support the health and wellbeing of our customers and of our community.

Australia continues to grapple with the issue of productivity and the impact that this has on our economic settings. The health sector is certainly not immune to these pressures, and the role of companies like Medibank is to continue to drive innovation that will deliver better outcomes for our customers, while improving the overall efficiency of our system.

We recognise the pressure on household budgets in the current economic environment, and we are responding to this by providing greater value for our customers through the products and services we offer.

Our investments in new patient-centric models of care and focus on prevention are not only benefiting our customers and patients, but also helping to address well-known challenges within our health system. Through our collaborative work with governments, hospitals and health professionals, we are improving health equity and helping to create a more sustainable health system for all people in Australia.

This focus has helped to deliver a solid result this year, with a 9.8% increase in Health Insurance operating profit and 4.2% increase in Medibank Health segment profit from continuing business, positioning us for growth. At a Group level, Net Profit After Tax was up 29.8% to $511.1 million, including net investment income of almost $139 million.

In June, APRA announced an additional capital adequacy requirement of $250 million on Medibank from

1 July 2023 following a review of the cybercrime event. This requirement will apply until Medibank has met agreed key remediation milestones, which we will work to address through our IT security uplift program. The Company remains well capitalised, and in line with this we declared a fully franked final ordinary dividend of 8.3 cents per share, bringing our full year dividend to 14.6 cents per share fully franked – an increase of 9%.

Sustainability remains integral to our purpose of Better Health for Better Lives, and we continue to build upon our environmental, social and governance initiatives to make a positive impact on our community.

As part of our journey towards Net Zero by 2040, this year we developed a strategy for transitioning to 100% renewable electricity. We also began engaging with investment fund managers to better understand their emissions reduction commitments as we consider a Net Zero pathway for our investment portfolio.

We continued to champion diversity and inclusion and met a range of targets set around gender diversity and the representation and engagement of employees with disability. We were also pleased to see engagement increase among our Aboriginal and Torres Strait Islander employees and we remain focused on increasing their representation in our business.

To help create healthier communities, we continue to partner with parkrun Australia and build on our 10-year plan to address loneliness in Australia. As well, the Medibank Better Health Foundation marked a decade of supporting health research, investing around $1 million this year in 22 projects in areas of high health need in Australia.

2023 has been a challenging year for our company, and I would like to recognise the work of my Board colleagues, as well as the leadership shown by David and the executive team. The strength of Medibank has always been its people and throughout the past 12 months, they have displayed an unwavering focus on our customers and supported each other, for which I thank them.

To our customers and our shareholders, we thank you for being with us. We will continue working to deliver the best health and wellbeing for you and for everyone in Australia.

"We are committed to making a positive impact in the communities we are part of and our sustainability report highlights our work to help build a more sustainable future for all"

Supporting our customers and community

David Koczkar

We have worked really hard to regain the trust of our customers and while there is more to do, we are growing again.

To our shareholders, thank you for your ongoing support. It's been a challenging year, but by focusing on our customers and managing our business well, momentum has returned following the cybercrime event.

Despite cost-of-living pressures, people continue to invest in their health and wellbeing, particularly younger people – across the industry we've seen the highest growth of people under 30 taking out hospital cover in a decade. We grew resident policyholders by almost 11,000, driven by families, younger people and those taking out cover for the first time. We also recorded the highest growth in our non-resident business in seven years and have delivered a strong result for our shareholders

Delivering for customers has been and remains our focus. Value starts with premiums, and our average resident premium increase in June 2023 was our lowest in 22 years and well below headline inflation. During the year we provided an additional $469 million in COVID support to our customers, with our total support now at more than $1 billion.

We have also focused on providing value for money to our customers when they use their cover. Our Members' Choice Advantage network saved customers more than $25 million in out-of-pocket costs while customers having a knee or hip replacement saved an average of $1,600 through our growing no gap network.

We continued to evolve our relationship with customers across both our brands, with more people turning to us for additional services and products we offer as a health company, not just an insurer. In fact, around 30% of our Medibank customers engaged with one of our health offerings this year.

Our Live Better program now has almost 700,000 members and enrolments in our preventative health programs grew 64% this year. Our Amplar Health team continues to work alongside governments and others to deliver health services across Australia. This team is supporting more customers alongside its work in the community, providing more than 1.6 million virtual health interactions during the year.

With demand for healthcare continuing to increase, the way the industry supports the health of our population needs to change if we are to sustain patient outcomes, support access and improve affordability – and ultimately drive productivity across our health system. Given the current challenges across the sector, we simply can't move fast enough. Our focus on prevention and innovating in health is helping drive this change, enabled by the strength of our relationships with health professionals, hospitals and other partners.

This is why we're investing in a new mental health model in the private system that extends care beyond the hospital walls. It's behind the virtual hospital we deliver through a joint venture with Calvary which is currently delivering the My Home Hospital service for the South Australian government – a service that saved more than 19,000 bed days in the public system this year. It's driving the growth of our preventative health programs and our work in the community to improve health and wellbeing. It's also why the majority of our hospital agreements incorporate new ways to support patients.

Nearly 12 months on from the cybercrime event, we have continued

> "Our eyes are firmly focused on continuing to play a greater role in supporting the health needs of our customers"

to support people impacted by the event, with mental health and wellbeing, identity protection and financial hardship among the support measures available. We have made good progress on our IT security uplift program which continues to enhance IT security across our business and mature our cybersecurity approach. We also established a new cross-divisional customer trust team in July 2023 to continue evolving our approach to safeguarding the data of our customers.

While it has been a very challenging year we have listened and learnt, and we continue to strengthen our organisation. We are a resilient business and remain well positioned for the future where we will continue to play a greater role in supporting the needs of our customers, driving our growth as a health company and improving the way healthcare is delivered in Australia.

To help us on this path, we are reinventing the way we work by challenging long-held workplace traditions to empower our people to achieve our 2030 vision to deliver the best health and wellbeing for Australia. Changes to the executive leadership team announced in July 2023 will also help us achieve this.

As we look forward, there is much to do, but I cannot think of a better group of people to deliver on our potential than the team across Medibank. They've navigated through a year that's offered up both challenges and opportunities in equal measure – and they have delivered on both counts. I want to thank them for their commitment to our customers and to each other, and also thank Mike and the Board for their ongoing support as we continue play a bigger role in the future of health in Australia.

FY24 outlook

Customer relief

We continue to assess claims activity. Any permanent net claims savings due to COVID will be given back to customers through additional support in the future.

Resident policyholder growth

We anticipate further moderation in resident industry growth in FY24 relative to FY23.

Aiming to achieve 1.5%-2.0% resident policyholder growth in FY24.

Resident claims

Underlying claims per policy unit growth of 2.6% for FY24 among resident policyholders.

PHI management expenses

Targeting $20m of productivity savings across FY24 and FY25.

Cybercrime costs

Expect costs of between $30m-$35m in FY24 for further IT security uplift and legal and other costs related to regulatory investigations and litigation.

- Excludes the impacts of any potential findings or outcomes from regulatory investigations or litigation.

Growth

Targeted organic and inorganic growth for Medibank Health and Health Insurance remain areas of focus.

Delivering value to stakeholders through our strategy

Our stakeholders

Customers	Employees	Community	Shareholders	Health providers and patients

The material issues they care most about

Customers	Employees	Community	Shareholders	Health providers and patients
Affordable, innovative and personalised healthcare	Engaged, purpose-led culture, attract and retain talent Diverse and inclusive workforce	Support healthy communities	Ethical and sustainable business	Work together to build a stronger and more sustainable health system

Environmental health and climate change

The megatrends in health

- Consumerisation of health
- The shift to prevention
- The rise of new care settings
- Outcome-based care

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

How we're delivering 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 challenges such as loneliness, mental health, reconciliation, climate change, and diversity and inclusion

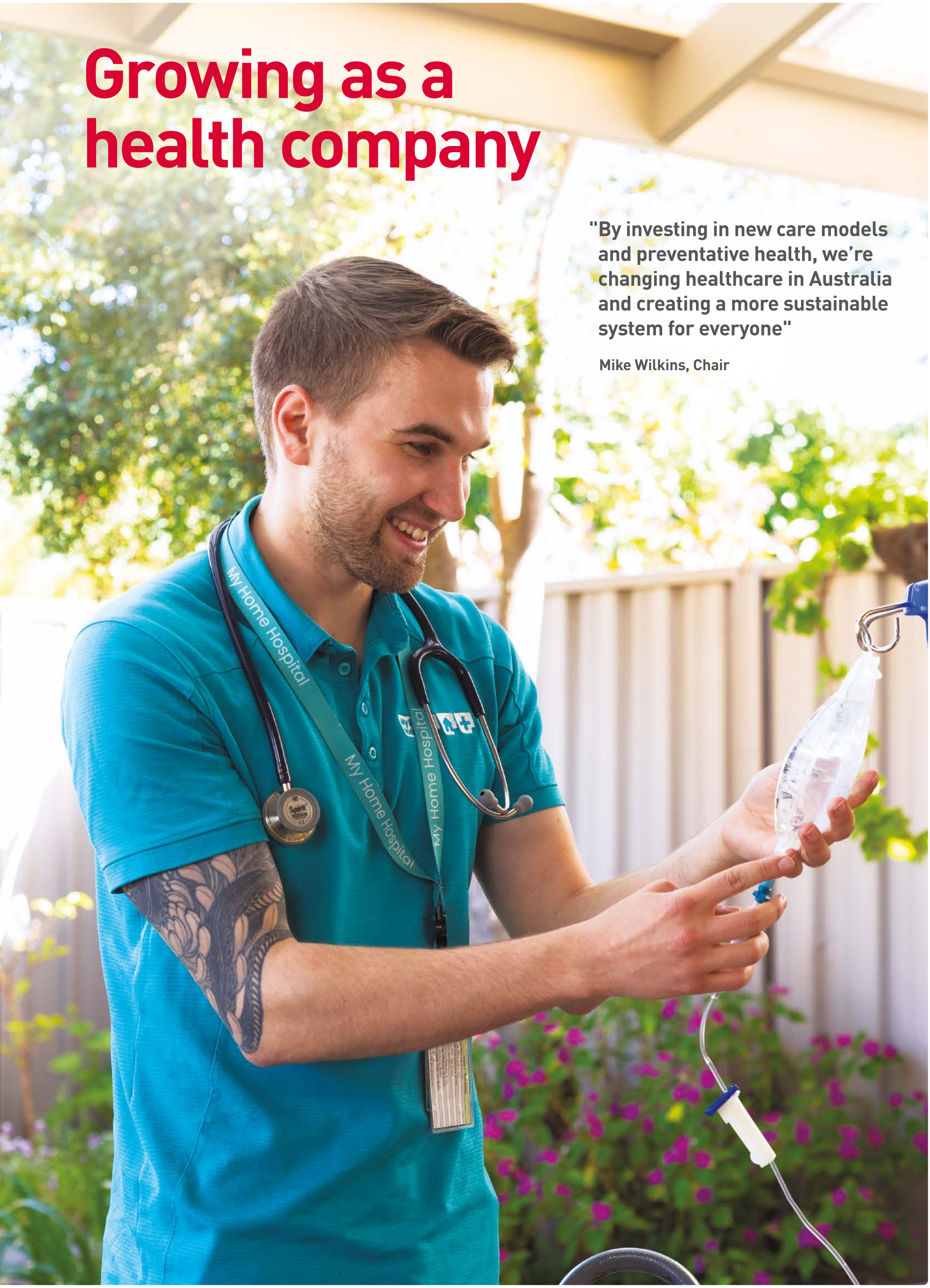
We're delivering sustainable returns to our shareholders while meeting the expectations of our customers and community by embedding ESG practices in our strategy

We're driving healthcare innovation to make the health system more equitable, affordable and accessible, investing in prevention and primary care and working with doctors, hospitals and governments

Growing as a health company

"By investing in new care models and preventative health, we're changing healthcare in Australia and creating a more sustainable system for everyone"

Mike Wilkins, Chair



Deliver leading experiences

Our goals

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

FY23-FY25 milestone achievements
page 28

We made it simpler for customers to manage their health and wellbeing and make healthy choices. We're reinventing our workplace to empower our people and partnering with others to create healthier communities.

Supporting our customers through the cybercrime

This year, our customers were the victims of a cybercrime and our focus on supporting them was and continues to be our priority. To help everyone impacted, we launched our Cyber Response Support Program including mental health and wellbeing support, identity protection and financial hardship measures. We extended our contact centre hours, increased our customer support team by more than 300 people and redeployed our people to phone and messaging channels to support our customers. We continue to strengthen our security environment – we launched additional measures including two-factor authentication for customers contacting our contact centre and we continue to enhance our IT security processes and security systems so our customers can have confidence in the protection of their data.

You can find more information about our response to the cybercrime

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Improving our customer experience

As we've continued to build a more seamless digital experience that makes it simpler and easier for our customers, more people are choosing to use these channels. We enhanced the My Medibank app – integrating our health support programs, adding more Live Better features and analysing customer calls to help us identify the most common information requested so we can look to build new features and content in the app. Almost half of our Medibank service enquiries were managed through self-service channels, while our messaging channel team resolved more than a third of all assisted support queries.

We initiated a pilot program to equip our frontline leaders with enhanced abilities to support and guide their teams effectively, introduced new tools to simplify processes and help our people in assisting customers, and revitalised our onboarding training for new employees, including bolstering the specialised assistance they receive during their initial months.

Our ahm team were also focused on making it easier for customers to self-serve, including redesigning the support section of the website and introducing a simple online hospital cost indicator tool to help customers understand what their cover includes and any associated costs. Now around 65% of all ahm queries are resolved using self-service channels.

To better support our customers and communities in regional and rural areas, we brought our services to them, visiting 140 towns with our Medibank vans and kiosks this year. Our travelling teams have helped thousands of people with their health and wellbeing needs, assisting them with our products and services, while the new health machines we installed in each of our 3 mobile store vans provided free health checks to around 1,400 people.

We've strengthened our ties to local communities so we can better support our customers' health and wellbeing. In Geelong and throughout South Australia we're trialling a new localised approach, in which customers from the region are being supported by team members who live locally, regardless of whether they visit a store, call us or connect via our digital channels. The teams are also deepening relationships with local health providers and corporate partners to make it easier for customers to find the right health support locally. These teams also have greater autonomy to implement their own ideas to help improve the health of their community.

Personalised and connected experiences

Medibank
40.1 (-5.2)

ahm
42.7 (+0.3)

customer advocacy
(average Service NPS)

22%
growth in active users of My Medibank app

82%
of ahm customers logged in via app

3,372
people helped by our Medibank vans

44%
of Board roles held by women

48%
of senior leadership roles held by women

Top 3 worldwide and 2nd in Australia
Equileap Global Gender Equality Index


83%
employees have work/life flexibility

In Brisbane and the Gold Coast, our Amplar team of allied health professionals are trialling a similar localised approach to supporting patients in the area. This has enabled them to more effectively pair patients and practitioners together for a course of treatment and reduce the time team members are travelling between appointments.

Building a workplace reinvented for our future

The strength of our culture and the importance of our values were never more important than throughout the cybercrime event. They underpinned our decision-making, drove our customer-first mindset and were visible in the care our employees showed for each other. Despite a challenging year, our people continued to feel strongly engaged, inspired by our vision and our focus on health and wellbeing.

We know that to achieve our vision and create better experiences for our customers and community, we need to transform the way we work. Our work. reinvented program aims to foster greater collaboration and experimentation and earlier this year more than 2,200 of our people took part in workshops to reimagine what their work could look like both now and in the future. In addition to the many changes individual teams have made to their daily processes, we've now launched 4 big experiments across the business focused on empowering self-managing teams, removing red tape, redesigning performance management and career development and challenging the traditional work week that builds on our market-leading approach to flexibility.

We continued building a more inclusive and diverse workplace and community. Our work to help address gender equality saw us recognised as top 3 worldwide and 2nd in Australia in Equileap's Global Gender Equality Index. We exceeded our targeted procurement spend with Aboriginal and Torres Strait Islander businesses and implemented new recruitment processes to help increase the representation of Aboriginal and Torres Strait Islander employees. We also consulted widely with our people, including Aboriginal and Torres Strait Islander employees, to build understanding and awareness around the Uluru Statement from the Heart. This consultation informs the way we are demonstrating support for a First Nations Voice to Parliament and prioritising the cultural safety of employees.

Find out more about our approach to Reconciliation

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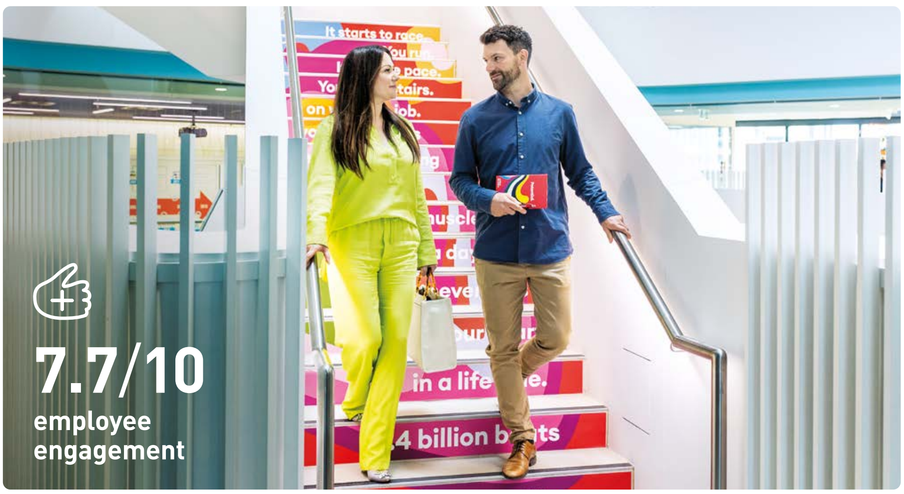
We partnered with lived experience employees and stakeholders to design new learning modules about inclusion, disability awareness and reconciliation for our annual mandatory training program and were recognised by the Australian Network on Disability as a Top Performer in the 2022-23 Access and Inclusion Index for our work in social value procurement and products and services.


7.7/10
employee engagement

Building healthier communities

We're working to make our communities healthier so that everyone can enjoy their best life.

Across Australia, loneliness continues to be felt by more than half of our community, with far-reaching impacts to peoples' health, relationships, work and study. We worked to raise awareness of loneliness and ways to better manage it by developing a new season of our We Are Lonely podcast, continuing our work with Ending Loneliness Together and establishing new partnerships with ReachOut and the University of Technology Sydney.

In support of our ongoing partnership with parkrun Australia we launched a road trip to 12 locations across the country and helped parkrun Australia reach its goal of 900,000 participants two years ahead of schedule. Together we're now working towards 1 million people experiencing the joy of crossing a parkrun finish line by the end of next financial year.

The Medibank Better Health Foundation celebrated 10 years of supporting research that benefits the health of our customers and all Australians. This year the foundation supported 22 projects and partnered with the Royal Australian College of General Practitioners (RACGP) to launch a $250,000 grant to fund research into digital health in primary care.

We've committed to achieving Net Zero by 2040 and have been working towards our first milestone of achieving Net Zero against our Scope 1 and 2 emissions by 2025, including developing our strategy for the move to 100% renewable electricity. We've looked to reduce our environmental impact by trialling new options for employees finishing with the business to reuse and recycle their IT hardware in their local community and donating excess furniture to new businesses.

Find out more about our approach to diversity and inclusion and Net Zero

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$940k
invested in 22 active health research projects

c. $1.4m
procurement spend with Aboriginal and Torres Strait Islander businesses

c. $3m
community investment

300k+
people took part in parkrun in FY23, inc. 100k first timers

Differentiate our insurance business

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

FY23-FY25 milestone achievements

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4m+

health insurance customers

as at 30 June 2023

We worked to deliver even greater value and choice through our Medibank and ahm brands by enhancing our products and services and expanding our provider and partner networks.

More value, more ways

People continued to prioritise their health and wellbeing despite financial pressures increasing for many and we have responded to the affordability challenge by doing more for our customers. The health insurance industry has now seen 12 consecutive quarters of growth and our Medibank and ahm brands together represent more than 27% of people with private health insurance.

We returned a further $469 million to customers this year as part of our COVID support package and give back program. At the beginning of the pandemic we committed to not profit from COVID and we've kept our promise and our financial support for customers now totals around $1.15 billion.

We checked in with almost 600,000 customers to talk about their health cover and if it was the right one for their needs. We also launched our new Medibank Silver hospital cover range designed for people aged between 40 and 60 offering new benefits including reduced out-of-pocket fees for private emergency department visits, access to preventative health programs for eligible customers and no excess when using the no gap program.

Around 2,500 customers have saved thousands of dollars through our no gap program which expanded to 34 hospitals across the country including regional areas such as the Sunshine Coast and Albury-Wodonga. Our no gap joint replacement program can now be accessed by more than 66% of Medibank customers, locally available at 19 hospitals. We also launched a new mental health model through a joint venture with Aurora Healthcare at Deakin Private Hospital, incorporating out-of-hospital services at no additional cost for patients with eligible health insurance apart from any excess or co-payment that would normally apply, with another two hospitals to follow.

Find out more about our no gap and short stay programs

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Since we adopted government reforms to extend the age that young adults could stay on their parents' policy from 24 to 30 years old, we saw around 24,200 people remain covered across Medibank and ahm.

We saw strong growth in the number of customers taking our travel insurance this year, while many others took advantage of the additional benefits and savings we offered on life, pet, car and home insurance. We introduced a complimentary 24/7 online vet consultation service and gap-only payments at a wide network of vet practices as part of our pet insurance and launched a new suite of life insurance products.

Better products and services

34
hospitals in our no gap network

$1,600
(average saving) no gap joint replacement program

586,288
customer cover check ins

$469m
in FY23 COVID financial support

c. $1.15b total

Differentiate our insurance business

$25.1m
out-of-pocket savings through Members' Choice Advantage

$6b
total claims paid

Services supported

1.1m+
hospital admissions

27.4m+
extras services

500k+
surgical procedures

We continued to build upon our extensive network of health providers and partners to broaden the services and support we offer to our customers. Through our Members' Choice Advantage network we provided our customers with greater value, more cost transparency and the widest range of services of any health insurer and this year, saved customers more than $25 million in out-of-pocket costs.

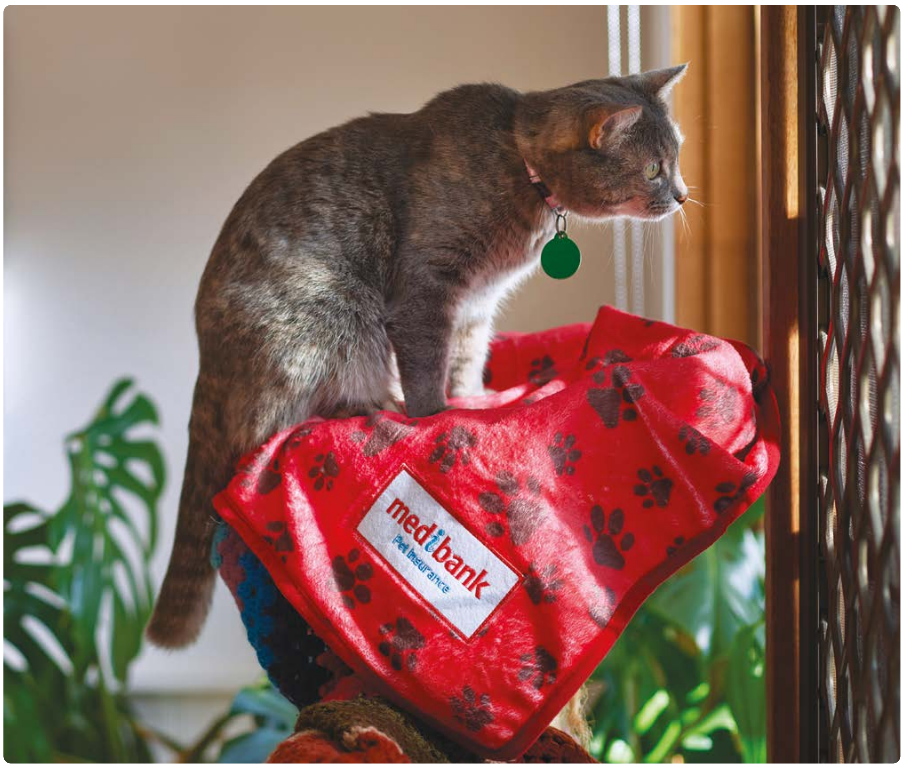
We rewarded more people for making healthy choices – expanding our Live Better program to overseas workers and visitors, launching card linking to make it easy to shop and earn Live Better points with existing partners such as Apple, adidas and Brooks, and new partners such as The Iconic and Lite'n'Easy who we added to our rewards store this year.

We paid $6 billion in claims and delivered our lowest average premium increase in 22 years which we then deferred by two months. We negotiated new funding agreements with major hospital partners, collaborating on initiatives to deliver greater mutual value; and we continued to manage our costs, delivering productivity savings of around $7 million this year.

Our focus on value was again recognised this year by Canstar which awarded ahm outstanding value for overseas student health cover and Medibank for working visa health cover, while the value and quality of both brands' travel insurance was recognised by Finder and Mozo.

Supporting our international customers and corporate teams

As travel restrictions ended and people began returning to Australia, we had our highest number of student, visitor and working visa customer joins in 7 years. Helping drive this is the extensive health and wellbeing support integrated into our health insurance offerings, such as the online GP service and student rewards program we've created as part of our Overseas Student Health Cover (OSHC). We continued to retain and grow our partnerships with universities around the country and contribute to the academic and professional student experience by providing mentor programs and student internships as well as collaborating on health research.



+78.4k (+39.9%)
non-resident policy unit growth

36%
growth of corporate partners using health services

Medical device prices in Australia are the highest in the world

Private Healthcare Australia

An increasing number of our corporate partners looked to us to deliver health and wellbeing programs for their employees. We helped organisations design and deliver programs to bring employees back into the office to collaborate, engage and focus on their physical health, to create psychologically safe work environments and to offer virtual health support.

A healthcare system better for all

We're advocating for reforms that can help ensure healthcare is delivered in the most effective and efficient manner possible.

As people in Australia continue to pay some of the highest prices in the world for medical devices, we maintained our focus on the urgent need to reduce these costs. With the first stage of prostheses reform taking place in July 2022, we've started to see some impact of these changes which we expect to flow through over the next 3 years, but we believe more needs to be done to fully realise the opportunity to deliver around $900 million in annual savings to all private health insurance customers, as anticipated by the Australian Government. We remain committed to passing on these savings to our customers.

We were the first major health insurer to adopt the Federal Government's voluntary age dependent reforms, extending the age that young adults could stay on their parents' policy from 24 years old until their 31st birthday.

We believe primary care is the foundation of our health system and GPs are essential to the health of our community. We're supportive of the recommendations made in the *Strengthening Medicare Taskforce Report* which addresses ways to improve primary care and was handed to the government this year. We've been exploring ways we can enhance our health services operations in line with these recommendations and will share our findings with the government.

We've also engaged regularly with key medical and health associations about ways to improve the health system, particularly in regard to primary and preventative care and chronic disease management, including working with the Australian Patients Association to advocate for health policy to reflect a patient-centred view of healthcare.

Find our more about our work to deliver more affordable healthcare

Sustainability Report

Expand in health

Our goals

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

FY23-FY25 milestone achievements

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People deserve healthcare that is personalised to their needs and provides a more connected experience.

Personalising healthcare for our customers

We're targeting some of Australia's biggest health concerns through our preventative health programs and supporting people to make healthy choices. Our Live Better program has grown to almost 700,000 members, many of whom are engaging more regularly with the program and with our health campaigns – such as the 61,000 redemptions of our flu vaccination voucher.

We introduced complimentary customer health checks with our registered nurses, and more than 16,000 people enrolled in one of our 9 preventative health programs. These programs are not only helping our customers to be healthier, they're also taking pressure off our health system, saving the equivalent of around 55,000 hospital bed days.

We also developed customised health programs for one of our corporate clients to help address the needs of their employees and the local community, including piloting a menopause program that featured one-on-one health consultations with a GP and workplace education and training, as well as establishing an orthodontic clinic in a remote area where no service was accessible.

We made it easier for customers to find the care they need by connecting our healthcare offerings through the Home for Health tab in the My Medibank app, and saw nearly 800,000 unique daily views of this content since launch in January. We supported more than 27% of our customers who required a hospital stay through our Health Concierge program, which we expanded this year to include a post-discharge service offering tailored support from nurses to make the transition home from hospital easier.

Making healthcare personal

697k
medibank Live Better
Live Better Reward participants

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

769k
unique daily views of Home for Health content

16,493 (+64%)
customers enrolled in preventative health programs

"One of the best things of this program was the ease and convenience, particularly with the exercise that I could even do in my caravan. The virtual side of things made it so convenient because you didn't have to make appointments and drive through peak hour traffic to get to the meetings, they came to you."

Leanne, Medibank customer and Better Knee, Better Me participant

Find out more on our preventative health approach

Sustainability Report – page 14

1.6m+
virtual health interactions

26.1k
virtual health and online GP consults for international students and corporate customers

Healthcare the way people want it

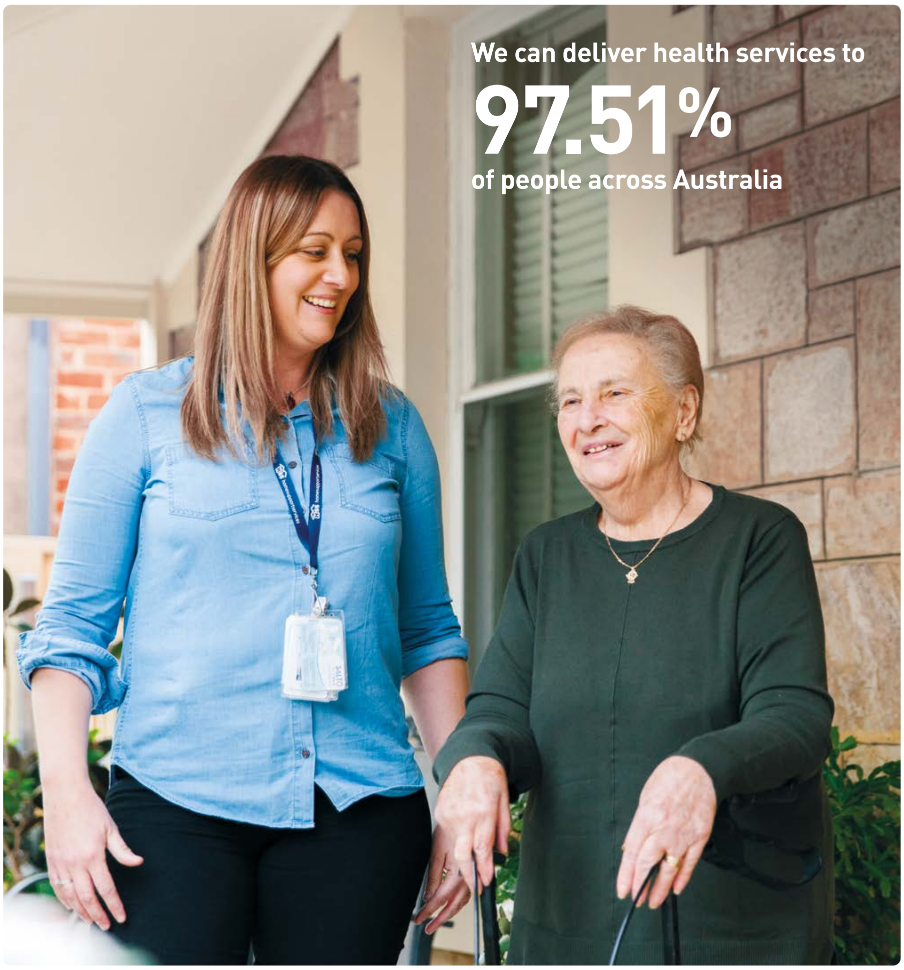
We brought healthcare to our customers and community in more accessible, convenient ways. Our homecare teams helped more people in their homes than ever before, delivering hospital in the home, rehab, chemotherapy, infusion and wound therapy and palliative care through more than 250,000 home visits saving around 115,000 hospital bed days. The number of Medibank customers accessing our homecare services increased by 47% this year, with around 30% of Medibank patients who underwent a joint replacement choosing to have rehab at home.

We continued developing our virtual health capabilities, strengthening our healthcare navigation and support and investing in new technology platforms to enhance our services. Our Amplar Health team learnt a lot from the first pilot of our virtual psychology program we ran in partnership with Myhealth GP clinics and Medinet and in April we relaunched the program across the clinics, providing hundreds of consultations in the first 3 months of the new service.

Our Amplar Health virtual health teams supported more than 1.6 million calls and online interactions this year. In addition to the 24/7 general health and mental health support lines and online GP services we provide for our customers, we continued delivering a number of health services on behalf of governments including Nurse Triage for Healthdirect, After Hours GP and 24/7 GP, NSW Quitline and the Head to Health service in WA. We also completed two key health programs through which we supported over half a million people – the COVID-19 Support Line for NSW Health and COVID Care at Home for Western Sydney Local Health District, delivered by our joint venture with Calvary.

30%
of Medibank joint replacement patients are having rehab at home

250k+
homecare visits supporting 31k patients



Building a better health system

We are driving change in Australia's health system, innovating with models of care that bring together the best benefits of homecare, virtual care and hospital care and building a more connected healthcare experience.

This year, the Calvary Medibank Joint Venture's virtual hospital was accredited as one of the first standalone virtual hospitals to deliver hospital-level care. Our virtual hospital delivers My Home Hospital on behalf of SA Health. More than 5,000 patients were cared for in their home through this service which also expanded to support a broader range of health conditions and service a greater number of regions across Adelaide and its surrounding areas.

To boost access to primary care for people living in northern NSW, we worked with Healthy North Coast to create a free 24/7 health support service to help residents find and access the right level of care for their needs. We worked collaboratively with local primary care providers and pharmacies to support improved priority access to appointments and enable direct connections to healthcare services.

We've also been investing in strengthening our health system, building new hospitals, surgical centres and operating theatres and partnering in new care models that can take the pressure off stretched hospital systems.

Our iMH joint venture with leading specialty mental health provider Aurora Healthcare offers an innovative integrated mental health model that will deliver 153 much needed new mental health beds across 3 new private hospitals, alongside additional out-of-hospital support including homecare and telehealth. 52 beds are currently operating at Deakin Private Hospital in Canberra, with two hospitals to open in FY24 and FY26.

Building is also underway on Adeney Private Hospital in Melbourne and the orthopaedic surgical centre at Macquarie University Hospital in Sydney, both of which will open in 2024, while East Sydney Private Hospital, which we have invested in, opened a new orthopaedic theatre to deliver short stay surgery and support the public system with around 20% of surgeries undertaken this year helping to reduce public wait lists.

Our focus on supporting the broader healthcare system through innovative new models of care is not only benefiting our customers but helping to make healthcare more equitable for people across Australia.

Find out more about how we're changing healthcare in Australia

Sustainability Report

$15.5m
initial investment in iMH mental health joint venture

almost 3m
patient consults across 108 Myhealth GP clinics

5,129
patients used My Home Hospital saving 19k+ hospital bed days

A sustainable future

To deliver on our purpose of Better Health for Better Lives, we need to ensure our actions positively benefit our society, both now and in the future. Our Sustainability Report 2023 details how we are working to create healthier communities that are more inclusive, strengthening our health system so it is more accessible and affordable, helping address climate change by reducing our impact on the environment, and embedding ethical decision making in all we do.

Our sustainability focus areas

Customer health	Employee health	Community health	Environmental health	Governance
Better support our customers to improve their health and wellbeing through personalised advice and by delivering greater value, access choice and control	Build an engaged, inclusive workforce that is customer obsessed, values and purpose driven and focused on health and wellbeing	Make a difference in our community, building partnerships and investing in preventative health and research to address some of Australia's biggest health concerns	Entrench environmental sustainability into our decision making	Embed ethical and responsible business practices throughout Medibank and our supply chain

Material topics

Customer health	Employee health	Community health	Environmental health	Governance
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**

FY23 projects

Customer health	Employee health	Community health	Environmental health	Governance
• No gap and short stay networks • Virtual healthcare and homecare • Integrated care models • Van visits to regional and rural areas • Live Better and preventative health programs • Partnerships with providers • Cyber Response Support Program	• Work. reinvented • Health, safety and wellbeing • Gender equality • Carers support program • Cultural awareness programs • Aboriginal and Torres Strait Islander employee recruitment and engagement • Diversity and Inclusion support networks	• We Are Lonely podcast and partnerships • Medibank Better Health Foundation research • parkrun and Feel Good programs • Reconciliation Action Plan • Accessibility and Inclusion Plan • Healthcare investments • Myhealth GP network • Public health system support	• Net Zero commitment • Environmental sustainability embedded into new Melbourne office plans • Olkola carbon credits partnership	• Data Protect program • IT security uplift program • Aboriginal and Torres Strait Islander procurement • Modern slavery and human rights

Operating and financial review

1. About Medibank

Medibank Private Limited (Medibank) is a health company providing health insurance to more than 4 million people in Australia as well as health services. Our core business is Health Insurance, where 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: 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; we offer a range of diversified insurance products such as travel, life, home and pet insurance; and we have a number of non-controlling investments supporting our strategy to provide greater access, choice and flexibility in healthcare. 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 2023, we had 3,242 full-time equivalent (FTE) employees, including 723 health professionals (excluding employees in associates and joint ventures).

2. Financial and operating performance

References to "2022", "2023" and "2024" are to the financial years ended on 30 June 2022, 30 June 2023 and 30 June 2024 respectively, unless otherwise stated. The "Group" refers to the consolidated entity, consisting of Medibank and its subsidiaries.

2.1 Group summary income statement

Year ended 30 June ($m)	2023	2022	Change
Group revenue from external customers	**7,355.3**	**7,128.5**	**3.2%**
Health Insurance operating profit	650.4	592.6	9.8%
Medibank Health segment profit	44.2	45.5	(2.9%)
Segment operating profit	**694.6**	**638.1**	**8.9%**
Corporate overheads	(47.1)	(44.0)	7.0%
Group operating profit	**647.5**	**594.1**	**9.0%**
Net investment income/(expense)	138.6	(24.8)	n.m.
Other income/(expenses)	(12.6)	(9.3)	35.5%
Cybercrime costs	(46.4)	-	n.m.
Profit before tax	**727.1**	**560.0**	**29.8%**
Income tax expense	(216.0)	(166.1)	30.0%
Group net profit after tax (NPAT)	**511.1**	**393.9**	**29.8%**
Effective tax rate	29.7%	29.7%	-
Earnings per share (EPS) (cents)	18.6	14.3	29.8%
Normalisation for growth asset returns	(4.7)	22.7	n.m.
Normalisation for defensive asset returns	(6.8)	18.5	n.m.
Underlying NPAT[1]	**499.6**	**435.1**	**14.8%**
Underlying EPS (cents)[1]	18.1	15.8	14.8%
Dividend per share (cents)	**14.6**	**13.4**	**9.0%**
Dividend payout ratio[1]	80.5%	84.8%	(430bps)

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.

During the year, Medibank and our customers were the subject of a cybercrime event whereby a criminal accessed Medibank systems using stolen credentials and stole information relating to around 9.7 million current and former Medibank and ahm customers, as well as My Home Hospital patients and healthcare providers. In response, we took immediate steps to contain the incident and put in place additional security measures across the network. We engaged specialised security firms and worked with the Australian Government's lead cyber agency and the Australian Federal Police. We closed down the criminal's attack path and can confirm no further activity by the criminal since 12 October 2022 has been detected inside our systems.

Medibank established a Cyber Response Support Program to support its customers from the impact of the cybercrime which includes mental health and wellbeing support, identity protection and financial hardship measures. We have incurred $46.4 million of non-recurring costs associated with the cybercrime, largely related to our incident response and the customer support package. We expect $30 million to $35 million in 2024 for further IT security uplift, legal costs and other costs related to regulatory investigations and litigation. This does not include the impacts of any potential findings or outcomes from regulatory investigations or litigation.

Following the cybercrime event, litigation and regulatory investigations have commenced. Refer to Note 13(d) of the 2023 financial statements for further details.

The 2023 financial results reflect the resilience of our Health Insurance business, strong underlying profit growth in Medibank Health and continued strong capital generation.

Group operating profit increased 9.0% to $647.5 million driven by strong growth in Health Insurance operating profit of 9.8%, partly offset by a decline in Medibank Health segment profit of 2.9%.

In addition to the increase in Group operating profit, there was also a significant increase in net investment income of $163.4 million which resulted in a 29.8% increase in NPAT to $511.1 million. Underlying NPAT, which adjusts for the normalisation of investment returns, increased 14.8% to $499.6 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

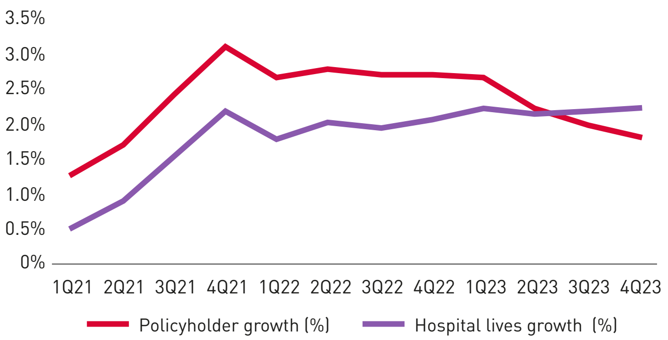
Year ended 30 June ($m)	2023	2022	Change
Premium revenue	7,148.7	6,859.8	4.2%
Net claims expense (including risk equalisation)	(5,925.9)	(5,731.1)	3.4%
Gross profit	**1,222.8**	**1,128.7**	**8.3%**
Management expenses	(572.4)	(536.1)	6.8%
Operating profit	**650.4**	**592.6**	**9.8%**
Gross margin	**17.1%**	**16.5%**	**60bps**
Management expense ratio	8.0%	7.8%	20bps
Operating margin	**9.1%**	**8.6%**	**50bps**

Strong Health Insurance performance was driven by continued policyholder growth and subdued cover downgrading more than offsetting claims growth in the resident business, and strong policy unit growth and margin recovery in the non-resident business.

Health insurance premium revenue grew 4.2% to $7,148.7 million on a reported basis, and underlying revenue, which adjusts for the $451.7 million of COVID-19 give back initiatives in 2023 and $369.4 million in 2022, increased 5.1% to $7,600.4 million.

The resident Health Insurance market remains buoyant with policyholder growth of 1.9% only modestly below 2022. This is despite the implementation of the Adult Dependant Reform (ADR), which allows eligible dependants to remain on their parents' policy up to and including 30 years of age. This reform has increased the number of 25 to 30-year-olds insured overall, however has reduced growth in single policies.

Industry policyholder and hospital lives insured growth



Our reported net resident policyholders increased by almost 11,000 or 0.6% with a modest 0.4% decline in the Medibank brand and 3.4% growth in ahm, with this growth coming in the seasonally stronger fourth quarter. With business operations normalising during the third quarter, retention has progressively improved despite premium increases in the second half. Acquisition also improved in line with additional marketing activity and increased ahm aggregator sales, however our strategic focus continues to be on more profitable direct channels which accounted for 79% of total resident sales this year.

Aided by the ADR, growth in hospital lives insured of 0.9% was 30 basis points above our policyholder growth and skewed towards younger customers. We expect further benefits from ADR over the next five years, and given our strong position in the family market, we anticipate the percentage of lives insured that are under 30 years of age to increase. These customers typically have a lower claiming profile, and we expect this will positively impact our overall claims mix. In 2024 we will continue to focus on growing market share through further capitalising on our dual-brand strategy, increasing our focus on growing in the corporate market and investing where it is commercially appropriate.

In the non-resident business we saw continued strong momentum with policy units increasing 39.9% to 274,900. Strong policy unit growth continued in July and August, and we expect ongoing growth in 2024.

Total gross claims expense increased 3.4% and with risk equalisation having minimal impact on claims growth this period with the return to more normal resident age claiming patterns, net claims also increased 3.4%.

Underlying resident claims growth per policy unit increased 10 basis points to 2.4%, largely reflecting more lives insured per policy unit due to ADR. Hospital claims growth decreased reflecting the benefit of prosthesis savings and an improved risk equalisation outcome, with cost inflation having a modest impact this period. Growth in extras claims was due to investment in additional product benefits and sales mix.

In 2024 we expect hospital claims headwinds to include inflation in public and private hospital claims and the maturing impact of ADR. We expect the tailwinds to be lower rehab claims, the benefit from our claims management initiatives and lower extras claims growth.

We expect underlying resident claims growth per policy unit in 2024 of 2.6%. And while we have not yet seen the economic environment impacting demand for services, we continue to closely monitor the mix of hospital admissions and spend in more discretionary extras services for signs of further customer behaviour changes.

Gross profit increased 8.3% to $1,222.8 million. Permanent net claims savings due to COVID-19 of $451.4 million were returned to customers through $451.7 million of give back initiatives resulting in COVID-19 having a modest $0.3 million negative impact on profit. Adjusting for this impact, underlying gross profit increased 8.3% to $1,223.1 million.

Gross margin increased 60 basis points to 17.1% and underlying gross margin increased 50 basis points to 16.1%. This was driven by a 20 basis point increase in the underlying resident gross margin, and non-resident underlying gross margin increasing from 25.5% to 33.6%, reflecting a continuation of the favourable tenure and mix impacts we have seen since borders re-opened.

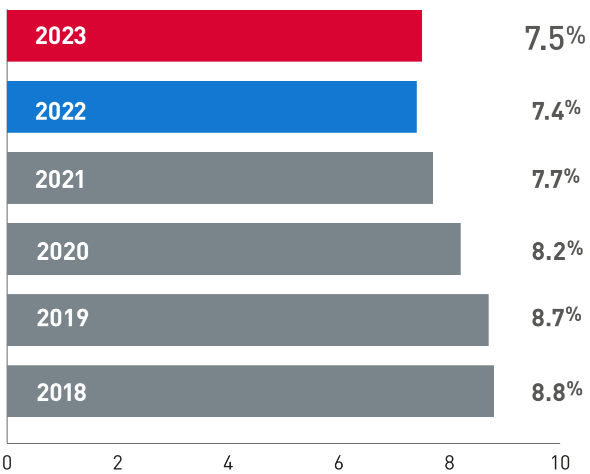
The COVID-19 deferred claims liability, which is in recognition of claims that have likely been deferred since the commencement of COVID-19 restrictions, decreased $194.5 million to $253.8 million. Under the new accounting standard AASB17 *Insurance Contracts* which applied from 1 July 2023, this will be transferred to an after tax equity reserve and will be used to offset future customer give backs, recovery of deferred hospital procedures and other temporary claims impacts.

Management expenses increased 6.8% to $572.4 million with growth in non-resident sales commissions and inflation, partially offset by savings from our productivity program. As a result of significant growth in non-resident policy numbers, sales commissions, which are expensed upfront, increased $18.8 million to $32.7 million. Operating expenses were up 3.4% with cost inflation of 4% and modest volume impacts partially offset by approximately $7 million of productivity savings. While achieving productivity savings this period has been impacted by the cybercrime, we are targeting a further $20 million of savings over the next two years.

The major drivers of expense growth in 2024 will be cost inflation, which we expect to be modestly higher at 4.5%, an additional $5 million of ongoing investment in IT security and $3 million increase in statutory charges.

The underlying management expense ratio remains among the lowest in the private health insurance market despite a slight increase of 10 basis points to 7.5%. We will continue to leverage our productivity program and the benefits of scale to target modest improvement in this ratio while balancing the need to invest for growth.

Health Insurance underlying management expense ratio



Health Insurance operating profit of $650.4 million increased 9.8% this year, or 9.7% on an underlying basis, leading to a 50 basis point improvement in operating margin. On an underlying basis, operating margin improved 40 basis points to 8.6%.

Medibank Health

While the majority of COVID-19 impacts on Medibank Health have eased, the business was impacted by the transition out of 1800RESPECT and Beyond Blue contracts in 2H22. Operating profit increased 8.3% and segment profit, which includes the contribution from our investment in Myhealth and other healthcare investments, decreased by 2.9% to $44.2 million. Excluding the impact of these contract transitions, operating profit increased 17.2% and segment profit increased 4.2%. The remaining commentary on Medibank Health excludes the impact of these two contracts in 2022.

Revenue of $277.1 million was modestly lower with growth in health and wellbeing and travel sales offset by a reduction in telehealth revenue.

Gross profit increased 9.2% to $131.8 million and gross margin improved by 450 basis points to 47.6% with business mix and improved utilisation and business efficiency, partially offset by higher labour costs and inflation.

Management expenses increased $4.6 million reflecting inflationary impacts and investment in future growth, and with the modest decline in revenue, the management expense ratio increased 190 basis points to 31.6%.

The business has good momentum, and we continue to target on average, organic growth of at least 15% per annum over the next three years with key areas of focus including further volume and performance uplift in health services, continuing to reposition the business to meet the emerging needs of Medibank Group customers and delivering synergies between our health businesses.

Net investment income/(expense)

Medibank's investment portfolio was $3.3 billion as at 30 June 2023. This investment portfolio, which includes $2.7 billion relating to the health fund and short-term operational cash (STOC) of $0.4 billion, provides liquidity to cover insurance liabilities related to the Health Insurance business and satisfies our obligation to maintain regulatory reserves to meet health claims and to fund ongoing operations. The STOC balance includes assets, largely 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.

Investment income was $138.6 million compared to a loss of $24.8 million in 2022, due to stronger equity markets, higher interest rates and narrowing credit spreads. The $40.3 million increase in growth portfolio income was due to significantly improved returns in both domestic and international equity markets, partially offset by a lower return in property investments. The defensive portfolio had a gain of $69.4 million compared to a loss of $23.5 million in 2022 largely due to higher RBA cash rates, a $9.7 million benefit from narrowing credit spreads versus a $26.5 million cost last period, and a more stable yield curve resulted in an improved but still below expectation return on international fixed interest holdings.

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 increased by $138.8 million or 7.1% to $2,084.4 million as at 30 June 2023.

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

- A decrease in claims liabilities largely due to a decrease in the COVID-19 deferred claims liability, partially offset by an increase in the outstanding claims liability.
- A decrease in cash and cash equivalents driven by the timing of tax payments.
- An increase in unearned premium liability due to the timing of the recent resident premium increase on 1 June 2023 with prepayments usually peaking around the time of the rate rise, as well as the increase in overseas student policies.

As at 30 June 2023, 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 pay all eligible customer benefits, invest in the growth of our business to provide a return to shareholders, and to meet financial commitments.

On 1 July 2023, accounting standard AASB17 *Insurance Contracts* and the new APRA capital standards became effective. The commentary below is based on the 2023 pro forma capital position which reflects the impacts of these new standards.

The introduction of these new standards has increased our eligible capital position by $87.0 million. The total capital benefit increases to $167.0m after reflecting the reduction in the Health Insurance target required capital ratio to 10%-12% of premium revenue (from 11%-13%).

In June 2023 APRA announced an additional capital adequacy requirement of $250 million on Medibank, with effect from 1 July 2023, following a review of the cybercrime event. As a result, we have temporarily increased Health Insurance business related capital to offset this supervisory adjustment. After this increase, the Group remains well capitalised with 1.8 times coverage of the health insurance prescribed capital amount (PCA) after adjusting for the supervisory adjustment, and unallocated capital of $175.4 million. As a business, we continue to have strong capital generation, and with the level of unallocated capital and the ability to issue Tier 2 debt we remain well placed to fund our M&A aspirations.

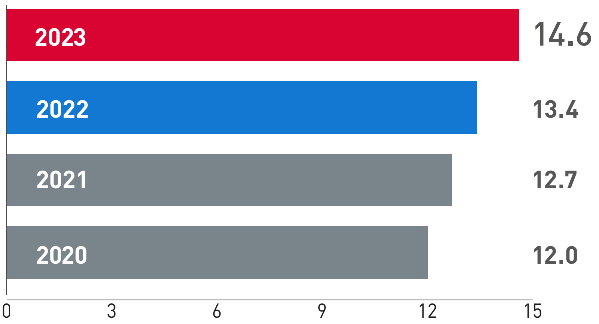
- Our total Health Insurance business-related capital was $1,168.0 million; equivalent to 14.6% of premium revenue after the allowance for determined but unpaid dividends. This is above the target range of 10%-12%.
- Non-fund required capital increased $4.5 million to $191.7 million, reflecting our investment in the integrated mental health model joint venture with Aurora Healthcare. We expect to contribute more capital to the joint venture over the next six to 12 months.
- Unallocated capital increased $27.4 million to $175.4 million.

Dividends paid or payable in respect of profits from the financial year totalled 14.6 cents per share fully franked, amounting to $402.1 million comprising:

- An interim ordinary dividend of 6.3 cents per share fully franked, amounting to $173.5 million paid on 22 March 2023 in respect of the 6-month period ended 31 December 2022, and
- A final ordinary dividend of 8.3 cents per share fully franked, amounting to $228.6 million to be paid on 5 October 2023 in respect of the 6-month period ended 30 June 2023.

The full year 2023 ordinary dividend represents an 80.5% payout ratio of underlying NPAT, normalising for investment market returns. This is at the mid point of our dividend target payout ratio range of between 75% and 85% of underlying NPAT.

Annual dividend (cents)



2.4 Management changes

In April 2023, John Goodall, Group Executive – Technology & Operations, retired from Medibank.

As part of Medibank's continued focus on delivering on our strategy and 2030 vision to deliver the best health and wellbeing for Australia, there have been a number of changes to the executive leadership team, which came into effect on 31 July 2023.

Group Lead – Chief Financial Officer & Group Strategy: Mark Rogers continues to hold this role with responsibility for finance, actuarial, treasury, internal audit, investor relations, strategy development and M&A. Mark adds procurement to his portfolio of responsibilities.

Group Lead – Chief Customer Officer: Milosh Milisavljevic takes on this expanded role. This role brings together the Medibank and ahm brands including marketing, customer channels, customer portfolios, Live Better and diversified insurance.

Group Lead – Chief Executive Amplar Health: Dr Andrew Wilson continues in this role. Andrew is responsible for Medibank's growing role as a health services provider. This includes responsibility for the health services we deliver on behalf of business and government, including telehealth, in-homecare, and our investments in primary care and ambulatory care.

Group Lead – Digital & Ventures: Rob Deeming takes on a new role to accelerate our growth in health through the development of digitally-led health products and services for our customers and the community. Rob maintains his responsibility for the group digital team supporting our insurance and health businesses.

Group Lead – Data & Technology: This role has a dedicated focus on technology, data management and our core platforms. An internal and external recruitment process is underway. In the interim Kylie Williamson will continue to act in this role.

Group Lead – Trust, Legal & Compliance and Company Secretary: Mei Ramsay continues to hold this role, with responsibility for customer trust added to her existing portfolio of legal, governance, compliance and regulatory affairs. Mei continues as Company Secretary.

Group Lead – People, Spaces & Sustainability: Kylie Bishop continues to hold this role, with additional responsibility for spaces (property). Kylie continues to lead the key people functions, as well as our environmental, social and governance (ESG) focus areas.

Group Lead – Policy, Advocacy & Reputation: This is a new role in the executive leadership team. Meaghan Telford has responsibility for government and industry relations, health stakeholders, health policy, reputation and external communications.

3. Strategy and future prospects

Medibank's purpose is Better Health for Better Lives. Our vision is the best health and wellbeing for Australia. Our strategy puts our customers and people at the centre of everything we do. We connect people to a better quality of life in every moment. By working to create access, choice and control for Australia, we seek to sustainably build our customer base and grow shareholder value.

In the year ahead we will continue to regain momentum in our health insurance business, prioritise greater value, progress our IT security uplift program and take further steps to expand in health, particularly in virtual health.

Our strategy – growing as a health company

Deliver leading experiences	Differentiate our insurance business	Expand in health
Create personalised and connected customer experiences	Deliver more value, choice and control for customers	Focus growth on prevention and integrated care models
Empower our people	Offer products and services to meet all customer needs	Scale and connect our health businesses
Collaborate with our communities to make a difference	Leverage our dual brands and provider networks	Bring benefits back to our core

Better Health for Better Lives

Our people are our most valuable asset and 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 and 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.

Although we are seeing cost of living concerns, the health insurance industry remains resilient. Growth continues to be well above pre-pandemic levels as consumers continue to prioritise their health and wellbeing, supported by sustained low premium increases, low levels of unemployment, and pressure on the public health system. We will continue to drive differentiation through integrated propositions, including diversified insurance products, strengthen value for our customers through new products and provider networks, optimise our dual brand strategy to support a broad range of customer segments, and invest to keep premium increases low.

With the increasing pressure on the public system we will continue to partner with doctors, hospitals, governments and other organisations to drive change in the system and advocate for reform. We will grow, develop and scale innovative models of care, providing our customers and the community greater choice and access to the right care, in the right place, at the right time.

We will support healthcare affordability through expansion of our no gap program across more clinical modalities and locations and drive integrated care initiatives that support the end-to-end patient journey.

We will integrate the Live Better program into preventative health, acquisition and retention journeys to evolve the way we support the health and wellbeing of our customers, and expand our suite of preventative programs with the aim of 50,000 enrolments by FY25.

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. Connection between our various health assets will be key to delivering a better and more customer/patient-centric health experience.

Medibank remains positioned for growth with strong customer advocacy, positive policyholder growth outlook, track record of health innovation, continued focus on cost discipline, and strong balance sheet to support our growth ambitions.

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.

4. Material business risks

Please refer to pages 46 to 48 of the risk management section for an overview of our material business risks and the APRA new prudential standard.

Milestones

Pillars | Milestones

Deliver leading experiences

Customer advocacy: Service NPS (average)

	FY23	FY24 benchmark[1]
Medibank	40.1	>35
ahm	42.7	>35

Employee advocacy: eNPS

	FY23	FY24 benchmark[2]
Place to work	+23	≥+24
Products and services	+24	≥+26

Differentiate our insurance business

Market share

FY23	FY26 aspiration
27.08%	Up 25-75 bps on FY23

Health Insurance productivity delivered

FY23	FY23-FY25 target
c. $7m	$30m productivity savings including $10m in FY23

Expand in health

Health and wellbeing

	FY23	FY25 target
Live Better Rewards participants	c. 697k	>800k
Preventative program participants[3]	c. 16.5k	>50k

Medibank Health profit – updated

FY23	FY24-FY26 target[4]
$44.2m	Average at least 15% p.a. organic profit growth over the next 3 years Aim to invest $150m-$250m in total to grow Medibank Health inorganically as suitable opportunities arise

1. Benchmark reflects sustaining service levels while continuing to digitise the service delivery model
2. FY24 benchmarks for Place to Work eNPS based on the global average benchmark, Products and Services eNPS target based on historical trend
3. Includes total customers who have engaged with 9 preventative health programs (e.g. Better Knee, Better Me, Heart Health at Home) and any new offerings developed.
4. Based on continuing businesses – excluding the impacts of Beyond Blue and 1800RESPECT contracts which ceased during February and June 2022 respectively.

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.

44%* are women

11%* were born overseas

100%* identify primarily as Australian
(non-Aboriginal and Torres Strait Islander)

As at 24 August 2023
* including CEO

Directors' qualifications, experience and special responsibilities

Details of the qualifications, experience and special responsibilities of each director in office as at the date of this report are set out below.

Name and title	Biography
Mike Wilkins AO Chair and Independent Non-executive Director BCom, MBA, FAICD, FCA Age: 66	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: 50	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 performance of the Medibank and ahm Health Insurance and Diversified financial portfolios, and led the start-up of the Live Better program. David was also appointed Acting Chief Executive Officer between April 2016 and June 2016. Prior to joining Medibank, David was Group Chief Commercial Officer at Jetstar where he was responsible for growing and sustaining the business and leading its customer facing functions across Asia Pacific, having joined as part of the start-up team, 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, innovation, commercial and operational experience, including previous work in the consulting and financial services industries. David is a Member of the Council of Management for the International Federation of Health Plans.

Directors

Name and title	Biography
Dr Tracey Batten Independent Non-executive Director MBBS, MHA, MBA, FAICD, FRACMA Age: 57	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 a 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: 63	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. Anna is also National Ambassador for the Malaria Vaccine Project at the Institute of Glycomics at Griffith University.
Gerard Dalbosco Independent Non-executive Director M.AppFin, B.Comm, FCA, GAICD Age: 60	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: 54	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, LLM, GAICD Age: 66	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, and a former director of PayGroup Limited (November 2017 to November 2022), Grocon Funds Management Group, the Hilco Group and UBS Grocon Real Estate Investment Management Australia Pty Limited. He is also a former member of the advisory board of Chase Corporate Advisory. David is currently Chair and member of the Risk Management Committee 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: 62	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: 75	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 Royal Melbourne Hospital and a member of the Museums Victoria Board. Linda's previous directorships include Japara Healthcare Limited as Chair (March 2014 to November 2021), Healthscope Limited, Fairfax Media Limited and Sigma Pharmaceuticals Limited.

Company Secretary

Name and title	Biography
Mei Ramsay Group Lead – Trust, Legal & Compliance and Company Secretary BA, LLB, LLM	Mei is responsible for leading the customer trust, legal and governance functions, including compliance and regulatory affairs. Mei has been the Company Secretary since 2014 and previously held the position of Group General Counsel from 2011. She has been a member of the executive leadership team since 2016. Mei has more than 25 years of experience as a senior in-house legal adviser for multinational and international companies as well as private practice. Prior to joining Medibank, Mei was the General Counsel and Company Secretary for the Asia Pacific region at Cummins Inc, and also 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

44%* **are women**

33%* **were born overseas**

89%* **identify primarily as Australian**
(non-Aboriginal and Torres Strait Islander)

As at 24 August 2023
* including CEO

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

Name and title	Biography
Kylie Bishop Group Lead – People, Spaces & Sustainability	Kylie is responsible for leading key people functions including culture, talent and capability, performance and rewards, shared services, diversity and inclusion, workplace relations, health, safety and wellbeing, employee experience and community as well as sustainability and spaces. She has been a member of the executive leadership team since 2013. Kylie is a registered psychologist specialising in organisational psychology. She began her career in human resource consulting and prior to joining Medibank in 2010, held senior positions with NAB. Kylie is currently a non-executive director of Royal Melbourne Hospital and Basketball Victoria, and was previously a director with Rugby Victoria.
Rob Deeming Group Lead – Digital & Ventures	Rob is responsible for accelerating our growth in health through the development of digitally-led health products and services for our customers and the community. Rob also leads the digital team supporting our insurance and health businesses. He has been a member of the executive leadership team since June 2021. Rob was previously accountable for growing and sustaining the Medibank and ahm insurance businesses, including oversight for our operational and customer-facing teams. Prior to that he led the ahm business. Rob has extensive experience in entrepreneurial leadership, as well as high-growth consumer brands. Before joining Medibank, Rob was the CEO of multi award-winning hardware/software business, Billy. He has also held commercial leadership roles at Jetstar and Qantas, and was the CEO of the travel booking engine, Jetsetter, which he sold to Tripadvisor. Rob is a director of Medinet Australia Pty Ltd.

Name and title	Biography
Milosh Milisavljevic Group Lead – Chief Customer Officer	Milosh is responsible for the Medibank and ahm brands including marketing, customer channels, customer portfolios, member health programs, Live Better, provider partnerships and diversified insurance. He has been a member of the executive leadership team since June 2021. Milosh joined Medibank in 2016 and has held a number of roles leading 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. Milosh is a director of Private Healthcare Australia Limited.
Mark Rogers Group Lead – Chief Financial Officer & Group Strategy	Mark is responsible for the finance, actuarial, treasury, internal audit, investor relations and procurement functions across Medibank as well as strategy development and M&A. He has been a member of the executive leadership team since January 2017. Mark has more than 20 years of global experience across the healthcare, pharmaceuticals and financial services sectors. Before joining Medibank, Mark held performance, planning and group development leadership roles at NAB. Prior to that he was responsible for strategy and development for Mayne Group. Prior to that role, Mark led Group Investor Relations at Mayne Group. Mark is Chair of Myhealth Medical Group and a director of Integrated Mental Health, East Sydney Private Hospital and the Royal Children's Hospital Melbourne.
Meaghan Telford Group Lead – Policy, Advocacy & Reputation	Meaghan is responsible for government and industry relations, health stakeholders, health policy, reputation and external communications. Meaghan joined Medibank in 2016 leading the External Affairs function and previously held the role of Senior Executive – Policy, Advocacy and Reputation. She has been a member of the executive leadership team since July 2023. Meaghan is a corporate affairs professional with a career spanning more than 20 years in sport, politics and ASX-listed entities. In these roles, she has been responsible for driving the external agenda for organisations through media management, government relations, campaign and stakeholder management, employee engagement and public affairs research. Prior to Medibank, Meaghan led Group Corporate Communications for NAB, responsible for communications on mergers and acquisitions, customer pricing strategy, financial reporting and issues management.
Kylie Williamson Acting Group Lead – Data & Technology	Kylie is responsible for technology, data management and our core platforms. Kylie has been an acting member of the executive leadership team since April 2023. Prior to this, Kylie was Senior Executive – Core Medibank Customer Systems with a focus on strategy and development, and support of core Medibank and Amplar Health systems that support marketing, CRM, policy management, procurement, payment, human resources, contact centre and finance processes. Kylie joined Medibank in September 2015 after more than 20 years in information technology consulting for a range of industries with PwC and IBM both locally and globally. Her key roles were as program manager deploying technology to drive business benefits, growth and align to customer and stakeholder needs.
Dr Andrew Wilson Group Lead – Chief Executive – Amplar Health	Andrew is responsible for Medibank's growing role as a health services provider. This includes responsibility for the health services we deliver on behalf of business and government, including telehealth and virtual care, in-home care and our investments in primary care and ambulatory care. He has been a member of the executive leadership team since 2010. 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, Adeney Private Hospital Pty Ltd.

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 CPS510 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.

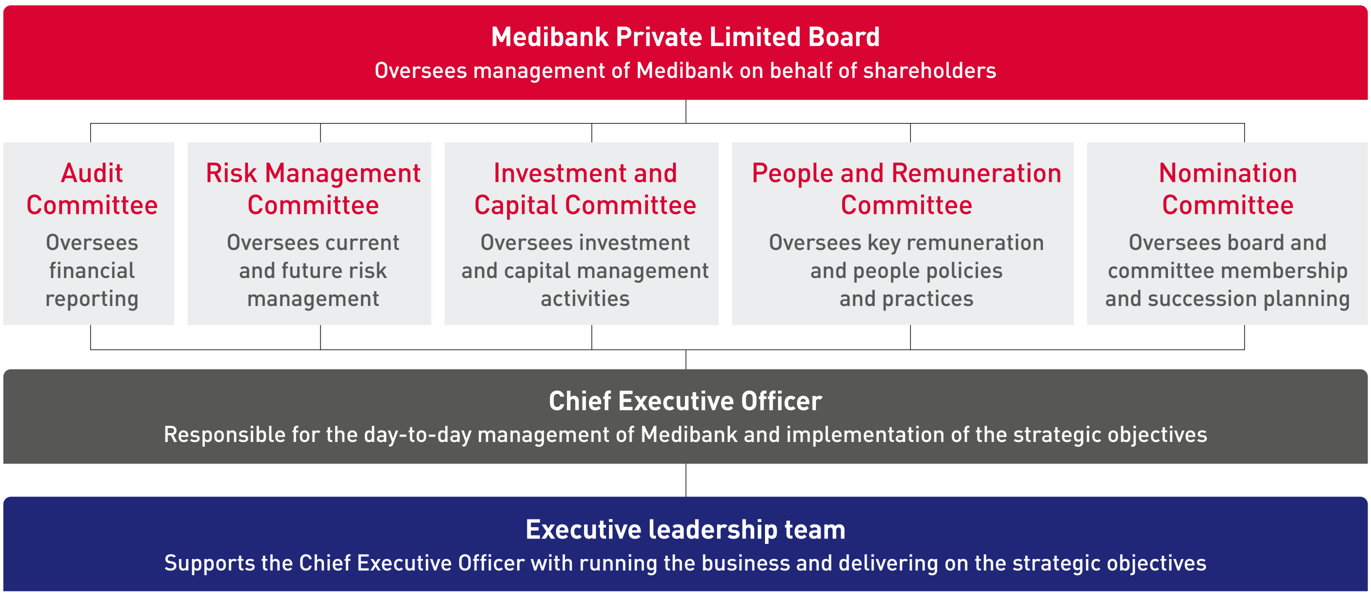
The governance and performance of Medibank is overseen by the Board elected by the shareholders.

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 Chief Executive Officer (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 38 to 39.

The CEO has responsibility for managing the day-to-day affairs of Medibank. The CEO, with the support of the executive leadership team, 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 2023

Corporate governance

- Oversight of the cybercrime event and response, including:
  - Supporting our customers including the Cyber Response Support Program.
  - Keeping our stakeholders informed, such as the government, shareholders and regulators.
  - Ensuring the health and wellbeing of our employees.
  - Continuing to strengthen our information security environment.
  - Monitoring the financial and other impact of the cybercrime event.
- Oversight of COVID-19 impacts and response, including:
  - 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.
- Continuing to embed 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.
- Continuing to embed our environmental, social and governance (ESG) strategy, including accelerating our pathway to Net Zero emissions by 2040.
- Continuing to evolve our approach to data management, particularly in light of impending reform to the Privacy Act and changing community expectations.
- Review and approval of Accounting Policies and associated Financial Statement disclosures in the light of the adoption of the new AASB17 *Insurance Contracts* with effect from 1 July 2023.
- Oversight of the Group's capital management policies and level of capital, including implementation of APRA's new capital standards (from 1 July 2023).

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.
- Review and approval of the Corporate Plan, budget and performance targets and oversight of business performance against these targets.
- Monitoring the impacts of economic conditions and cost-of-living pressures.

People, remuneration and culture

- Oversight of Medibank's 2030 vision, values, strategy and culture.
- Alignment of executive leadership team (ELT) roles.
- Review of Board composition, including consideration of succession planning and its continuing education.
- 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 CPS511 Remuneration in FY24.

Structure and composition of the Board

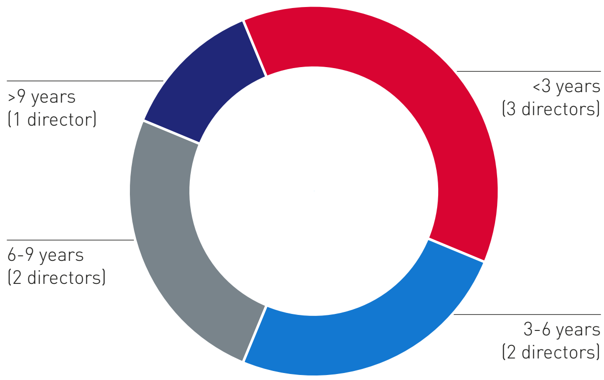
The Board comprises nine directors in total – eight non-executive directors, including a non-executive Chair, and the CEO.

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 29 to 31. Details of directors' attendance at Board and committee meetings during the year ended 30 June 2023 are on page 52. The non-executive directors' tenure profile is shown in the table below. The length of service of the non-executive directors ranges from one year and four months to ten 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). Shareholders may also nominate individuals 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. Mike Wilkins AO and Dr Tracey Batten will retire and offer themselves for re-election at the upcoming AGM on 22 November 2023. Further information about these directors is set out on pages 29 to 31, 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, executive leadership team 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, executive leadership team 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.

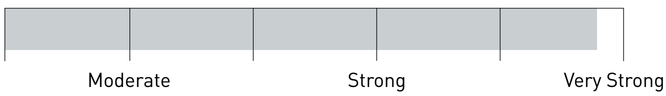
The skills and expertise that the Board has identified as relevant to the performance of its role and the success of the organisation, along with the collective strength of the Board for each skill, are summarised in the Board skills matrix.

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.

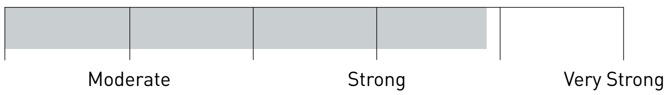
Board skills matrix

Skills and experience | **Collective strength**[1]

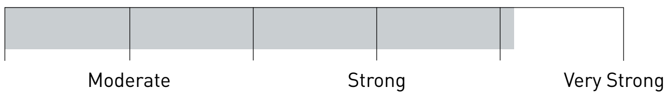
Strategy
Experience in developing and implementing organisational strategies, and appropriately challenging management on delivery of strategic objectives



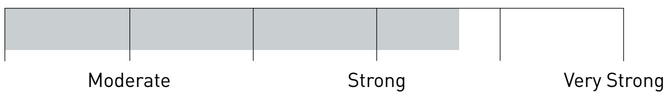
Financial acumen and capital management
Strong financial acumen and proficiency in corporate finance and internal financial controls and/or experience in overseeing corporate funding, capital management and investments



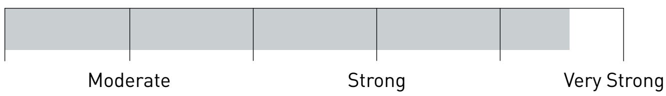
Corporate transactions and major projects
Experience in overseeing complex business transactions and major projects, including mergers and acquisitions (and integration of those acquisitions)



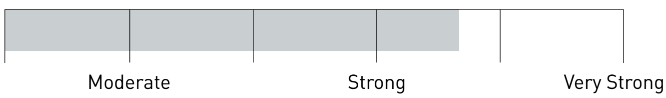
Risk and compliance management
Experience in establishing risk and compliance management frameworks, setting the risk appetite, and overseeing organisational risk culture



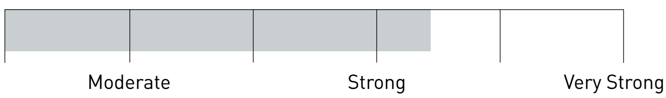
Governance
Experience in establishing and overseeing operations in a complex regulated environment, and demonstrated commitment to the highest governance standards



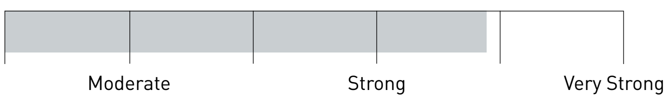
Insurance and healthcare industry experience
Experience in the insurance and/or healthcare industry

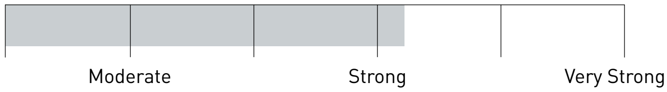
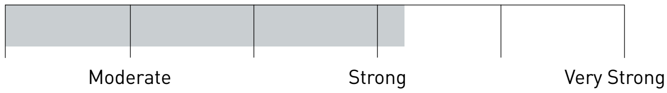


Customer
Experience in developing product and/or customer management strategies, marketing and/or digitised customer initiatives



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



Skills and experience	Collective strength[1]
Government relations and public policy Interacting with government and/or regulators and/or involvement in public policy decisions	
Technology, data and digital innovation Understanding technology and innovation, including data management, data privacy and information security practices. 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 2023, 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, practices and committees, and behaviours. This included an assessment of the committees' handling of the issues and challenges that occurred throughout the year. The internal Board evaluation in 2023 followed the external Board evaluation that was undertaken in 2021 and the internal Board evaluation in 2022.

Following the survey, the Board discussed and evaluated the outcomes and committed to relevant action items.

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 2023 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 Board has also formed a Cyber Response Board Committee as part of its cyber response playbook. More information on this committee and its role during the recent cybercrime event can be found on page 49.

The relevant qualifications and experience of the members of each standing committee can be found in the director biographies on pages 29 to 31. The number of meetings of each committee, and the individual attendance of their members, are provided on page 52.

Committee membership as at 24 August 2023	Composition	Key roles and responsibilities
Audit Committee • 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.

Committee membership as at 24 August 2023	Composition	Key roles and responsibilities
Risk Management Committee • 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 Committee • 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.
People and Remuneration Committee • 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, executive leadership team 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 Committee • 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.

Executive leadership team

The CEO, supported by the executive leadership team (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 32 to 33. 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 54.

The remuneration report from page 59 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 2023 in accordance with that process for each ELT member in that role at 30 June 2023.

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 2023.

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, Spaces & 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 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;	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.

	Purpose	Key provisions	Breaches and reporting
Anti-Bribery and Corruption Policy cont.		• 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.	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 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. We recognise 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 facilitates an inclusive culture and supports us to deliver an inclusive health and wellbeing experience for our community. 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 our 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 2023, the actual representation across the Group and senior executive population was 48%.

In May 2023, 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 2023, 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**	**-**	**44%**
Group Executives (including CEO)[1,2]	3	5	-	38%
Senior executives[3]	24	24	-	50%
Group and senior executive total	**27**	**29**	**-**	**48%**
Senior managers	102	116	1	47%
Other managers	408	334	1	55%
Non-managers	2,014	592	8	77%
Overall (including Board)	**2,555**	**1,075**	**10**	**70%**

1. Group executive positions refer to the CEO and the executive leadership team (ELT) as at 30 June 2023. All of the ELT report directly to the CEO.
2. Kylie Williamson, Acting Group Lead - Data & Technology, has been included in the Group Executive data.
3. Senior executive positions include all roles classified as senior executives as part of Medibank's broad based banding framework.

In 2022 the Board set measurable objectives for achieving diversity at Medibank and committed to reporting progress achieved against these in the 2023 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 executive leadership and senior leadership populations, and at least 40% women on the Medibank Board.	As at 30 June 2023, women represented 48% of Group and senior executive roles (up from 44% in FY22). Representation of women on the Medibank Board remains above target at 44% (including the CEO), aligned with FY22.
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), unchanged from FY22 and 77% of non-manager positions (compared to 79% in FY22). This is largely driven by our Amplar Health division where women made up 87% of the non-manager workforce, compared to other Medibank divisions at 71%.
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.	In FY23, the number of employees identifying as Aboriginal and Torres Strait Islander in our annual engagement survey increased to 32 people, which equates to 1.2% of survey respondents[1], an increase from 0.9% in FY22. Engagement for this cohort was 8.3 which is above the Medibank average of 7.7 and above FY22's result of 8.1. While our representation of Aboriginal and Torres Strait Islander employees was 0.4% lower than our target, in 2022 we developed our Aboriginal and Torres Strait Islander recruitment, engagement and professional development strategy. This strategy supports our aim to increase meaningful, sustained employment opportunities for Aboriginal and Torres Strait Islander peoples by facilitating a tailored recruitment process and regular surveys to better understand the ongoing experience of Aboriginal and Torres Strait Islander candidates and employees.
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.	In FY23, the number of employees identifying as having a disability in our annual engagement survey rose to 184 people, which equates to 6.7% of survey respondents[1], an increase from 5.9% in FY22. Engagement for this cohort was 7.6, which is below the Medibank average of 7.7 and 0.1 lower than FY22's result of 7.7. In May 2022, we launched our second Accessibility and Inclusion Plan. In the first year of the plan, we delivered disability awareness education as part of our annual training requirements for all employees as part of our goal to foster a disability confident culture. In FY24, we will focus on developing this further to uplift the capability of our leaders and ensure an inclusive and accessible recruitment process.
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 (18.2%, as measured by our employee survey). In FY23, we further invigorated our carers support proposition by refreshing our Carers Network, promoting our carers information hub and making our Caregiver Support Program available to all eligible employees, following a successful pilot in FY22. In FY24, we will continue to share the support offerings for carers with all employees and prioritise listening to feedback from our Carers Network to further enhance their experience.

1. Based on employee engagement survey response rate of 80% (2,742) from 3,452 employees invited to participate.

For 2024, the Board has set the following measurable objectives for achieving diversity at Medibank and is committed to reporting progress achieved against these in the 2024 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 49 employees (approx. 1.8% 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 192 employees (approx. 7% of survey respondents) as **self-reported in our annual engagement survey**.

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 our results, investor presentations, annual reports, sustainability 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.

We encourage 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 Morgan Stanley Private Healthcare Forum in May 2023 and the Macquarie Australia Conference in May 2023.

We generally communicate with the investment community through the CEO, the Group Lead – CFO & Group Strategy, other members of the ELT and the Hub Lead – Investor Relations. We also communicate through the Chair for governance and remuneration issues and the Company Secretary and Group Lead – People, Spaces & 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 2023, 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 38. In addition to the members of the Audit Committee, any director may attend Audit Committee meetings. Representatives of management and the Hub Lead – 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 2022 and the full year ended 30 June 2023.

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 Hub Lead – 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 Hub Lead – 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

Information about Medibank's risk management framework (page 45), risk governance (page 45) and material business risks, including environmental, social and governance risks and emerging risks (page 46), can be found in the following risk management section.

This corporate governance statement is accurate and up to date as at 24 August 2023 and has been approved by the Board.

Risk management

Our approach to risk management reflects our commitment to ethical and responsible business practices and guides the work we are doing to deliver on our 2030 vision of the best health and wellbeing for Australia.

Our risk management approach is defined within our risk management strategy and underpinned by our enterprise risk management framework, which encompasses the systems, structures, policies, processes and people that manage risks across the business. These align with the requirements of the Australian Prudential Regulation Authority's (APRA) Consolidated Prudential Standard 220 *Risk Management* (CPS220).

We undertake an annual strategic planning process to establish and agree upon our strategic objectives with the Board and develop our risk appetite statement, corporate plan and capital management plan.

Risk 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 strategy and risk appetite statements on an annual basis 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. Committee members are appointed based on their qualifications and experience to ensure that the committee can adequately discharge its duties. More information about the committee and its members can be found in the corporate governance statement on page 39.

Risk management plays an important role in remuneration outcomes. For a short-term incentive award to be made to any employee, a risk, compliance and behaviour gateway must be met. As well all employees have risk-related key performance measures 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 page 61.

The Board is further assisted by the Investment and Capital Committee, which oversees the implementation and monitoring of the investment strategy and ICAAP Summary Statement Policy approved by the Board, including monitoring the effectiveness of the investment process which aims to achieve optimum return relative to Medibank's risk appetite.

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. There are seven divisional risk committees covering key business units — Amplar Health, Customer, Digital & Ventures, Data & Technology, Finance & Strategy, Trust, Legal & Compliance and People, Spaces & Sustainability.

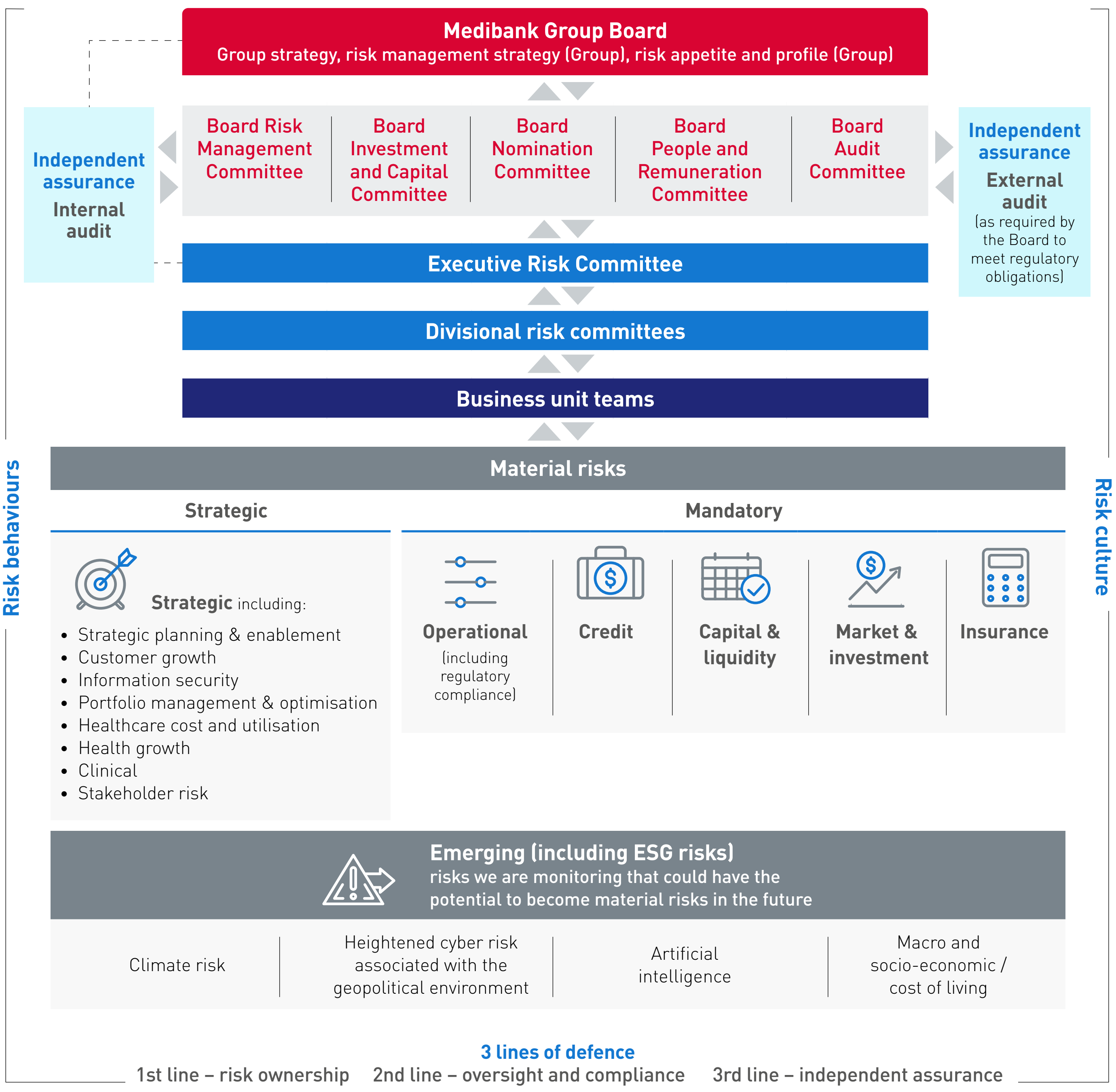
Medibank has adopted a three lines of defence approach to define risk management roles, responsibilities and accountability:

- **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.

Risk management framework

Our risk management framework 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 CPS220.

A key component of our risk management framework is the definition of Medibank's risk appetite by the Board which informs management's decision-making process. The annual review of the framework considers whether the framework is sound, and Medibank is operating with due regard to the risk appetite set by the Board. The Risk Management Committee reviews the risk management framework at least yearly and regularly monitors the framework's effectiveness. The annual review of the framework was completed in 2023. 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 business risks

Material business risks are those risks deemed to have a significant impact on the Group's operations, financial prospects and business objectives. Emerging risks are those we are monitoring that could have the potential to become material risks in the future. These risks are summarised on the following page.

The cybercrime event has, and will continue to have, the potential to impact our material business risks. Building upon our existing program of work to enhance IT security across our business, we expanded our work into an IT security uplift program following the cybercrime event. It aims to continue maturing our cybersecurity approach and better enable us to respond to the rapidly evolving cyber threat landscape. We continue to review our cybersecurity governance arrangements, recognising the increasing prevalence of cybercrime and the need to meet the ongoing expectations of our customers.

Material business 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 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. 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's prudential standards	Medibank has Board-approved policies for capital management (ICAAP) and liquidity management designed to ensure it meets or exceeds regulatory capital requirements at all times, and is able to fund all payments as and when they fall due, as well as under adverse stress scenarios. Liquidity risk is managed by our treasury function through daily cash management of cash flows and liquid asset positions and projected future cash flows under current and adverse scenarios. The ICAAP (Internal Capital Adequacy Assessment Process) also includes actions that can be taken to support Medibank's capital position under various stress scenarios.	
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.	

Customer health | **Employee health** | **Community health** | **Environmental health** | **Governance**

Material business risk	Mitigations	Material sustainability categories
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.	

Emerging risk (including ESG risks)	Emerging risks	Material sustainability categories
	• Climate risk • Heightened cyber risk associated with the geopolitical environment • Artificial Intelligence • Macro and socio-economic / cost of living	

Customer health | Employee health | Community health | Environmental health | Governance

Environmental, social and governance risks

Medibank's risk management framework also applies to the environmental, social and governance (ESG) risks (including climate risk). Medibank commissioned an independent external review in 2021 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 57 to 65 of the Sustainability Report 2023. Further detail on our approach to sustainability and ESG issues can also be found in the Sustainability Report 2023.

Risk management during the cybercrime

This year, Medibank and our customers were the subject of a cybercrime event. A criminal accessed Medibank systems using stolen credentials and stole information relating to around 9.7 million current and former Medibank and ahm customers, as well as My Home Hospital patients and healthcare providers. The stolen information included health claims data for some patients and customers. In response, we then took immediate steps to contain the incident and put in place additional security measures across the network. We engaged specialised security firms and worked with the Australian Government's lead cyber agency and the Australian Federal Police. We closed down the criminal's attack path and no further activity by the criminal since 12 October 2022 has been detected inside our systems.

We supported our customers and those impacted by the cybercrime through our Cyber Response Support Program, which includes mental health and wellbeing support, identity protection and financial hardship measures. We implemented further security controls, bolstered existing monitoring and added further detection and forensics capability. Building upon our existing program of work to enhance IT security across our business, we expanded our work into an IT security uplift program following the cybercrime event. It aims to continue maturing our cybersecurity approach and better enable us to respond to the rapidly evolving cyber threat landscape. We continue to review our cyber security governance arrangements, recognising the increasing prevalence of cybercrime and the need to meet the ongoing expectations of our customers. The cybercrime has, and will continue to have, the potential to impact our material business risks.

As part of the Medibank cyber response playbook, the Board formed the Cyber Response Board Committee, delegating it with the authority to oversee and make decisions on behalf of the Board in relation to any cyber incidents. The committee comprises the Chair of the Board, the Chair of the Risk Management Committee and the CEO. Following the identification of the cybercrime event in October 2022, the Cyber Response Board Committee met regularly to oversee Medibank's response to the cybercrime event on behalf of the Board. More information about meetings of the Cyber Response Board Committee and the Board in relation to the cybercrime event can be found in the directors' report on page 52.

Following the identification of the cybercrime event, the Crisis Management Team (CMT) was activated, consisting of executive leadership team members and appropriate specialists in accordance with our crisis management plan. The CMT met extensively from October until Medibank transitioned to an ongoing business operations approach in December 2022.

Under the direction of the CMT and in accordance with Medibank's cyber response playbook, senior management activated specific workstreams to respond to, and to contain, the cybercrime event. The workstreams included extensive resources diverted to our response and consisted of:

- Remediation – rapid closure of the attack pathway, threat actor eviction and enhanced monitoring
- Data analysis – analysing and assessing data that had, or potentially had, been compromised
- Customer teams – scaling up customer team resourcing to support our customers during the cybercrime event and ongoing
- Customer support – rapid implementation of a customer support program including mental health and wellbeing support, identity protection and financial hardship measures
- Communications – ensuring open and transparent communications to our stakeholders including customers, regulators, providers, partners and agencies
- Regulatory – ensuring our key regulators were informed and consulted early and regularly
- Health – managing communications with health stakeholders, and ensuring health support programmes were available to our customers and people as needed
- Employee support – ensuring our people were informed and supported during the cybercrime event, including their health and wellbeing

These workstreams continued to operate as needed for our customers following the standing down of the CMT in December 2022.

Our Sustainability Report 2023 includes more detail about our response to the cybercrime event.

APRA new prudential standard

APRA finalised its new prudential standard CPS230 - *Operational Risk Management* in July 2023. The standard aims to ensure resilience to operational risks and disruptions and comes into effect from 1 July 2025. It defines requirements for operational risk and absorbs existing standards for business continuity (CPS231) and outsourcing (CPS232). We have reviewed our risk maturity roadmap (as aligned to APRA's CPS220 Risk Management Standard) and identified the core operational requirements that need to be accelerated as part of the CPS230 plan. Beginning with a pilot of critical processes, we will implement the required changes, with key requirements of the standard to be embedded as part of our ongoing business-as-usual activities.

Risk culture

Medibank is committed to maintaining a strong risk culture. Our values are integral in the way we consider risk in the pursuit of our strategic objectives and customer-focused outcomes. We acknowledge and recognise the importance of doing the right thing for our customers, our people, and the community, and this commitment is reflected in our purpose and values.

Our risk culture framework is an integral part of our approach to risk management and brings together the key elements that influence and shape our risk culture in terms of behaviours and practices. It clearly highlights the behaviours we expect of our people and the practical application of the framework. The framework builds upon the foundation of our Code of Conduct, which sets out the way we work at Medibank via the establishment of standards of behaviour and conduct expected from all directors, employees and contractors.

The Code of Conduct not only emphasises the importance of compliance with legal obligations, it also clearly outlines our responsibility toward our employees, our customers, and the wider community. In adhering to these principles, we strive to create a culture that goes beyond mere compliance, to one that fosters a genuine commitment to ethical decision-making and responsible practices.

When it comes to risk culture, we aim to:

- Role model our organisational values and support others to do the same. This includes positive behaviours around managing risk to deliver the right outcomes for our shareholders, employees, customers and the community.
- Encourage transparency and "speaking up" to provide opportunities to understand where we can improve, especially for our customers.
- Foster a culture of continuous improvement in managing risks. Make it part of our DNA to strive for great outcomes, especially for our customers.

Medibank risk culture framework

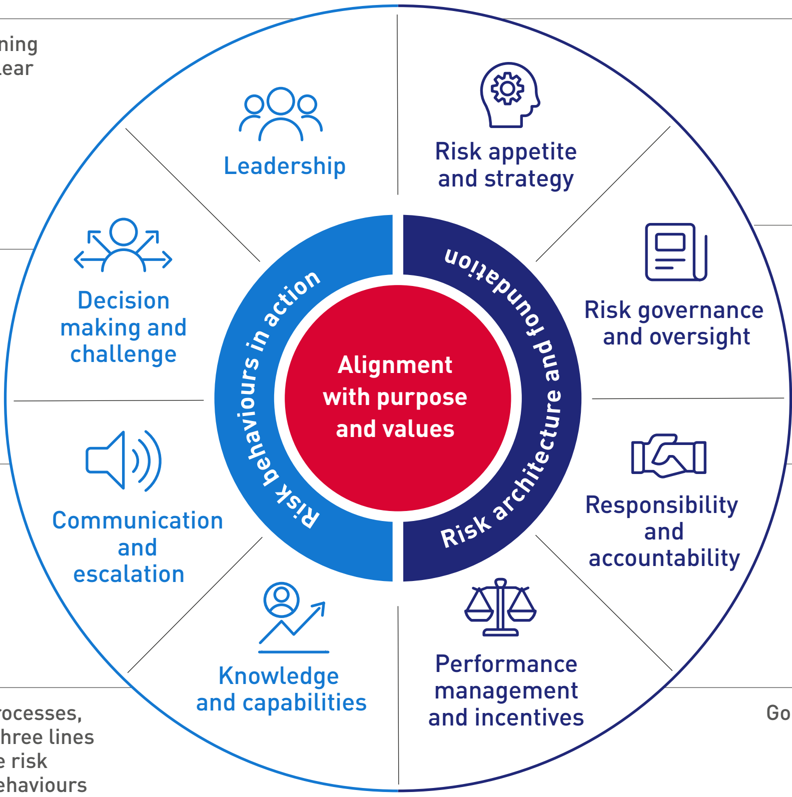
The following highlights the behaviours we expect of our people and the practical application of the framework:

Leaders at all levels championing risk management, setting a clear tone and role modelling appropriate risk behaviours (tone from the top and tone from the middle)

Business and strategic decisions align with the risk appetite statement

Openness to consider diverse viewpoints and to provide constructive challenge and feedback across the organisation

There is effective oversight of risk and risk culture, and risk management is supported by appropriate frameworks, policies, controls and reporting



Risk issues are openly communicated across the organisation and supported by an environment where people feel safe to speak up

Responsibility and accountabilities of risk are clearly defined, understood and discharged across the organisation (particularly the three lines of defence)

Level of skills and training, processes, systems and data across the three lines of defence to support effective risk management practices and behaviours

Good risk management behaviour is encouraged and rewarded, and poor risk behaviour has proportionate consequences

Directors' report

For the financial year ended 30 June 2023

The directors of Medibank Private Limited (Medibank) present their report on the consolidated entity consisting of Medibank and its subsidiaries (collectively referred to as the Group) for the year ended 30 June 2023.

References to 2022 and 2023 are to the financial years ended on 30 June 2022 and 30 June 2023 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:

- Mike Wilkins AO – Chair
- David Koczkar – Chief Executive Officer
- Dr Tracey Batten
- Anna Bligh AC
- Gerard Dalbosco
- Peter Everingham
- David Fagan
- Kathryn Fagg AO
- Linda Bardo Nicholls AO

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 its Amplar Health Division, which capitalises on Medibank's experience and expertise, and supports 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 23 to 28.

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, the Group's operations, or the results of those operations, or the Group'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 the Group's operations in future financial years and the expected results of those operations are included in the operating and financial review on pages 23 to 28.

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 7.30 cents per share was determined in respect of the six-month period to 30 June 2022, paid on 29 September 2022 to shareholders registered on 8 September 2022.
- A fully franked interim ordinary dividend of 6.30 cents per share was determined in respect of the six-month period to 31 December 2022, paid on 22 March 2023 to shareholders registered on 3 March 2023.
- A fully franked final ordinary dividend of 8.30 cents per share has been determined in respect of the six-month period to 30 June 2023, payable on 5 October 2023 to shareholders registered on 14 September 2023.

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 29 to 31 and form part of the directors' report.

Directors' attendance at meetings

The tables below show 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 tables below do not include the attendance of directors at committee meetings where they were not a committee member.

Director	Board (scheduled) 9		Board (unscheduled)[1] 16		Cyber Response Board Committee 24	
	A	B	A	B	A	B
Mike Wilkins	9	9	16	16	24	24
Dr Tracey Batten	9	9	16	16	-	-
Anna Bligh	9	8	16	13	-	-
Gerard Dalbosco	9	8	16	16	-	-
Peter Everingham	9	9	16	15	-	-
David Fagan	9	9	16	16	24	24
Kathryn Fagg	9	8	16	15	-	-
David Koczkar	9	9	16	16	24	24
Linda Bardo Nicholls	9	9	16	16	-	-

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 With the exception of one meeting, all unscheduled Board meetings were primarily to consider the cybercrime event.

Director	Audit Committee 5		Risk Management Committee 6		Investment and Capital Committee 4		People and Remuneration Committee 5		Nomination Committee 2	
	A	B	A	B	A	B	A	B	A	B
Mike Wilkins	-	-	-	-	4	4	5	5	2	2
Dr Tracey Batten	-	-	6	6	-	-	5	5	2	2
Anna Bligh	-	-	6	5	4	4	-	-	-	-
Gerard Dalbosco	5	5	6	5	-	-	-	-	2	2
Peter Everingham	5	4	-	-	-	-	5	4	-	-
David Fagan	5	5	6	6	-	-	-	-	2	2
Kathryn Fagg	5	4	-	-	-	-	5	5	-	-
David Koczkar	-	-	-	-	-	-	-	-	-	-
Linda Bardo Nicholls	-	-	6	6	4	4	-	-	2	2

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

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

As part of the Medibank cyber response playbook, the Board formed the Cyber Response Board Committee to oversee Medibank's response to, and delegated it authority to make decisions on behalf of the Board in relation to, any cyber incidents. The Committee comprises the Chair of the Board, the Chair of the Risk Management Committee, and the CEO. Following the identification of the cybercrime event in October 2022, the Cyber Response Board Committee met regularly to oversee Medibank's response to the cybercrime event on behalf of the Board.

Options and performance rights

During the financial year, 4,092,052 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, 1,293,022 performance rights vested and were exercised.

Further information regarding performance rights is included in the remuneration report from page 54.

Directors' interest 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	1,042,597	1,894,877
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	
Linda Bardo Nicholls	45,000	

Environmental regulation

The Group's operations are not subject to any particular and 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 122.

Non-audit services

The Group may decide to employ its external auditor, PwC, on assignments additional to its statutory audit duties, where the auditor's expertise and experience with the Group are important. PwC will only be engaged to provide a permissible non-audit service where there is a compelling reason for it to do so, and will not be engaged to perform any service that may impair or be perceived to impair its judgement or independence.

PwC did not provide any non-audit services to the Group during the year.

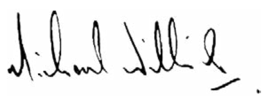
Remuneration report

The remuneration report on pages 54 to 73 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
Chair

David Koczkar
Chief Executive Officer

24 August 2023
Melbourne

Dear shareholder,

On behalf of the Board, I present to you Medibank's remuneration report for 2023 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.

This has been a challenging year for Medibank, and we recognise the impact the cybercrime event has had on our customers, our people, and shareholders. We have worked hard to regain the trust of our customers, and I am pleased to report that momentum has returned to our business as a result of this focus. We continue to support affected customers through our Cyber Response Support Program, which includes a range of services including mental health and wellbeing support, identity protection and financial hardship initiatives.

For the first time in our 47-year history, we have surpassed 4 million health insurance customers. We have also delivered the lowest premium rise in 22 years and have returned more than $450m in permanent net claims savings to our customers, continuing to fulfil our commitment not to profit from COVID-19. We also continued to drive the change needed to make our health system more sustainable through our preventative health programs, new care models and virtual health care.

We have delivered a solid result this year, with our health insurance business returning to policyholder growth. This was supported by underlying profit growth in Medibank Health and our strong capital position, with net investment income more than offsetting the non-recurring costs associated with the cybercrime event.

Our remuneration strategy has been developed to recognise our people for responsibly executing Medibank's strategy, role-modelling behaviours and achieving business objectives that increase value for our customers, shareholders, and the community. Supporting this strategy, our remuneration framework reinforces our risk management framework, linking individual performance and behaviours with achieving business objectives that support Medibank's long-term financial success.

Remuneration decisions at a glance

- Zero 2023 short-term incentive (STI) for the CEO, Executive KMP and other members of the executive leadership team.
- Variable remuneration outcomes reduced by approximately $3.6m, including $2.6m specific to current ELT members in response, to the cybercrime event.
- 62.3% vesting of Medibank's 2021 long-term incentive (LTI) in line with the terms of grant, noting no vesting against the market share hurdle.
- Zero increase to CEO remuneration in 2024.
- 2024 fixed remuneration increase only for Executive KMPs with expanded portfolios.
- Average 3.8% increase in 2024 fixed remuneration for Executive KMP's excluding the CEO.
- Zero increase to Non-executive director fees for 2024.
- 2024 Maximum STI opportunity increased to 120% for the Group Lead – Chief Customer Officer to align with other Executive KMP roles.

Short-term incentives

Consistent with prior years, the Board adjusted STI outcomes to normalise for COVID-19 related impacts (both negative and positive). Group operating profit and Health Insurance revenue growth were above the threshold required for STI payments, while our Customer Net Promoter Score (cNPS) fell short of expectations.

In consideration of striking the right balance between executive incentive outcomes and the expectations of our customers, shareholders and the community, the Board exercised its discretion, and reduced the 2023 STI outcomes for Executive KMP and other members of the executive leadership team to zero.

Long-term incentives

Medibank's 2021 LTI was tested following the completion of the performance period on 30 June 2023. The Board determined it was appropriate to allow the LTI to vest in line with the terms of its grant, as the vesting outcome of 62.3% reflects an appropriate balance between shareholder and customer interests over the three-year period including the impact of the cybercrime event. The outcome comprises:

- full vesting against EPS CAGR measure with a result of 10.8%, calculated including the costs associated with the cybercrime event,
- partial vesting against the TSR measure with a performance rank at the 64th percentile against our comparator group and
- no vesting against the market share growth measure, which was negatively impacted by the cybercrime event.

Executive KMP remuneration and non-executive director fees

As a result of changes to individual role accountabilities and with reference to the median of Medibank's benchmark comparator group, fixed remuneration increases were provided to select Executive KMP to reflect their expanded portfolios.

The maximum 2024 STI opportunity for the Group Lead – Chief Customer Officer was also changed from 100% to 120% of fixed remuneration in recognition of the potential impact this role has on this organisation and to align with the STI opportunity of other Executive KMP.

Zero increase in remuneration for the CEO and non-executive directors.

2024 remuneration framework

During the year the Board reviewed the remuneration framework to meet the regulatory requirements of APRA's new remuneration standard (CPS511) and to further enhance the focus on customer in our remuneration structures.

Key changes for 2024 include longer deferral periods on variable remuneration for our executive leadership team, the introduction of customer service satisfaction in our STI plan and the addition of a new brand sentiment performance hurdle in our LTI plan. These changes will be effective from 1 July 2023 and are designed to meet both the deferral and non-financial measure requirements of the standard. Further details on these changes will be included in the 2023 notice of annual general meeting and in the 2024 remuneration report.

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

Contents

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 2023, KMP were as follows:

Key management personnel

David Koczkar
Chief Executive Officer
Full-year

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

Milosh Milisavljevic
Group Lead – Chief Customer Officer
Full-year

Andrew Wilson
Group Lead – Chief Executive Amplar Health
Full-year

Non-executive directors

Mike Wilkins
Chair
Full-year

Tracey Batten
Non-executive director
Full-year

Anna Bligh
Non-executive director
Full-year

Gerard Dalbosco
Non-executive director
Full-year

Peter Everingham
Non-executive director
Full-year

David Fagan
Non-executive director
Full-year

Kathryn Fagg
Non-executive director
Full-year

Linda Bardo Nicholls
Non-executive director
Full-year

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 of the Chief Executive Officer has been maintained at current levels for 2024. • Fixed remuneration increased only for Executive KMP's with expanded portfolios for 2024. • The average increase for Executive KMP's excluding the CEO was 3.8% for 2024.
Short-term incentive (STI)	• In consideration of the expectations of our customers, shareholders, and the community following the cybercrime event the Board exercised discretion and reduced the 2023 STI outcomes for Executive KMP to zero. • 2024 Maximum STI opportunity increased from 100% to 120% of fixed remuneration for the Group Lead – Chief Customer Officer in recognition of the impact this role has on the organisation.
Long-term incentive (LTI)	• Medibank's 2021 LTI was tested following the completion of the performance period on 30 June 2023 and resulted in a vesting outcome of 62.3% in line with the terms of the grant. • This outcome reflects full vesting against EPS CAGR measure with a result of 10.8% which includes costs associated with the cybercrime event, partial vesting against the TSR measure with a performance rank at the 64th percentile against our comparator group and no vesting against the market share growth measure. • 2024 LTI opportunity percentages for Executive KMP members, including the CEO, have been maintained at current levels.

Non-executive directors

Non-executive director fees	• Non-executive director fees have been maintained at their current levels for 2024.

3. Medibank's remuneration strategy

At Medibank, we believe that remuneration has a key influence on behaviour and is valuable in reinforcing our culture. Our people are guided by our purpose and values which are anchored to the core pillars of our culture – health and wellbeing, our people and customers, and our performance.

Our remuneration strategy has been developed to reward our people for responsibly executing Medibank's strategy, role-modelling behaviours that strengthen our purpose and 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 success and risk management framework.

The diagram below illustrates the relationship between Medibank's remuneration strategy, reward framework and the timeline of when 2023 remuneration is delivered.

Medibank's remuneration strategy

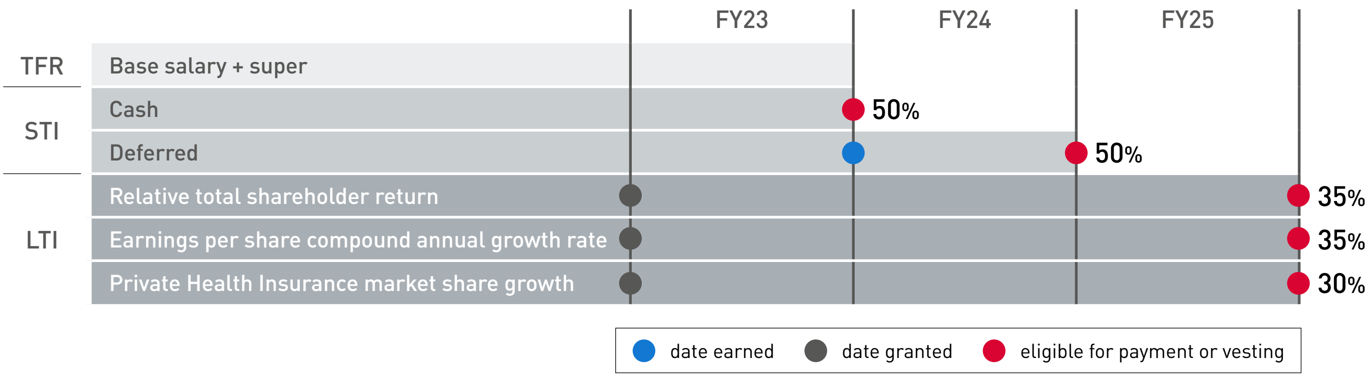
Focus employees on responsibly executing Group strategy to increase customer and shareholder value with behaviours aligned to Medibank's values and purpose

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 • 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

2023 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 Lead - People, Spaces & 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 52 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 performance measures that are aligned to the achievement of Medibank's customer and financial milestones set out in the annual report. 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.

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 2023 did not constitute a remuneration recommendation

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.

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 performance, customer outcomes, community and shareholder expectations.

4.2.2 Malus and clawback of executive performance-based remuneration

Medibank's Malus and Clawback Policy provides the Board with discretion to reduce, cancel, or recover performance-based awards made to employees 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 Malus and Clawback Policy provides that if any of these events occur 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.

Malus provisions allow Medibank to reduce or cancel the award before it has been paid, while clawback provisions allow Medibank to recover a performance-based award after it has been paid (or share awards vested).

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 2023, 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 2023 $[2]	Minimum shareholding requirement timeline
David Koczkar	1,550,000	3,669,941	Requirement satisfied
Milosh Milisavljevic	825,000	138,804	22 June 2026
Mark Rogers	1,035,000	1,953,311	Requirement satisfied
Andrew Wilson	1,020,000	4,114,739	Requirement satisfied

1. Minimum shareholding requirement based on each persons' total fixed remuneration (TFR) as at 30 June 2023.
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 2023 ($3.52).

4.2.4 Share Trading Policy

We have a Share Trading Policy to ensure that non-executive directors and 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 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

Please refer to page 50 of the risk management section for an overview of our risk culture.

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 Hub Lead – Group Risk & Chief Risk Officer, Group Lead – People, Spaces & Sustainability and Group Lead – Trust, Legal & 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 long-term incentive (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 STI plan rules also clearly articulate that failure to meet the risk, compliance and behaviour gateway in any given performance period will lead to ineligibility for a STI award for the performance period.

In 2023, 15 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 10 individuals in 2023 had their employment terminated following an incident of misconduct. Further details on consequence management can be found in our Sustainability Report 2023.

Medibank recognises the impact the cybercrime event has had on our customers, our people, and shareholders. In consideration of the expectations of our customers, shareholders, and the community the Board exercised their discretion and their powers under the malus and clawback policy to reduce the variable remuneration outcomes of 10 (current and former) employees by approximately $3.6 million.

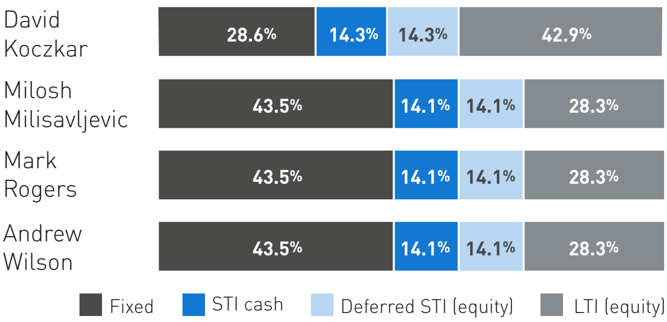
6. Executive KMP remuneration components

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 2023 target remuneration mix

The 2023 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 2023 $	1 July 2023 $
David Koczkar	1,550,000	1,550,000
Milosh Milisavljevic	825,000	900,000
Mark Rogers	1,035,000	1,070,000
Andrew Wilson	1,020,000	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, cybersecurity, 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 Hub Lead – Group Risk & Chief Risk Officer, Group Lead – People, Spaces & Sustainability and Group Lead – Trust, Legal & 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, 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.

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.
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 2023, 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 2023. Actual target values are not disclosed as this is considered commercially sensitive information.
Does Medibank have a malus and clawback policy that applies to the STI plan?	Medibank has a Malus and Clawback Policy that provides discretion to the Board to reduce, cancel, or recover (clawback) any award made under the STI plan to employees 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 executive 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 executive 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.

	2023		2024	
Executive KMP	Target	Maximum	Target	Maximum
David Koczkar	100%	150%	100%	150%
Milosh Milisavljevic	65%	100%	65%	120%
Mark Rogers	65%	120%	65%	120%
Andrew Wilson	65%	120%	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 2023 LTI plan?	The performance period for the 2023 LTI plan is three financial years commencing 1 July 2022. 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 2023 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 2022. This average price was \$3.19.
What are the performance hurdles under the 2023 LTI plan?	Performance rights issued under the 2023 LTI plan are subject to 3 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 2022 and the performance period for the EPS performance hurdle will run for 3 years from 1 July 2022 through to 30 June 2025. 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.

What are the performance hurdles under the 2023 LTI plan? cont.	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 2023 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 malus and clawback policy that applies to the LTI plan?	Medibank has a Malus and Clawback Policy that provides discretion to the Board to reduce, cancel, or recover (clawback) any award made under the LTI Plan to an employee 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

	2023 & 2024
Executive KMP	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. Vesting schedules for the 2023 LTI allocation are consistent with schedule applied to the 2022 LTI offer.

2023 EPS performance rights (35% of award)

In this context, the Board approved maintaining a threshold EPS CAGR target of 3% for the 2023 LTI grant. 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.

2023 TSR performance rights (35% of award)

The Board approved maintaining the vesting schedule for the TSR hurdle. 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 2023 TSR performance rights to vest, Medibank must achieve the threshold TSR ranking over the performance period. The percentage of the 2023 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 2023 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:

a) 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.

b) The value of all dividends and other shareholder benefits paid by each company during the performance period assuming that:
   i. 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.
   ii. Franking credits are disregarded.

The entities comprising the 2023 comparator group are determined at the commencement of the performance period. If the ordinary shares or stock of a member of the 2023 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.

2023 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%

7. Linking remuneration and performance in 2023

7.1 2023 short-term incentive (STI) performance scorecard

Gateways

Both the Financial Gateway and the Risk, Compliance & Behaviour Gateway (in respect of each of the Executive KMP's roles) were met. In consideration of the cybercrime event and the expectations of our customers, shareholders, and the community, the Board exercised their discretion and reduced 2023 STI outcomes for Executive KMP to zero. The following table details the 2023 STI performance scorecard measures, weightings, and assessment.

		Weighting			
Measure	Description	CEO	Group Lead – CEO Amplar	Other Executive KMP	2023 Outcomes
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. Group operating profit for the purposes of the 2023 STI is inclusive of cybercrime event related expenses.	45%	22.5%	35%	Above threshold
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 threshold
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%	Below threshold
Role-specific big goals	Aligned to one or more of the following milestones: 1. **Deliver leading experiences** – Continue to achieve a high level of customer and employee advocacy by creating personalised and connected customer experiences, empowering our people and collaborating with our communities to make a difference. 2. **Differentiate our insurance business** – We aim to achieve market share and net policy holder growth (including growth in the Medibank brand) and to deliver $30m productivity savings in FY23-FY25 including $10m in FY23. 3. **Expand in health** – We aim to achieve at least 15% p.a. organic segment profit growth and to invest $150m - $250m in total to grow Medibank Health inorganically as suitable opportunities arise over the next 3 years by focusing growth on prevention and integrated care models, scaling and connecting our health business and bringing benefits back to our core.	15%	50%	20%	Ranging between below threshold to ahead of target

7.2 Medibank's 2023 financial performance

Medibank's 2023 annual financial performance is provided in the table below in addition to the average 2023 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	2023	2022	2021	2020	2019
Health Insurance premium revenue growth	4.2%	2.7%	2.1%	1.3%	2.4%
Group operating profit[1]	$601.1m	$594.1m	$528.3m	$461.0m	$558.7m
Group net profit after tax (NPAT)	$511.1m	$393.9m	$441.3m	$315.0m	$458.7m
Dividend	14.6 cent p/s	13.4 cents p/s	12.7 cents p/s	12.0 cents p/s	13.1 cents p/s
Share price as at 1 July	$3.25	$3.16	$2.99	$3.49	$2.92
Share price as at 30 June	$3.52	$3.25	$3.16	$2.99	$3.49
Average Executive KMP STI as a percentage of maximum opportunity	0%	72%	70%	0%	56%

1. 2019 Group operating profit of $558.7 million includes $30.2 million of operating profit attributable to discontinued operations. For 2023 Group operating profit of $647.5 million was adjusted to include the non-recuring cybercrime costs of $46.4 million.

7.3 2023 STI awards

The table below provides a summary of STI awards for the 2023 performance year.

Executive KMP	Target STI $	Total STI achieved $	STI cash (50%) $	STI deferred (50%) $	Total STI achieved as % of target	Total STI achieved as % of max opportunity
David Koczkar	1,550,000	-	-	-	0%	0%
Milosh Milisavljevic	536,250	-	-	-	0%	0%
Mark Rogers	672,750	-	-	-	0%	0%
Andrew Wilson	663,000	-	-	-	0%	0%

With consideration of the expectations of our customers, shareholders, and the community following the cybercrime event the Board exercised discretion and reduced the 2023 STI outcomes for Executive KMP to zero.

7.4 2021 Long-term incentive plan outcomes

Medibank's 2021 LTI was tested following the completion of the performance period on 30 June 2023. The Board determined it was appropriate to allow the LTI to vest in line with the terms of its grant, as the vesting outcome of 62.3% reflects an appropriate balance between shareholder and customer interests over the three-year period including the impact of the cybercrime event. The table below outlines the final outcome against the EPS CAGR, Relative TSR, and market share performance hurdles and associated vesting percentage for each.

Performance hurdle	Weighting	Outcome	Vesting percentage
EPS CAGR	35%	10.8%	100%
Relative TSR	35%	64th Percentile	78%
Market Share	30%	27.08%	0%
Total 2021 LTI vesting percentage			**62.3%**

The performance rights under the 2021 LTI Plan that do not vest because of the performance hurdle outcomes not being met will lapse immediately.

The 2022 and 2023 LTI plans remain in restriction and will be assessed against their performance hurdles at the completion of the 2024 and 2025 financial years respectively.

8. 2023 actual remuneration (Non-IFRS disclosure)

The table below represents the 2023 'actual' remuneration for Executive KMP and includes all cash payments made in relation to 2023, in addition to deferred short-term incentive (STI) and long-term incentive (LTI) awards that vested in 2023.

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 2023 $	Total cash payments in relation to 2023 $	Deferred equity awards that vested in 2023[1] $	Total 2023 actual remuneration $	Equity awards that lapsed in 2023[2] $
David Koczkar	1,548,269	-	**1,548,269**	660,095	**2,208,364**	384,422
Milosh Milisavljevic	823,442	-	**823,442**	55,900	**879,342**	78,471
Mark Rogers	1,033,788	-	**1,033,788**	583,240	**1,617,028**	320,350
Andrew Wilson	1,019,308	-	**1,019,308**	624,528	**1,643,836**	384,422

1. Deferred equity awards that vested in 2023 relate to 2021 STI deferred performance rights (including shares allocated as dividend equivalent for the deferral period as per plan rules) and 2020 LTI performance rights that vested during the year.
2. Equity awards that lapsed in 2023 relate to the portion of the 2020 long-term incentive (LTI) performance rights that lapsed following the testing of the performance hurdles in July 2022.

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 2023 actual remuneration, the table below includes accrual amounts for equity awards being expensed throughout 2023 that are yet to, and may never, be realised.

		Short-term benefits				Post-employment benefits	Long-term benefits		Equity-based benefits	Other	
Executive KMP	Financial year	Salary $[1]	Short-term incentive (STI) $	Other $	Non-monetary benefits $[2]	Superannuation $	Leave $[3]	Deferred STI $	Performance rights $[4]	Termination benefits $	Total remuneration $
David Koczkar	2023	**1,536,560**	-	-	**18,082**	**27,500**	**59,869**	-	**1,616,992**	-	**3,259,003**
	2022	1,523,622	861,228	-	21,838	27,500	47,627	-	1,279,338	-	3,761,153
Milosh Milisavljevic	2023	**769,948**	-	-	**13,897**	**27,500**	**56,347**	-	**419,506**	-	**1,287,198**
	2022	754,326	302,413	-	14,833	27,500	40,033	-	299,655	-	1,438,760
Mark Rogers	2023	**1,013,573**	-	-	**15,891**	**25,408**	**110,493**	-	**634,380**	-	**1,799,745**
	2022	980,097	422,042	-	15,836	23,749	64,362	-	649,377	-	2,155,463
Andrew Wilson	2023	**957,739**	-	-	**20,929**	**25,456**	**50,213**	-	**612,467**	-	**1,666,804**
	2022	971,537	384,956	-	20,614	25,000	60,576	-	626,895	-	2,089,578
Total Executive KMP	2023	**4,277,820**	-	-	**68,799**	**105,864**	**276,922**	-	**3,283,345**	-	**8,012,750**
	2022	4,229,582	1,970,639	-	73,121	103,749	212,598	-	2,855,265	-	9,444,954

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*.

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 2023 remuneration mix for Medibank's Executive KMP as detailed in the 'statutory remuneration table'.

	Non-performance-related	Performance-related			
Executive KMP	Fixed remuneration[1]	Cash STI	Deferred STI[2]	LTI[3]	Total performance-related remuneration
David Koczkar	50.4%	0%	13.2%	36.4%	49.6%
Milosh Milisavljevic	67.4%	0%	11.7%	20.9%	32.6%
Mark Rogers	64.8%	0%	11.7%	23.5%	35.2%
Andrew Wilson	63.3%	0%	11.5%	25.2%	36.7%

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 2023 accounting expense of the 2022 deferred STI component within the 'performance rights' column of the 'statutory remuneration table'.
3. LTI includes the 2023 accounting expense of the 2021, 2022 and 2023 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 2023 Executive KMP equity award transactions and outstanding holdings granted in previous years are set out below.

			Acquired during 2023[2]		Vested during 2023[3]		Lapsed during 2023[4]		Other changes	Balance 30 June 2023[5]	
Executive KMP	Award type[1]	Balance 1 July 2022	Units	Value	Units	Value	Units	Value		Units	Value
David Koczkar	Long-term incentive	1,105,817	728,840	1,549,513	75,025	273,841	105,321	384,422	-	1,654,311	3,679,826
	Short-term incentive	102,787	246,617	882,586	108,838	386,254	-	-	-	240,566	861,226
	Ordinary shares	858,734	-	-	183,863	660,095	-	-	-	1,042,597	3,669,941
Milosh Milisavljevic	Long-term incentive	241,774	168,103	357,387	15,315	55,900	21,499	78,471	-	373,063	829,528
	Short-term incentive	-	84,472	302,410	-	-	-	-	-	84,472	302,410
	Ordinary shares	24,118	-	-	15,315	55,900	-	-	-	39,433	138,804
Mark Rogers	Long-term incentive	557,043	210,893	448,358	62,521	228,202	87,767	320,350	-	617,648	1,371,012
	Short-term incentive	94,480	123,450	441,673	100,042	355,038	-	-	-	117,888	422,039
	Ordinary shares	392,355	-	-	162,563	583,240	-	-	-	554,918	1,953,311
Andrew Wilson	Long-term incentive	594,635	207,836	441,859	75,025	273,841	105,321	384,422	-	622,125	1,381,118
	Short-term incentive	93,322	113,023	404,348	98,816	350,687	-	-	-	107,529	384,954
	Ordinary shares	995,119	-	-	173,841	624,528	-	-	-	1,168,960	4,114,739

1. 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.
2. Represents the maximum number of equity awards that may vest to each executive in respect to their time as KMP during 2023. 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 2021, 2022 and 2023 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.
3. Awards that vested in 2023 relate to the 100% vesting of 2021 Deferred STI award (including shares allocated as dividend equivalent for the deferral period as per plan rules) and the 41.6% vesting of 2020 LTI award (granted 28 November 2019) 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.
4. Awards that lapsed in 2023 relate to the 58.4% of the 2020 LTI award that did not meet the performance hurdle and subsequently lapsed.
5. The value of unvested STI is determined by the number of units at 30 June 2023 multiplied by the unit price at grant. The value of unvested LTI is determined by the number of units at 30 June 2023 multiplied by the fair value at grant. The value of ordinary shares is determined by multiplying the number of ordinary shares at 30 June 2023 by the closing price of Medibank shares on the same date.

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]
2023 LTI performance rights	LTI	1/07/2022	30/06/2025	6/12/2022	EPS	35%	3.19	2.63
					Market share	30%	3.19	2.63
					TSR	35%	3.19	1.19
2022 deferred STI performance rights	STI	1/07/2022	15/09/2023	6/12/2022	Service	100%	3.58	3.58
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

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).

Non-executive director base and committee fees have been maintained at their current levels for 2024. Based on the composition of the Board, non-executive director fee spend for 2024 will remain at $2,019,300 against the approved cap of $2,300,000.

Non-executive director fees applicable throughout 2023 and 2024 are set out in the table below:

Position	Fees 2023 & 2024 $
Chair	458,500
Non-executive directors	170,000
Committee chair fees	
Audit Committee	41,200
Risk Management Committee	41,200
People and Remuneration Committee	41,200
Investment and Capital Committee	41,200
Committee membership fees	
Audit Committee	20,600
Risk Management Committee	20,600
People and Remuneration Committee	20,600
Investment and Capital Committee	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 2023, all non-executive directors have met the minimum shareholding requirement. Further details of current non-executive director shareholdings are provided in section 13.

12. 2023 non-executive director remuneration statutory table

		Short-term benefits		Post-employment benefits	
Non-executive director	Financial year	Cash salary and fees $	Non-monetary[1] $	Superannuation $	Total $
Mike Wilkins	**2023**	**453,452**	**4,818**	**6,812**	**465,082**
	2022	446,711	4,414	-	451,125
Tracey Batten	**2023**	**210,549**	**2,792**	**22,143**	**235,484**
	2022	191,670	2,703	19,196	213,569
Anna Bligh	**2023**	**191,837**	**3,343**	**20,175**	**215,355**
	2022	187,054	3,532	18,734	209,320
Gerard Dalbosco	**2023**	**209,840**	**2,747**	**22,851**	**235,438**
	2022	213,703	1,248	4,470	219,421
Peter Everingham[3]	**2023**	**191,837**	**3,315**	**20,175**	**215,327**
	2022	47,308	593	4,731	52,632
David Fagan	**2023**	**210,548**	**3,118**	**22,143**	**235,809**
	2022	215,023	3,019	21,534	239,576
Kathryn Fagg[3]	**2023**	**191,837**	**143**	**20,175**	**212,155**
	2022	47,308	-	4,731	52,039
Linda Bardo Nicholls	**2023**	**232,691**	**2,812**	**-**	**235,503**
	2022	204,643	3,026	-	207,669
Former non-executive directors					
Peter Hodgett[2]	**2022**	**79,846**	**6,070**	**8,053**	**93,969**
Christine O'Reilly[2]	**2022**	**87,863**	**5,355**	**-**	**93,218**
Total non-executive director remuneration	**2023**	**1,892,591**	**23,088**	**134,474**	**2,050,153**
	2022	1,721,129	29,960	81,449	1,832,538

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. Peter Hodgett's and Christine O'Reilly's 2022 remuneration reflects their retirement date from the Medibank Board of 18 November 2021.
3. Kathryn Fagg's and Peter Everingham's 2022 remuneration reflects their commencement date as non-executive directors of 31 March 2022.

13. Non-executive director ordinary shareholdings

Non-executive director	Balance 30 June 2022	Acquired during the year	Other changes	Balance 30 June 2023	Minimum shareholding requirement $[1]	Shareholding value at 30 June 2023 $[2]	Minimum shareholding requirement timeline
Mike Wilkins	100,000	-	-	100,000	229,250	352,000	Requirement satisfied
Tracey Batten	50,000	-	-	50,000	85,000	176,000	Requirement satisfied
Anna Bligh	44,623	-	-	44,623	85,000	157,073	Requirement satisfied
Gerard Dalbosco	72,832	-	-	72,832	85,000	256,369	Requirement satisfied
Peter Everingham	40,000	-	-	40,000	85,000	140,800	Requirement satisfied
David Fagan	47,016	-	-	47,016	85,000	165,496	Requirement satisfied
Kathryn Fagg	32,750	-	-	32,750	85,000	115,280	Requirement satisfied
Linda Bardo Nicholls	45,000	-	-	45,000	85,000	158,400	Requirement satisfied

1. Minimum shareholding requirement based on annual non-executive director base fees for 2023 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 2023 ($3.52).

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.

15. Loans and other transactions with KMP

During 2022 and 2023 there were no loans to KMP or any of their 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.

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Consolidated statement of comprehensive income

For the financial year ended 30 June 2023

	Note	2023 $m	2022 $m
Revenue			
Health Insurance premium revenue	2(b) 3(a)	7,182.0	6,881.2
Medibank Health revenue		173.3	247.3
		7,355.3	**7,128.5**
Other income		1.0	1.0
Expenses			
Claims expense	3(a)	(5,859.7)	(5,679.8)
Medical services expense		(27.6)	(34.7)
Employee benefits expense	13(a)(ii)	(455.5)	(467.5)
Office and administration expense		(109.8)	(90.1)
Marketing expense		(115.5)	(85.9)
Information technology expense		(78.1)	(73.8)
Depreciation and amortisation expense		(118.4)	(115.0)
Finance expense		(1.8)	(2.4)
Share of net profit/(loss) from equity accounted investments	16(b)	(1.4)	4.5
		(6,767.8)	**(6,544.7)**
Profit before net investment income and income tax		**588.5**	**584.8**
Net investment income/(expense)	7(a)	138.6	(24.8)
Profit for the year before income tax		**727.1**	**560.0**
Income tax expense	15(a)	(216.0)	(166.1)
Profit for the year		**511.1**	**393.9**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gain on retirement benefit obligation, net of tax		-	0.2
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent		**511.1**	**394.1**
Earnings per share attributable to ordinary equity holders of the Parent - basic and diluted (cents)	6(b)	**18.6**	**14.3**

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

Consolidated statement of financial position

As at 30 June 2023

	Note	2023 $m	2022 $m
Current assets			
Cash and cash equivalents		420.6	596.7
Trade and other receivables	9(b)	248.1	225.4
Financial assets at fair value	7(b)	2,866.8	2,854.5
Deferred acquisition costs	4	34.8	35.4
Tax receivable		97.8	-
Other assets		25.9	19.3
Total current assets		**3,694.0**	**3,731.3**
Non-current assets			
Property, plant and equipment	11	70.5	88.4
Intangible assets	12	328.1	332.3
Deferred acquisition costs	4	44.3	47.5
Deferred tax assets	15(c)	130.8	243.6
Equity accounted investments	16(b)	117.6	103.7
Other assets		3.5	6.0
Total non-current assets		**694.8**	**821.5**
Total assets		**4,388.8**	**4,552.8**
Current liabilities			
Trade and other payables	9(c)	328.5	361.4
Claims liabilities	3(b)	767.3	860.9
Unearned premium liability	5	776.8	817.5
Tax liability		-	117.0
Customer give back provision	13(c)	136.1	178.6
Provisions and employee entitlements	13	94.0	104.6
Total current liabilities		**2,102.7**	**2,440.0**
Non-current liabilities			
Trade and other payables	9(c)	39.4	56.6
Claims liabilities	3(b)	10.0	10.2
Unearned premium liability	5	131.7	77.3
Provisions and employee entitlements	13	20.6	23.1
Total non-current liabilities		**201.7**	**167.2**
Total liabilities		**2,304.4**	**2,607.2**
Net assets		**2,084.4**	**1,945.6**
Equity			
Contributed equity	10(a)	85.0	85.0
Reserves	10(b)	27.9	25.7
Retained earnings		1,971.5	1,834.9
Total equity		**2,084.4**	**1,945.6**

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 2023

	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 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**
Profit for the year		-	-	511.1	**511.1**
Other comprehensive income		-	-	-	**-**
Total comprehensive income for the year		**-**	**-**	**511.1**	**511.1**
Dividends paid	6(a)(i)	-	-	(374.5)	**(374.5)**
Acquisition and settlement of share-based payment, net of tax		-	(4.5)	-	**(4.5)**
Share-based payment transactions		-	6.7	-	**6.7**
Balance at 30 June 2023		**85.0**	**27.9**	**1,971.5**	**2,084.4**

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

Consolidated statement of cash flows

For the financial year ended 30 June 2023

	Note	2023 $m	2022 $m
Cash flows from operating activities			
Premium receipts		7,148.1	7,089.4
Medibank Health receipts		192.4	274.6
Other receipts		4.5	3.3
Payments for claims and levies		(5,996.4)	(5,422.6)
Payments to suppliers and employees		(846.5)	(795.9)
Income taxes paid		(317.6)	(200.3)
Net cash inflow from operating activities	9(d)	**184.5**	**948.5**
Cash flows from investing activities			
Interest received		71.2	14.2
Investment expenses		(5.0)	(5.0)
Proceeds from sale of financial assets		1,761.2	1,349.6
Purchase of financial assets		(1,703.6)	(1,926.2)
Purchase of equity accounted investments	16(b)	(25.9)	(21.1)
Dividends received from equity accounted investments	16(b)	2.5	-
Purchase of plant and equipment		(7.8)	(7.0)
Purchase of intangible assets		(34.1)	(28.1)
Net cash inflow/(outflow) from investing activities		**58.5**	**(623.6)**
Cash flows from financing activities			
Purchase of shares to settle share-based payment		(4.9)	(3.1)
Lease principal and interest payments	14	(39.7)	(38.8)
Dividends paid	6(a)(i)	(374.5)	(358.0)
Net cash outflow from financing activities		**(419.1)**	**(399.9)**
Net increase/(decrease) in cash and cash equivalents		**(176.1)**	**(75.0)**
Cash and cash equivalents at beginning of the year		596.7	671.7
Cash and cash equivalents at end of the year		**420.6**	**596.7**

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

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 2023 were authorised for issue in accordance with a resolution of the directors on 24 August 2023. 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 2023 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 2023 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 13: Provisions and employee entitlements.
- 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 2023, 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.

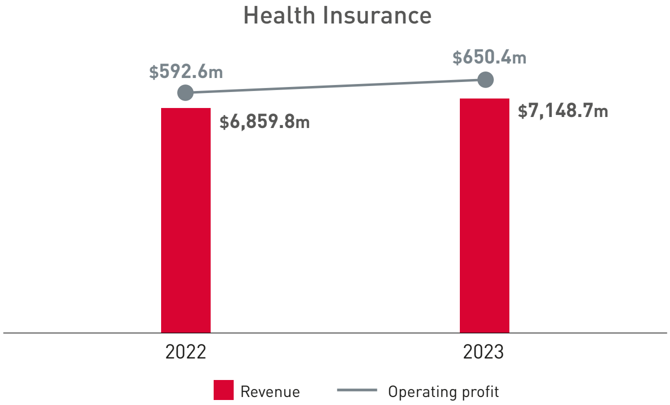
Medibank Health

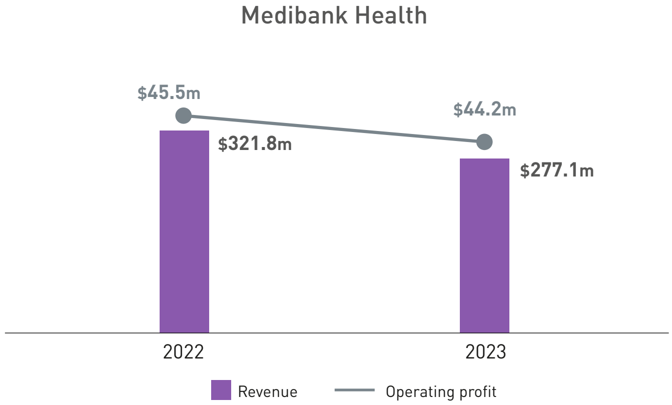
Derives its revenue from a range of activities including contracting with government and corporate customers to provide health management and in-home care services, as well as providing a range of telehealth services in Australia. In addition, the Group distributes travel, life and pet insurance products 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.

(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 2023 is as follows.





30 June 2023	Note	Health Insurance $m	Medibank Health $m	Total $m
Revenue				
Total segment revenue	2(c)(iii)	7,148.7	277.1	7,425.8
Inter-segment revenue		-	(70.5)	(70.5)
Revenue from external customers		7,148.7	206.6	7,355.3
Operating profit		650.4	44.2	694.6
Items included in segment operating profit:				
Depreciation and amortisation		(103.3)	(9.3)	(112.6)
Interest income from loans to associates		-	0.2	0.2
Share of net profit/(loss) from equity accounted investments	16(b)	-	(0.2)	(0.2)

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
Items included in segment operating profit:				
Depreciation and amortisation		(101.6)	(7.3)	(108.9)
Interest income from loans to associates		-	0.2	0.2
Share of net profit/(loss) from equity accounted investments	16(b)	-	4.5	4.5

(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	2023 $m	2022 $m
Total segment operating profit		694.6	638.1
Unallocated to operating segments:			
Corporate operating expenses		(47.1)	(44.0)
Group operating profit		647.5	594.1
Net investment income/(expense)	7(a)	138.6	(24.8)
Cybercrime expenses		(46.4)	-
Acquisition intangible amortisation		(1.4)	(2.0)
Mergers and acquisitions expenses		(1.4)	(1.7)
Other income/(expenses)		(9.8)	(5.6)
Profit for the year before income tax		727.1	560.0

(ii) Other items

Segment operating profit excludes the following:

- Corporate operating expenses of $47.1 million (2022: $44.0 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.
- Expenses incurred in relation to the Group's cybercrime event of $46.4 million (2022: nil). These costs have been recognised within the relevant line items in the consolidated statement of comprehensive income, including office and administration expense of $22.0 million, employee benefits expense of $15.6 million, information technology expense of $7.6 million and marketing expense of $1.2 million. Refer to Note 13(d) for further information.
- Acquisition intangible amortisation of $1.4 million (2022: $2.0 million) not allocated to segments.
- Expenses in relation to mergers and acquisitions of $1.4 million (2022: $1.7 million) which are not allocated to the operating activities of the Group's segments.
- Other income/(expenses) of $9.8 million (2022: $5.6 million) which do not relate to the current period's trading activities of the Group's segments, comprising primarily net costs relating to the Group's subleases and the Group's share of interest on lease liabilities in relation to its investment in East Sydney Day Hospital Pty Ltd.

(iii) Loyalty program

Segment private health insurance premium revenue is after $33.3 million (2022: $21.4 million) of transfers between the Group's other operating segments in relation to the loyalty program.

(iv) Segment assets and segment liabilities

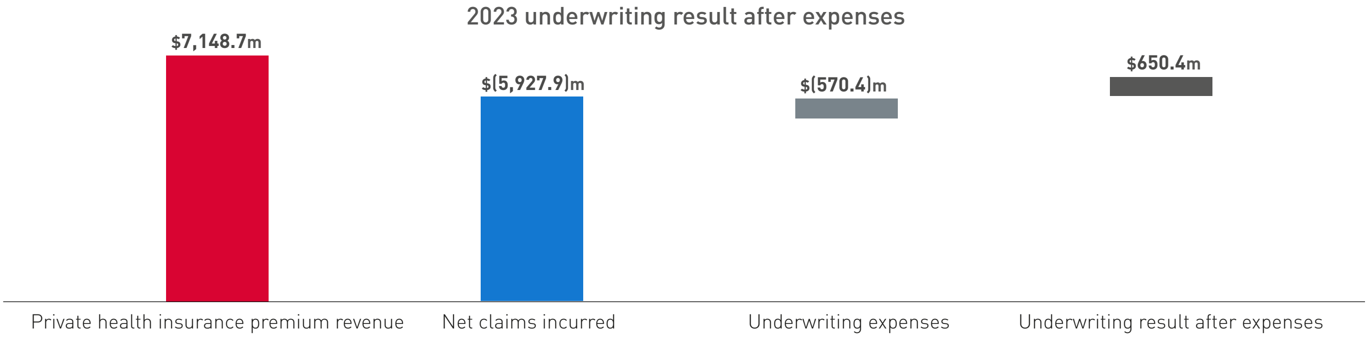
No information regarding segment assets and segment liabilities has been disclosed, as these amounts are not reported to the CEO for the purpose of making strategic decisions.

(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.

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.



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	2023 $m	2022 $m
Private health insurance premium revenue	(i)	7,148.7	6,859.8
Claims expense			
Claims incurred	(ii)	(6,016.6)	(5,415.0)
(Increase)/decrease in COVID-19 claims liability	(iv)	194.5	(224.5)
State levies		(67.0)	(55.5)
Net Risk Equalisation Special Account payments		(36.8)	(36.1)
Net claims incurred excluding claims handling costs		**(5,925.9)**	**(5,731.1)**
Movement in claims handling costs on outstanding claims liabilities		(2.0)	(0.5)
Net claims incurred	(iii)	**(5,927.9)**	**(5,731.6)**
Underwriting expenses		(570.4)	(535.6)
Underwriting result after expenses		**650.4**	**592.6**

(i) Private health insurance premium revenue is after $33.3 million (2022: $21.4 million) of transfers between the Group's other operating segments in relation to the loyalty program and $451.7 million (2022: $369.4 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 $68.2 million (2022: $51.8 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 unpresented and outstanding claims.

(b) Gross claims liability

	Note	2023 $m	2022 $m
Current			
Outstanding claims liability - central estimate	(i, ii)	440.1	359.3
COVID-19 claims liability	(vi)	253.8	448.3
Risk margin	(i, iii)	55.2	35.1
Claims handling costs	(iv)	10.9	8.9
		760.0	**851.6**
Claims liability - provision for bonus entitlements	(v)	7.3	9.3
Gross claims liabilities	(c)	**767.3**	**860.9**
Non-current			
Outstanding claims liability - central estimate	(i, ii)	3.7	3.1
Risk margin	(i, iii)	0.4	0.3
Claims handling costs	(iv)	0.1	0.1
		4.2	**3.5**
Claims liability - provision for bonus entitlements	(v)	5.8	6.7
Gross claims liabilities	(c)	**10.0**	**10.2**

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 in 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 4.35% per annum which equates to a reduction in the central estimate of $2.7 million (2022: 1.81%, $0.9 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 2023 is 12.2% (2022: 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 98% (2022: 95%), increasing this period as a result of increased uncertainty arising due to short-term changes in claims processing driven by the timing of hospital contracting. 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 2023 is 2.5% of the outstanding claims liability (2022: 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 liability relates to claims deferred as a result of surgeries and other health services restricted for policyholders during the COVID-19 pandemic. At 30 June 2023, the COVID-19 liability includes surgical and non-surgical hospital claims of $253.8 million (2022: $405.6 million) and ancillary claims of nil (2022: $42.7 million). **Key estimate** 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 restrictions in March 2020. Any shortfall in claims up to June 2022 is deferred into the liability at the applicable claims deferral rate. Claims deferral was ceased after June 2022 as despite the prolonged impact of COVID-19, there have been no formal restrictions and lockdowns since that time impeding availability and accessibility to surgeries and other health services. The Group will continue to reassess this position. Utilisation of the liability occurs where the 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 annually for those 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% (2022: 85%) for surgical claims and 20% (2022: 40%) for non-surgical 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.

(c) Reconciliation of movement in claims liabilities

	Note	2023 $m	2022 $m
Balance at 1 July		**871.1**	**631.5**
Claims incurred during the period		5,942.5	5,369.8
Increase/(decrease) in COVID-19 claims liability	(i)	(194.5)	224.5
Claims paid during the period		(5,847.7)	(5,348.1)
Amount (over)/under provided on central estimate[1]		(13.6)	(8.2)
Risk margin		20.2	2.0
Claims handling costs		2.0	0.5
Movement in discount rate		(2.7)	(0.9)
Balance at 30 June		**777.3**	**871.1**

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

1 The over provision recognised in the current year includes $4.0 million that has been recognised within the COVID-19 liability at the applicable deferral rate. Refer to Note 3(c)(i). The remaining amount has been recognised within the net permanent claims savings for the period.

(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 2022	**405.6**	**42.7**	**448.3**
Net change in assumptions[1]	(84.8)	-	(84.8)
Amount over/(under) provided from central estimate	4.0	-	4.0
Decrease during the period	(71.0)	(42.7)	(113.7)
Balance at 30 June 2023	**253.8**	-	**253.8**

1. Includes change in expected deferral rate of $79.8 million.

(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 $31.1 million decrease/increase to profit after tax and equity (2022: $25.4 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 $92.6 million decrease and $118.8 million increase respectively to profit after tax and equity (2022: $117.9 million).
- An increase/decrease of 10 percentage points in the adopted deferral rate for COVID-19 hospital claims would result in a $51.4 million decrease/increase to profit after tax and equity (2022: $54.2 million). The reasonable possible range for the hospital deferral assumption is 75-100% for surgical claims (2022: 75-100%) and 10-30% for non-surgical and ancillary claims (2022: 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 regular 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.

Note 4: Deferred acquisition costs

Movements in the deferred acquisition costs are as follows:

	2023 $m	2022 $m
Balance at 1 July	82.9	81.1
Costs deferred during the year	35.1	39.6
Amortisation expense	(38.9)	(37.8)
Balance at 30 June	79.1	82.9

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 (2022: 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

Movements in the unearned premium liability is as follows:

	2023 $m	2022 $m
Balance at 1 July	894.8	757.4
Deferral of premium on contracts written during the year	960.8	700.9
Earning of premiums deferred in prior years	(817.5)	(697.0)
Movement in provision for premium deferral	(129.6)	133.5
Balance at 30 June	908.5	894.8

Note: Movement includes both current and non-current.

The unearned premium liability balance at 30 June 2023 includes a provision for premium deferral of $3.9 million (2022: $133.5 million). The provision for premium deferral represents amounts owed at balance date in relation to the announcements made by the Group to return permanent net COVID-19 savings to eligible policyholders via premium deferrals.

A separate customer give back provision of $136.1 million (2022: $178.6 million) is recognised in the consolidated statement of financial 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 2023 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 2023 and 2022. 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
2023			
2022 final fully franked dividend	7.30	201.0	29 September 2022
2023 interim fully franked dividend	6.30	173.5	22 March 2023
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

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

On 24 August 2023, the directors determined a final fully franked ordinary dividend for the six months ended 30 June 2023 of 8.30 cents per share. The dividend is expected to be paid on 5 October 2023 and has not been provided for as at 30 June 2023.

(iii) Franking account

Franking credits available at 30 June 2023 for subsequent reporting periods based on a tax rate of 30% are $533.6 million (2022: $372.7 million).

(iv) Calculation of dividend paid

Medibank's target dividend payout ratio for the 2023 financial year is 75-85% (2022: 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.

	2023 $m	2022 $m
Profit for the year – after tax	**511.1**	**393.9**
Normalisation for growth asset returns	(4.7)	22.7
Normalisation for defensive asset returns – credit spread movement	(6.8)	18.5
Underlying NPAT	**499.6**	**435.1**

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

	2023	2022
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (cents)	18.6	14.3
Profit for the year attributable to ordinary equity holders of the parent ($m)	511.1	393.9
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 Strategic Asset Allocation (SAA) 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 Non-Health Fund 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-.

Portfolio composition 30 June 2023 ($m)	Health Fund Investment Portfolio[1]	Short-term Operational Cash (STOC)	Non-Health Fund Investment Portfolio	Total
Cash portfolio				
Cash and cash equivalents (as reported in the statement of financial position)[2]	249.9	159.6	1.5	**411.0**
Cash investments with longer maturities	342.0	-	-	**342.0**
Less cash allocated to the Fixed income portfolio	(4.8)	-	-	**(4.8)**
Fixed income portfolio				
Fixed income (as reported in the statement of financial position)	1,879.3	234.2	209.7	**2,323.2**
Less cash investments with longer maturities	(342.0)	-	-	**(342.0)**
Cash allocated to the Fixed income portfolio	4.8	-	-	**4.8**
Growth portfolio				
Equities and investment trusts	543.6	-	-	**543.6**
Total investment portfolio	**2,672.8**	**393.8**	**211.2**	**3,277.8**

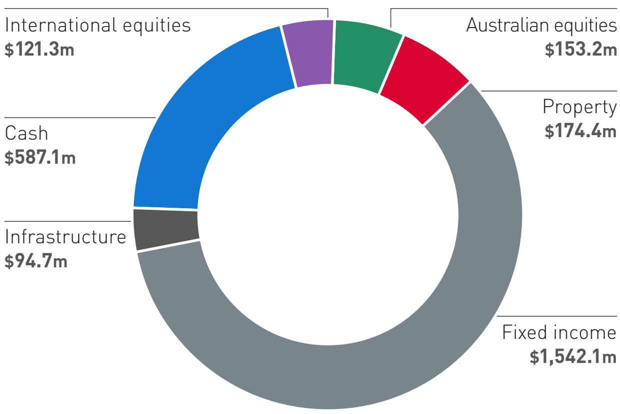
Portfolio composition 30 June 2022 ($m)	Health Fund Investment Portfolio[1]	Short-term Operational Cash (STOC)	Non-Health Fund Investment Portfolio	Total
Cash portfolio				
Cash and cash equivalents (as reported in the statement of financial position)[2]	232.2	326.6	13.6	572.4
Cash investments with longer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

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 $9.6 million (2022: $24.3 million).

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

	Portfolio composition 30 June 2023	Portfolio composition 30 June 2022	Target asset allocation
Growth			
Australian equities	5.7%	5.4%	6.0%
International equities	4.5%	4.1%	5.0%
Property	6.6%	7.4%	7.0%
Infrastructure	3.5%	2.3%	2.0%
	20.3%	19.2%	20.0%
Defensive			
Fixed income	57.7%	59.0%	60.0%
Cash	22.0%	21.8%	20.0%
	79.7%	80.8%	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.

	2023 $m	2022 $m
Interest income[1]	86.0	17.9
Trust distributions	27.2	43.1
Net gain/(loss) on fair value movements on financial assets	34.8	(93.0)
Net gain/(loss) on disposal of financial assets	(4.4)	12.3
Investment management expenses	(5.0)	(5.1)
Net investment income/(expense)	**138.6**	**(24.8)**

1. Includes interest income of $6.7 million (2022: $1.0 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.

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

30 June 2023	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities[1]	-	153.2	-	**153.2**
International equities[1]	-	121.3	-	**121.3**
Property[1]	-	-	174.4	**174.4**
Infrastructure[1]	-	-	94.7	**94.7**
Fixed income	58.7	2,054.8	-	**2,113.5**
Financial assets at fair value through other comprehensive income - Fixed income	-	209.7	-	**209.7**
Balance at 30 June 2023	**58.7**	**2,539.0**	**269.1**	**2,866.8**

30 June 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
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**

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 assets during the period.

	Infrastructure $m	Property $m	Total $m
Balance at 1 July 2022	57.2	182.9	240.1
Acquisitions	31.5	4.7	36.2
Net unrealised gain/(loss) on fair value movements	6.0	(13.2)	(7.2)
Balance at 30 June 2023	94.7	174.4	269.1

A 10% increase/decrease in the redemption price would decrease/increase the fair value of the level 3 financial assets by $26.9 million (2022: $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 target and 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 market 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 (2023: $420.6 million, 2022: $596.7 million) and fixed income assets (2023: $2,323.2 million, 2022: $2,379.8 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 0.5 years (2022: 0.3 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 $5.2 million increase/decrease to profit after tax and equity (2022: $6.9 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 (2023: $121.3 million, 2022: $100.7 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 $9.4 million decrease/increase to profit after tax and equity (2022: $7.8 million) in the AUD valuation of international equities financial assets. Balance date risk exposures represent the risk exposure inherent in the financial instruments.

(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.

	2023 $m		2022 $m	
	+10.0%	-10.0%	+10.0%	-10.0%
Australian equities	10.3	(10.3)	9.1	(9.1)
International equities	7.7	(7.7)	8.3	(8.3)
Property	12.8	(12.8)	12.3	(12.3)
Infrastructure	5.2	(5.2)	3.8	(3.8)

In relation to fixed income assets, a 25bps increase/decrease in credit spreads, with all other variables remaining constant, would have resulted in a $7.4 million decrease/increase to profit after tax and equity (2022: $5.8 million). Balance date risk exposures represent the risk exposure inherent in the financial instruments.

(b) Credit risk

(i) Cash and cash equivalents and financial assets at fair value

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% (2022: 50%) of the cash portfolio can be invested in any one counterparty bank and no more than 10% (2022: 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% (2022: 50%) and 15% (2022: 15%) of the portfolio respectively. As at 30 June 2023 and 2022, 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 Long-term rating 2023	A-1+ AAA $m	A-1+ AA $m	A-1 A $m	A-2 BBB $m	B & below BB & below $m	Not rated $m	Total $m
Cash and cash equivalents	-	420.6	-	-	-	-	420.6
Premiums in arrears	-	-	-	-	-	10.4	10.4
Trade and other receivables	-	-	-	-	-	237.7	237.7
Financial assets							
Australian equities	-	-	-	-	-	153.2	153.2
International equities	-	-	-	-	-	121.3	121.3
Property	-	-	-	-	-	174.4	174.4
Infrastructure	-	-	-	-	-	94.7	94.7
Fixed income	326.1	649.2	400.0	338.2	7.7	392.3	2,113.5
Financial assets at fair value through other comprehensive income	-	209.7	-	-	-	-	209.7
Total	**326.1**	**1,279.5**	**400.0**	**338.2**	**7.7**	**1,184.0**	**3,535.5**
2022							
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**

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.

(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% (2022: 20%) of its total investment assets in cash/bank deposits and highly liquid short-term money market instruments and fixed income securities. The Short-term Operational Cash (STOC) sub-portfolio is reserved for funding the COVID-19 claims liability and the customer give backs and is invested 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 2023, 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 2023.

	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
2023						
Other trade and other payables[1]	295.0	2.6	5.9	9.1	312.6	312.6
Lease liabilities[2]	18.4	17.6	14.9	10.6	61.5	55.3
Total trade and other payables	**313.4**	**20.2**	**20.8**	**19.7**	**374.1**	**367.9**
Claims liabilities	482.5	33.9	6.8	3.0	526.2	523.5
COVID-19 claims liability[3]	78.0	175.8	-	-	253.8	253.8
Total claims liabilities	**560.5**	**209.7**	**6.8**	**3.0**	**780.0**	**777.3**
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**

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.

From 1 July 2023 the new Private Health Insurance (PHI) Capital Framework will apply to the Group. In addition, APRA has advised the Group that it will apply an additional capital adequacy requirement of $250 million from with effect from 1 July 2023 following APRA's review of the cybercrime event.

(b) Trade and other receivables

	Note	2023 $m	2022 $m
Premiums in arrears		17.2	11.9
Allowance for impairment loss		(6.8)	(5.6)
	(i)	**10.4**	**6.3**
Trade receivables		71.2	66.7
Allowance for impairment loss		(3.5)	(2.1)
	(ii)	**67.7**	**64.6**
Government rebate scheme		146.1	137.7
Accrued revenue		16.8	13.4
Other receivables		7.1	3.4
		170.0	**154.5**
Total trade and other receivables		**248.1**	**225.4**

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 $10.4 million (2022: $6.3 million).

(ii) Trade receivables past due but not impaired are $10.0 million (2022: $8.0 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.

(c) Trade and other payables

	Note	2023 $m	2022 $m
Current			
Trade creditors		215.7	241.4
Other creditors and accrued expenses		66.2	66.2
Lease liabilities	14	30.9	30.2
Risk Equalisation Special Account		4.1	16.7
Other payables[1]		11.6	6.9
Total current		**328.5**	**361.4**
Non-current			
Lease liabilities	14	24.4	46.7
Other payables[1]		15.0	9.9
Total non-current		**39.4**	**56.6**

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	2023 $m	2022 $m
Profit for the year		511.1	393.9
Non-cash items			
Depreciation and amortisation		118.4	115.0
Non-cash share-based payments expense		6.7	5.9
Share of (profit)/loss from equity accounted investments	16(b)	1.4	(4.5)
Other non-cash items		1.8	1.6
Investing and financing items			
Net realised loss/(gain) on financial assets		4.4	(12.3)
Net unrealised loss/(gain) on financial assets		(34.8)	93.0
Interest income		(86.0)	(17.9)
Trust distributions		(27.2)	(43.1)
Investment management expenses		5.0	5.1
Interest paid – leases	14	1.8	2.4
(Increase)/decrease in operating assets			
Trade and other receivables		(22.0)	(11.1)
Deferred acquisition costs		(35.1)	(39.6)
Other assets		(4.1)	1.7
Income tax receivable/liability		(214.8)	123.2
Net deferred tax assets		113.2	(157.1)
Increase/(decrease) in operating liabilities			
Trade and other payables		(27.7)	34.2
Unearned premium liability		13.7	137.4
Claims liabilities		(93.8)	239.6
Provisions and employee entitlements		(47.5)	81.1
Net cash inflow from operating activities		**184.5**	**948.5**

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

	2023 $m	2022 $m
Equity reserve[1]	17.8	17.8
Share-based payments reserve[2]	10.1	7.9
Total	**27.9**	**25.7**

1. 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.
2. 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.

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	2023 $m	2022 $m
Plant and equipment		11.4	10.0
Leasehold improvements		10.5	16.8
Assets under construction		5.7	7.1
Right-of-use assets	14	42.9	54.5
Total property, plant and equipment		**70.5**	**88.4**

(b) Reconciliation of the net carrying amount

	Plant and equipment $m	Leasehold improvements $m	Assets under construction $m	Total $m
2023				
Gross carrying amount	26.9	99.5	5.7	132.1
Accumulated depreciation and impairment	(15.5)	(89.0)	-	(104.5)
Net carrying amount	11.4	10.5	5.7	27.6
Net carrying amount at 1 July	10.0	16.8	7.1	33.9
Additions	1.1	1.8	2.5	5.4
Transfers in/(out)	2.2	1.7	(3.9)	-
Depreciation expense	(1.9)	(9.8)	-	(11.7)
Net carrying amount at 30 June	11.4	10.5	5.7	27.6
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

(c) Property, plant and equipment capital expenditure commitments

	2023 $m	2022 $m
Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities	1.7	2.0

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
2023					
Gross carrying amount	282.9	89.7	508.0	33.7	914.3
Accumulated amortisation and impairment	(78.4)	(89.4)	(418.4)	-	(586.2)
Net carrying amount	**204.5**	**0.3**	**89.6**	**33.7**	**328.1**
Net carrying amount at 1 July	204.5	1.7	99.8	26.3	332.3
Additions	-	-	10.3	25.7	36.0
Transfers in/(out)	-	-	18.3	(18.3)	-
Amortisation expense	-	(1.4)	(38.8)	-	(40.2)
Net carrying amount at 30 June	**204.5**	**0.3**	**89.6**	**33.7**	**328.1**
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**

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.

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.

	2023			2022		
	Goodwill allocation $m	Growth rate %	Pre-tax discount rate %	Goodwill allocation $m	Growth rate %	Pre-tax discount rate %
Health Insurance	96.2	2.5	11.4	96.2	2.5	11.6
Medibank Health Telehealth	11.1	2.5	11.7	11.1	1.0	12.4
Medibank Health Home Care	97.2	2.5	11.7	97.2	2.5	12.4

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 the VIU calculations.
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 forecast cash flows contain key assumptions around 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

	2023 $m	2022 $m
Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities	-	0.7

Note 13: Provisions and employee entitlements

(a) Employee entitlements

(i) Employee entitlements provision

	2023 $m	2022 $m
Current	65.3	72.4
Non-current	14.4	13.8
Total employee entitlements	**79.7**	**86.2**

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:

	2023 $m	2022 $m
Superannuation expense	33.0	31.0
Other long-term benefits expense	7.0	4.9
Termination benefits expense	1.6	3.3
Share-based payment expense	6.7	5.9

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 $m	Make good $m	Workers compensation $m	Corporate loyalty benefits $m	Contingent consideration $m	Other $m	Total $m
Balance at 1 July 2022	**8.7**	**4.2**	**4.5**	**10.7**	**8.1**	**5.3**	**41.5**
Additional provision	6.2	-	0.7	9.8	-	14.1	**30.8**
Amounts utilised during the year	(7.1)	(0.2)	(0.9)	(3.7)	(5.4)	(17.4)	**(34.7)**
Reversal of unused provision	-	-	-	-	(2.7)	-	**(2.7)**
Balance at 30 June 2023	**7.8**	**4.0**	**4.3**	**16.8**	**-**	**2.0**	**34.9**
Balance comprised of:							
Current	7.8	1.3	0.8	16.8	-	2.0	**28.7**
Non-current	-	2.7	3.5	-	-	-	**6.2**

(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 (2022: $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. $5.4 million was paid during the year. 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 2022	**178.6**
Additional provision	337.9
Amounts utilised during the year	(380.4)
Balance at 30 June 2023	136.1

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.

Customer give backs totalling $451.7 million were announced during the current period, with $337.9 million of this expected to be provided via a one-time cash payment and recognised in the customer give back provision. The remaining give back amount of $113.7 million has been recognised in the provision for premium deferral in the unearned premium liability (refer to Note 5). The closing balance at 30 June 2023 is largely comprised of the recently announced $125 million one-time cash give back that is expected to be paid by October 2023.

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.

(d) Contingent liabilities

(i) Cybercrime event

The Group was subject to a cybercrime during this year which resulted in a data breach. Costs have been recognised in the current period in relation to this matter, largely related to our incident response and the customer support package.

Specific contingent liabilities in relation to the cybercrime that may impact the Group as known at this reporting period are set out below. The outcome and any potential financial impacts of the matters below are currently unknown.

OAIC regulatory investigation

The Office of the Australian Information Commissioner (OAIC) informed Medibank on 1 December 2022 that it was commencing an investigation into the cybercrime. The investigation will consider Medibank's conduct in relation to the unauthorised access that occurred in respect of the data breach, including whether Medibank took reasonable steps to protect personal information from unauthorised access and misuse, and to destroy or deidentify personal information that it is no longer required to retain.

Medibank continues to co-operate with the OAIC and its' ongoing investigation and has not received notice of any findings. The OAIC investigation may result in fines, penalties, enforceable undertakings or other regulatory enforcement action.

OAIC representative complaint

Maurice Blackburn, in collaboration with Bannister Law and Centennial Lawyers, has lodged a representative complaint with the OAIC alleging Medibank has breached its privacy obligations and seeks compensation for loss and damage, including but not limited to loss and damage for injury to feelings and humiliation.

Medibank is defending the representative complaint.

Consumer class actions

On 7 February 2023, Medibank received notice of a consumer class action filed in the Federal Court of Australia by Baker & McKenzie in relation to the cybercrime. On 5 May 2023 Medibank received notice of a second consumer class action filed in the Federal Court of Australia by Slater & Gordon.

On 1 August 2023 orders were made in the Federal Court to consolidate the two consumer class action proceedings. The consolidated consumer class action is being brought on behalf of persons who were Medibank or ahm health insurance customers between 21 December 2001 and 12 October 2022, and persons who provided personal information to Medibank or ahm for the purpose of obtaining a quote for insurance but did not become a customer. The consolidated statement of claim includes allegations of breach of contract, contraventions of the Australian Consumer Law, breach of equitable obligations of confidence, breach of the Privacy Act and breach of APRA Prudential Standard CPS234. The amount claimed is unspecified, however remedies sought include damages, declarations for contraventions of the Privacy Act, injunctive relief requiring Medibank to take reasonable steps to destroy or deidentify personal information which Medibank no longer needs to retain, interest and costs.

Medibank is defending this consolidated consumer class action proceeding.

Shareholder class actions

On 29 March 2023, Medibank received notice of a shareholder class action filed in the Supreme Court of Victoria by Quinn Emanuel on behalf of persons who acquired an interest in Medibank shares during the period 1 July 2019 to 19 October 2022.

On 29 June 2023, Medibank received notice of a second shareholder class action filed in the Supreme Court of Victoria by Phi Finney McDonald on behalf of persons who acquired an interest in Medibank shares or entered into equity swap confirmations of Medibank shares during the period 10 September 2020 to 25 October 2022.

The statements of claim for both shareholder class actions are substantially similar and include allegations of misleading or deceptive conduct and that Medibank breached its continuous disclosure obligations under the Corporations Act 2001 and ASX Listing Rules by not disclosing to the market information relating to alleged deficiencies in its cyber security systems. The amount claimed in both proceedings is unspecified, however remedies sought include damages, interest and costs.

Quinn Emanuel and Phi Finney McDonald have made an application to the Supreme Court of Victoria to consolidate the two shareholder class actions into one consolidated shareholder class action. The outcome of this application is currently unknown.

Medibank is defending the shareholder class action proceedings.

(ii) Other contingency matters (excluding cybercrime event)

The Group has issued $18.3 million of bank guarantees to third parties for various operational and legal purposes, including $10.0 million (2022: $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.

In addition to the items noted above in relation to the cybercrime event, the Group is exposed from time to time to contingent liabilities which arise from the ordinary course of business, including:

- Losses which might arise from litigation.
- Investigations from internal reviews and by regulatory bodies such as the ACCC, APRA, ATO, ASIC 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 from these other contingency matters is not material or are not at a stage to support a reasonable evaluation of the likely outcome.

Key judgement and estimate

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated.

Judgement is exercised to identify whether a present obligation exists and also in estimating the probability, timing, nature and quantum of the outflows that may arise from past events.

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 lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 30 June 2023, 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.

	2023 $m	2022 $m
Balance at 1 July	54.5	63.3
Net additions	16.0	19.1
Depreciation expense	(27.6)	(27.9)
Balance at 30 June	42.9	54.5

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

	2023 $m	2022 $m
Balance at 1 July	76.9	93.4
Additions	16.3	19.9
Accretion of interest	1.8	2.4
Lease payments	(39.7)	(38.8)
Balance at 30 June	55.3	76.9
Balance comprised of:		
Current	30.9	30.2
Non-current	24.4	46.7

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 $0.6 million have been recognised by the Group at 30 June 2023 (2022: $4.9 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 one sublease (2022: 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.

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

	2023 $m	2022 $m
Current tax	98.6	322.0
Deferred tax[1]	118.1	(156.6)
Adjustment for tax of prior period	(0.7)	0.7
Income tax expense	**216.0**	**166.1**

1. Includes deferred tax of $110.1 million (2022: ($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

	2023 $m	2022 $m
Profit for the year before income tax expense	**727.1**	**560.0**
Tax at the Australian tax rate of 30%	218.1	168.0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	0.8	0.9
Tax offset for franked dividends	(3.6)	(1.6)
Share of (profit)/loss from equity accounted investments	0.4	(1.3)
Other items	1.0	(0.6)
	216.7	**165.4**
Adjustment for tax of prior period	(0.7)	0.7
Income tax expense	**216.0**	**166.1**

(c) Deferred tax assets and liabilities

Deferred tax balances comprise temporary differences attributable to following items.

	2023 $m	2022 $m
Recognised in the income statement		
Trade and other receivables	3.1	2.3
Financial assets at fair value through profit or loss	(16.3)	(4.2)
Deferred acquisition costs	(23.7)	(24.9)
Property, plant and equipment	(12.0)	(17.2)
Intangible assets	(6.3)	(11.1)
Trade and other payables	22.9	26.9
Employee entitlements	23.9	25.8
Claims liabilities[1]	80.1	139.3
Provisions[2]	54.2	104.1
Business capital costs	0.2	0.1
Other (liabilities)/assets	4.3	2.1
	130.4	243.2
Recognised directly in other comprehensive income		
Actuarial loss on retirement benefit obligation	0.4	0.4
	0.4	0.4
Net deferred tax assets	**130.8**	**243.6**

1. Includes deferred tax of $76.1 million (2022: $134.5 million) in relation to the COVID-19 claims liability. Refer to Note 3(b) for further information.
2. Includes deferred tax of $40.8 million (2022: $53.6 million) in relation to the customer give back provision and $1.2 million (2022: $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.

Key judgement

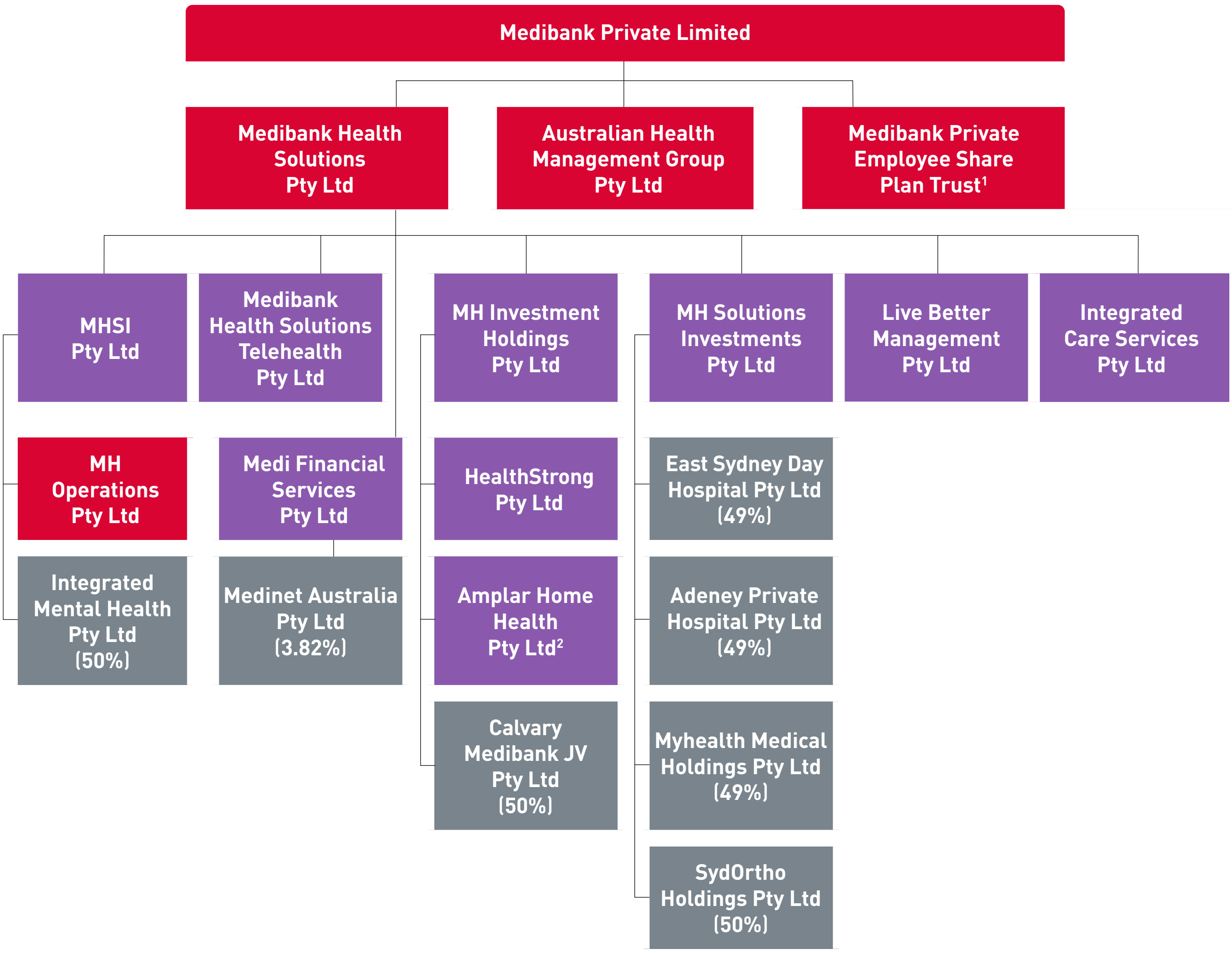
The deferred tax asset in relation to the COVID-19 claims liability has been recognised in the consolidated statement of financial position. Recognition is on the basis that the Group can demonstrate that:

- 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. Home Support Services Pty Ltd changed its name to Amplar Home Health Pty Ltd on 28 July 2023.

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 2023 the Group held the following investments in associates and joint ventures:

				Ownership interest %	
Name of company	Principal activity	Place of incorporation	Type	2023	2022
East Sydney Day Hospital Pty Ltd	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	Short stay hospital	Australia	Associate	49.00%	49.00%
Medinet Australia Pty Ltd	Digital health services	Australia	Associate	3.82%	3.85%
SydOrtho Holdings Pty Ltd	Short stay hospital	Australia	Joint Venture	50.00%	50.00%
Integrated Mental Health Pty Ltd [i]	Short stay hospital	Australia	Joint Venture	50.00%	-

The following table shows the Group's aggregated interests in equity accounted investments.

	2023 $m	2022 $m
Balance at 1 July	**103.7**	**77.1**
Net additions	17.8	22.1
Dividends received	(2.5)	-
Share of net profit/(loss) for the year	(1.4)	4.5
Balance at 30 June	**117.6**	**103.7**

(i) Integrated Mental Health Pty Ltd

On 3 March 2023, MHSI Pty Ltd acquired a 50% shareholding in Integrated Mental Health Pty Ltd (iMH) for consideration of $15.5 million. The joint venture is seeking to deliver an innovative integrated mental health model via mental health facilities and out-of-hospital support.

(ii) Other

Other movements during the period comprised:

- MH Solutions Investments Pty Ltd subscribed for an additional $5.0 million of shares in SydOrtho Holdings Pty Ltd (SydOrtho) in line with SydOrtho's achievement of milestones.
- Non-cash decrease of $2.7 million in relation to the reduction in the East Sydney Day Hospital Pty Ltd contingent consideration provision (refer to Note 13(b)(v)).

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 in associate or joint venture is initially recognised at cost and is increased or decreased to recognise the Group's share of profit or loss. Dividends received from an associate or joint venture reduce the carrying amount of the investment. 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:

	2023 $m	2022 $m
Statement of financial position		
Current assets	3,609.9	3,441.7
Total assets	4,297.2	4,192.8
Current liabilities	2,091.8	2,207.1
Total liabilities	2,331.0	2,355.8
Shareholders' equity		
Issued capital	85.0	85.0
Reserves		
Equity reserve	6.3	6.3
Share-based payment reserve	10.1	7.9
Retained earnings	1,864.8	1,737.8
Total shareholders' equity	**1,966.2**	**1,837.0**
Profit for the year	**501.5**	**377.1**
Total comprehensive income	**501.5**	**377.1**

(ii) Guarantees entered into by parent entity

The parent entity has entered into $10.0 million (2022: $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

	2023 $m	2022 $m
Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities		
Property, plant and equipment	1.7	2.0
Intangible assets	-	0.4

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

	2023 $m	2022 $m
Transactions with equity accounted investments		
Claims incurred	(3.8)	(3.8)
Services received	(0.6)	-
Services provided	6.6	26.6
Interest received	0.2	0.2
Outstanding balances with related parties		
Amounts payable	(0.1)	(0.1)
Amounts receivable	0.5	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

	2023 $	2022 $
Short-term benefits	6,262,298	8,024,431
Post-employment benefits	240,338	185,198
Long-term benefits	276,922	212,598
Share-based payments	3,283,345	2,855,265
Total key management personnel	**10,062,903**	**11,277,492**

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 2023.

(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.

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 2023 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 2022. This average price was $3.19.

(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.

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.

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	
	2023	2022
Outstanding at 1 July	**7,670,453**	**8,079,042**
Granted[4]	4,118,306	3,542,600
Forfeited[1]	(535,324)	(1,371,837)
Exercised[2 4]	(1,319,276)	(825,420)
Lapsed[3]	(1,189,011)	(1,753,932)
Outstanding at 30 June	**8,745,148**	**7,670,453**
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.
4. Instruments granted and exercised includes the additional Medibank shares received on the vesting of deferred STI performance rights as a benefit equivalent to any dividends paid during the deferral period.

(c) Fair value of performance rights granted

Below is a summary of the fair values of the 2022 and 2023 LTI plans and the key assumptions used in determining the valuation. The fair value was determined by an independent valuation expert and takes into account the terms and conditions upon which they were granted.

	TSR performance rights		EPS and market share performance rights	
	2023	2022	2023	2022
Grant date	6 December 2022	3 December 2021	6 December 2022	3 December 2021
Date of commencement of service and performance period	1 July 2022	1 July 2021	1 July 2022	1 July 2021
Expected vesting date	30 June 2025	30 June 2024	30 June 2025	30 June 2024
Fair value	$1.19	$1.62	$2.63	$2.72
Share price at grant date	$2.93	$3.14	$2.93	$3.14
Dividend yield (per annum effective)	4.2%	3.7%	4.2%	3.7%
Franking rate	100.0%	100.0%	100.0%	100.0%
Risk free discount rate (per annum)	3.1%	0.2%	n/a	n/a
Volatility	21%	20%	n/a	n/a

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:

	2023 $	2022 $
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	1,883,676	1,693,192
Other assurance services in relation to the Company and any other entity within the Group:		
- Audit of regulatory compliance returns	325,200	281,550
- Accounting and other assurance services	180,208	248,280
Other services in relation to the Company and any other entity within the Group:		
- Health consulting services	-	229,780
Total remuneration of PwC	**2,389,084**	**2,452,802**

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 2022 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 2023 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.

Measurement

The standard introduces a new general measurement model for accounting for insurance contracts. However, a simplified premium allocation approach (PAA), similar in nature to the Group's existing measurement basis under AASB 1023 is permitted if the coverage period of the contracts is less than a year or provided there is not a material difference between the PAA and what would have been recognised under the general model.

The majority of the Group's insurance policies have a coverage period of one year or less and the Group will apply the simplified PAA to these insurance contracts. For those policies with a coverage period of greater than a year the Group has developed a model and methodology to assess their eligibility to apply the PAA. This assessment will be reperformed on an ongoing basis, but has shown that the PAA is expected to apply to all of the Groups' insurance policies at transition.

For groups of contracts that apply the PAA and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Group expects to adopt this option and will expense acquisition costs as incurred, which is a departure from the current accounting whereby acquisition costs are amortised over the average expected retention period.

COVID-19 accounting

The impact of COVID-19 on the Group has seen the recognition of a deferred claims liability and give back provisions, both of which will be impacted by the new standard.

The deferred claims liability represents claims that have been deferred as a result of COVID-19. Under the new standard, insurance liabilities are only able to include claims that have occurred prior to the end of the reporting period. Therefore claims that are expected to arise in the future but have not yet been incurred, such as the deferred claims liability, are unable to be recognised under AASB 17. Whilst not related to COVID-19, the provision for bonus entitlements is similar in that it represents the expected future utilisation of unused benefit entitlements and is also unable to be recognised under AASB 17 and will be derecognised on transition.

The cost of any premium deferral give backs provided to policyholders is currently recognised upfront within the provision for premium deferral in the unearned premium liability. AASB 17 requires that any reduced premium received from policyholders is recognised on a passage of time basis over the coverage period. Accordingly the provision for premium deferral will be derecognised on transition.

Onerous contracts

AASB 17 requires the identification of 'groups' of onerous contracts which will be determined at a more granular level of aggregation than the level at which the liability adequacy test is currently performed under AASB 1023. Contracts that are measured under the PAA are assumed to not be onerous unless facts and circumstances indicate otherwise.

The Group has developed a framework to identify indicators of possible onerous contracts which includes the consideration of information provided to senior management to monitor financial performance. If facts and circumstances are identified that indicate an onerous contract may exist, then detailed testing using the general model is performed and any onerous contract losses are required to be recognised in the statement of comprehensive income.

Risk adjustment

AASB 17 requires a risk adjustment to be used in the measurement of insurance contract liabilities. The Group expects to use a confidence level technique to estimate the risk adjustment and this is expected to be in line with the equivalent AASB 1023 risk margin.

Presentation and disclosure

AASB 17 will introduce a number of changes to the presentation of the statement of comprehensive income and balance sheet. In addition, the standard contains more granular disclosure requirements compared with existing reporting requirements.

Transition

The standard requires the full retrospective approach to be adopted on transition, except to the extent that it is impractical to do so. Given the relatively few measurement differences that arise under the PAA, the Group will adopt the full retrospective approach.

Financial impact

Based on the key estimates and judgements outlined above and the work performed to date, the adoption of AASB 17 is estimated to increase the Group's net assets by approximately $360 million as at 1 July 2022. This is largely comprised of increases to net assets arising from the derecognition of the deferred claims liability and premium deferral provisions offset by a decrease to net assets due to the derecognition of deferred acquisition costs.

(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 2023.

Directors' declaration

The directors declare that, in the opinion of the directors:

(a) the financial statements and notes set out on pages 74 to 120 are in accordance with the *Corporations Act Regulations 2001*, including:

  (i) giving a true and fair view of the Company and the Group's financial position as at 30 June 2023 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 Act 2001* for the year ended 30 June 2023.

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

24 August 2023
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 2023, 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.

Marcus Laithwaite
Partner
PricewaterhouseCoopers

Melbourne
24 August 2023

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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 2023 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 2023
- 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
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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 $32m, 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 account balances or classes of transactions of the Medibank Health segment.	Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: • Impact of the cybercrime event • Continued impact of the COVID-19 pandemic • Estimation of the outstanding claims liability These are further described in the *Key audit matters* 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

Impact of the cybercrime event

During the year the Group was subject to a cybercrime event whereby a criminal accessed the Group's systems using stolen credentials, removed data and released data on the dark web. The Group took steps to contain the incident and close down the criminal's attack path.

The Office of the Australian Information Commissioner (OAIC) has commenced investigations into the cybercrime event. A representative complaint has been lodged with the OAIC alleging the Group breached its privacy obligations. Consumer and shareholder class actions have been filed against the Group in the Federal Court of Australia and the Supreme Court of Victoria, respectively.

We considered this a key audit matter because of the potential impact of the cybercrime event on the following aspects of the Group's financial report:

Financial reporting information

The Group prepares its financial report using data from underlying systems, some of which were accessed by the criminal. As a result, there is a risk that data may have been compromised.

The preparation of the Group's financial report is heavily reliant on the effective design and operation of key Information Technology (IT) and business process controls, some of which are tested as part of planned audit procedures. The cybercrime event increased the risk that key controls relevant to the preparation of the Group's financial report may not operate effectively as intended.

Provisions and contingent liabilities
(refer to note 13(d))

Ongoing legal and regulatory matters may result in costs associated with litigation, fines and penalties, compensation, and/or other regulatory enforceable actions. Such costs are dependent on the outcome of legal and regulatory processes which remain ongoing.

As a result, significant judgement is required by the Group to determine whether a provision and/or contingent liability is required, and to estimate the amount of any such provision and/or contingent liability required in accordance with the requirements of Australian Accounting Standards.

Our audit procedures included consideration of the potential impact of the cybercrime event on the following aspects of the Group's financial report:

Financial reporting information

In conjunction with PwC IT specialists and PwC cyber security experts we have performed the following audit procedures, amongst others:

- developed an understanding of:
  - key aspects relating to the facts and circumstances of the cybercrime event, such as the criminal's attack path and the nature of the criminal's activities
  - the scope and results of the investigative work performed by the Group and the Group's experts
  - the Group's governance and oversight of the cybercrime event and cybersecurity uplift activities.
- developed an understanding of the control activities relevant to our audit and assessed whether they were appropriately designed and implemented.
- assessed, on a sample basis, whether key control activities relevant to our audit were operating effectively throughout the year, including:
  - the potential impact of business disruption on the operating effectiveness of 'business as usual' control activities
  - the Group's monitoring of fraudulent activities and discrepancies or inconsistencies in financial reporting information
  - the Group's monitoring of customer and/or hospital provider complaints
  - new control activities implemented by the Group following the cybercrime event
  - in-scope IT Dependencies (such as interfaces, key reports and calculations)
  - IT General Controls for breached and non-breached systems.
- agreed, on a sample basis, the reliability and validity of underlying financial reporting information obtained from breached systems to an alternative data source.
- inspected user activity in breached and non-breached systems, including privileged users, for potentially unauthorised activity.

Key audit matter	How our audit addressed the key audit matter
	Provisions and contingent liabilities We performed the following procedures in relation to provisions and contingent liabilities, amongst others: • developed an understanding of the Group's processes and key controls for identifying and assessing the impact of relevant legal and regulatory matters. • evaluated the nature and financial impact of relevant legal and regulatory matters on the Group's financial report, including any relevant post-balance date developments. • assessed, on a sample basis, whether costs in relation to the cybercrime event were appropriately recognised in accordance with the requirements of the Australian Accounting Standards. • assessed the reasonableness of relevant disclosures in the financial report against the requirements of the Australian Accounting Standards.
Continued impact of the COVID-19 pandemic *Estimation of the COVID-19 claims liability (refer to note 3: $253.8m)* 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'). Claims deferral ceased after June 2022 because, despite the prolonged impact of COVID-19, there have been no formal restrictions and lockdowns impeding availability and accessibility to surgeries and other health services during the year. The liability has been 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 for the period March 2020 to June 2022, inclusive (expected claims service level). • the rate at which deferred surgical and non-surgical procedures are expected to catch up in future periods (deferral rate). • variations in the above key assumptions by geography and modality (claim type). • average policyholder lapse rate.	We have performed the following audit procedures, amongst others: • evaluated the design of the Group's key controls relevant to the COVID-19 provisioning process. • evaluated the Group's accounting policy for recognising the deferral of claims due to the COVID-19 pandemic against applicable Australian Accounting Standard requirements, Private Health Insurance industry practices and publicly available health services data. • assessed, on a sample basis, significant data inputs used by the Group to estimate utilisation of the COVID-19 claims liability during the year (including the relevance and reliability of data and potential indicators of management bias). • together with PwC actuarial experts, we have: ○ assessed significant assumptions, and any changes to these assumptions, adopted by the Group in estimating the extent of a continued impact of COVID-19 on claims incidence and development patterns, with reference to management's clinical analysis as well as external environmental and internal policyholder or product factors.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The COVID-19 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 ‘Estimation of the outstanding claims liability’).

We considered this a key audit matter due to the:
• complexity, significant uncertainty and subjectivity impacting the Group’s estimate of the liability, including determining expected future claims utilisation patterns.
• 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 claims liability.</td><td>○ considered the appropriateness of the Group’s methodologies used to determine claims deferred to future periods with reference to Private Health Insurance industry practices.
○ on a sample basis, performed recalculations over the mathematical accuracy of movements in the COVID-19 claims liability during the year.
○ analysed claims incidence patterns against expected underlying claims growth during the year.
• assessed the reasonableness of disclosure of the COVID-19 claims liability in the financial report against the requirements of the Australian Accounting Standards.</td></tr>
<tr><td>Recognition of COVID-19 customer givebacks
(refer to Note 3: $451.7m, Note 5: $3.9m and
Note 13(c): $136.1m)

The COVID-19 customer givebacks represent the Group’s commitments to return permanent net COVID-19 savings to eligible customers arising from COVID-19 restrictions.

COVID-19 customer givebacks are recognised with reference to the Group’s publicly announced customer initiatives representing a return of permanent net COVID-19 savings to eligible policyholders.

The Group’s COVID-19 customer givebacks 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 givebacks owed to customers as at 30 June 2023 is included in the consolidated statement of financial position as ‘Unearned premium liability’ (Note 5) or ‘Customer giveback provision’ (Note 13(c)), depending on the mechanism used to giveback to customers.

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 givebacks with reference to specific characteristics of the giveback mechanisms.</td><td>We have performed the following audit procedures, amongst others:
• developed an understanding of the Group’s relevant public announcements and commitments to financial analysts, shareholders and policyholders during the year.
• developed an understanding of the Group’s key controls relevant to estimating and processing the COVID-19 customer givebacks.
• assessed the appropriateness of the accounting treatment and the reasonableness of the disclosure of the COVID-19 customer givebacks within the Group’s financial report against the requirements of the applicable Australian Accounting Standards, having regard to the Group’s public announcements, giveback mechanisms and policyholder eligibility.
• reconciled the amount and nature of customer giveback public announcements made by the Group during the year with amounts recognised and disclosed in the Group’s financial report.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Estimation of the outstanding claims liability *(refer to note 3: $510.4m)* The liability for outstanding claims relates to claims received but not assessed and claims incurred but not 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. A risk margin is therefore 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 98% (2022: 95%). The estimation of the outstanding claims liability involves complex and subjective judgements about future events, both internal and external to the business, including: • service levels for the most recent service month (hospital) or two service months (overseas) • claims processing delays and pre-admission hospital eligibility checks • historical patterns of claims incidence and processing. We considered this a key audit matter because of the significant judgement required by the Group in estimating claims liabilities, including the extent to which claims incidence and development patterns are consistent with past experience, 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.	We have performed the following audit procedures, amongst others: • evaluated the design of the Group's key controls relevant to the claims reserving process (including data reconciliations and the Group's review of the estimate). • assessed, on a sample basis, whether the key controls relevant to our audit were operating effectively throughout the year. • together with PwC actuarial experts, we have: ○ assessed, on a sample basis, significant data inputs used in the Group's modelling and measurement of the central estimate (including the relevance and reliability of data and potential indicators of management bias). ○ considered whether the Group's actuarial methodologies were consistent with actuarial practices and those used in the Private Health Insurance industry. ○ assessed significant assumptions, and any changes to these assumptions, adopted by the Group in estimating the outstanding claims liability with reference to external and internal environmental factors. ○ reperformed calculations over the mathematical accuracy of the Group's actuarial models. • assessed the appropriateness of the accounting treatment and the reasonableness of disclosure of the outstanding claims liability in the Group's financial report against the requirements of the applicable Australian Accounting Standards.

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 2023, 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 directors' report and operating and financial review. 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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 54 to 73 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Medibank Private Limited for the year ended 30 June 2023 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

Marcus Laithwaite
Partner

Melbourne
24 August 2023

Shareholder information

The shareholder information below is current as at 24 August 2023.

Distribution of equity securities

Size of shareholding	Number of shareholders	Number of shares	% of issued shares
1 – 1,000	44,365	38,510,715	1.40
1,001 – 5,000	131,268	367,520,439	13.34
5,001 – 10,000	13,990	96,796,442	3.51
10,001 – 100,000	7,381	161,156,612	5.85
100,001 & over	201	2,090,019,032	75.89
Rounding			0.01
Total	**197,205**	**2,754,003,240**	**100.00**

Unmarketable parcels

There were 919 holdings of less than a marketable parcel ($500) of shares (143 shares based on a market price of $3.51 per share) and such holders held a total of 27,232 shares.

20 largest shareholdings

		Number of shares	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	886,438,939	32.19
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	454,621,638	16.51
3	CITICORP NOMINEES PTY LIMITED	352,442,059	12.80
4	NATIONAL NOMINEES LIMITED	135,979,370	4.94
5	BNP PARIBAS NOMS PTY LTD <DRP>	72,474,536	2.63
6	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	27,460,612	1.00
7	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	26,018,991	0.94
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	18,749,785	0.68
9	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	6,934,877	0.25
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,394,969	0.23
11	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	6,036,480	0.22
12	BOND STREET CUSTODIANS LIMITED <COCKEJ - F01832 A/C>	4,808,007	0.17
13	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,671,507	0.17
14	BNP PARIBAS NOMS (NZ) LTD <DRP>	4,407,028	0.16
15	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	4,291,839	0.16
16	NAVIGATOR AUSTRALIA LTD <SMA ANTARES INV DV BUILD A/C>	3,721,738	0.14
17	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	3,067,565	0.11
18	SOLIUM NOMINEES (AUSTRALIA) PTY LTD <VSA A/C>	2,522,537	0.09
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,485,524	0.09
20	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	2,279,500	0.08
Total		**2,025,807,501**	**73.56**

Substantial shareholders

As at 24 August 2023 the following holders had provided a substantial shareholding notice:

Name of holder	Number of shares	% of issued capital
BlackRock Group	193,895,716	7.04%
State Street Corporation	172,722,617	6.27%
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 2023, 1,319,276 Medibank ordinary shares were purchased on market at an average price of $3.70 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	24 August 2023
Ex-dividend share trading commences	13 September 2023
Record date for final dividend	14 September 2023
Payment date for final dividend	5 October 2023
Annual general meeting	22 November 2023
Half year results announcement	February 2024
Payment date for interim dividend	March 2024

The above dates and payments are subject to confirmation.
Any change will be notified to the Australian Securities Exchange (ASX).

Corporate directory

Company

Medibank Private Limited

Registered Office
Level 6, 720 Bourke Street
Docklands VIC 3008

GPO Box 9999
Melbourne VIC 3001

Telephone:
132 331 (within Australia)
+61 3 8622 5780 (outside Australia)

medibank.com.au

Share registry

Computershare Investor Services Pty Limited

GPO Box 2975
Melbourne VIC 3001

Telephone:
1800 998 778 (within Australia)
+61 3 9415 4011 (outside Australia)

computershare.com.au

Medibank Private Limited
ABN 47 080 890 259