

asx release

18 November 2021

Chairman and Chief Executive Officer AGM presentations

In accordance with the ASX Listing Rules, Medibank releases to the market the addresses to security holders to be delivered by the Chairman, Mike Wilkins AO and the Chief Executive Officer, David Koczkar, at Medibank's 2021 Annual General Meeting to be held at 10.30am today, along with an update to its FY22 outlook.

This document has been authorised for release by Mei Ramsay, Company Secretary.

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CHAIRMAN

Good morning and thank you for joining me today for Medibank's 2021 Annual General Meeting.

My name is Mike Wilkins and on behalf of the Board I welcome you from the many First Nations lands we're connecting from this morning. I join you from the land of the Gadigal people of the Eora Nation and I respectfully acknowledge their continuing connection to the land and waters, and thank them for protecting this coastline and its ecosystems since time immemorial. I pay respects to Elders past, present and emerging, and extend that respect to all Aboriginal and Torres Strait Islander peoples joining us today.

I now formally declare the meeting open.

Joining me on video link from Melbourne is David Koczkar, who was appointed as our CEO in May this year. On the phone we have your Board of Directors: Tracey Batten, Anna Bligh, David Fagan, Peter Hodgett, Linda Nicholls, Christine O'Reilly and Gerard Dalbosco, who is standing for election today. Also joining us via audio is our company secretary Mei Ramsay and the full Executive Leadership Team.

We're meeting virtually for a second year due to COVID, just one of the many changes we've all had to make in our lives over the past 20 months. At our AGM last year, Australia had a total of 27,000 cases. Fast forward to this week and we're now looking at an almost seven-fold increase to more than 190,000 cases.

One point of difference to last year is the availability and growing uptake of COVID vaccines. Myself, my fellow directors and every member of the leadership team are among the millions of Australians who have chosen to be fully vaccinated for themselves and for others. It's an issue that Medibank has put its full weight behind, which David will talk to in more detail shortly.

I will now make some comments on our FY21 performance and then hand over to David for his comments, including an update to our FY22 outlook.

COVID has continued to put health at the top of mind in the community and influenced many of the ways we worked in the 2021 financial year.

We provided more health support to more people, with our investments and partnerships with healthcare providers enabling us to continue to respond to our customers' needs in the current environment. Importantly, these investments and partnerships also underpin our transformation to a health company and set us up to meet the broader needs of our customers into the future.

We've continued to support our customers, with Medibank's financial support so far in excess of \$300 million. This figure not only reflects the extent of our response to COVID, but also demonstrates our commitment to not profit from the pandemic.

Against the backdrop of COVID, we were pleased to deliver a solid financial performance in FY21 alongside strong policyholder growth, an increase in market share and record customer advocacy. We also maintained our ongoing cost discipline.

Health Insurance operating profit was up 14.4%, while Medibank Health segment profit rose 12.9%. These contributed to an overall Group net profit after tax of \$441.2 million. This increase of 39.8% on FY20 also includes the impact of investment income being \$117 million above last year when markets were negatively impacted by COVID.

The result enabled us to pay shareholders a full year ordinary dividend of 12.7 cents per share fully franked, some 5.8% above last year. This represents a payout ratio of 87.7% of underlying NPAT, which is marginally above the top end of our target payout ratio range of between 75% and 85%. Importantly, our capital position remains strong with the Board continuing to adopt a prudent approach to capital management.

At Medibank, we believe our obligations extend beyond simply the financial, with environmental, social and governance considerations firmly embedded across every aspect of our business.

On this front, we continue to make progress in a number of key areas, including those aligned to the United Nations Sustainable Development Goals. The COVID pandemic has exacerbated some of these global issues, including gender equality and labour exploitation.

On gender equality, we've continued to deliver against our strong gender targets, including having a 0% pay gap in FY21. At Medibank today, women make up 51% of Group and senior executives. We're very proud of both of these achievements.

Our leadership in this area is part of our broader diversity and inclusion focus on building a team that reflects the community we're part of and a culture that supports everyone to be at their best. Removing barriers for people from diverse backgrounds, including people with a disability, also continues to be a focus for us.

Amongst many other things, COVID has also tightened supply chains, which in turn has increased the risk of modern slavery in some jurisdictions around the world. We set out the nature of our operations and supply chain in our first modern slavery statement last year. Later this year we will report on how we continue to address the risk of modern slavery including our work to further assess and engage with our suppliers.

Another area of ongoing focus for Medibank is our commitment to reconciliation and greater health equity for Australia's First Peoples. This has been at the heart of our first 4 Reconciliation Action Plans, just as it will be for the 5th plan which we will release early next year.

During the year we rolled out training to our people in order to build a greater understanding of the culture, history and perspectives of Traditional Owners. Additionally, we are partnering with the Australian Indigenous Doctors' Association to support better health access, experiences and outcomes for Aboriginal and Torres Strait Islander people.

COVID has further highlighted the health gap that persists in Australia, with Medibank providing support to one Indigenous community for the purchase of personal protective equipment, hand sanitiser, bed linen and medications. But COVID has also demonstrated the incredible strength and resilience of First Australians. On the cover of our sustainability report is Captain Sanitiser from one of our partners, Thamarrurr Youth Indigenous Corporation. This community leader turned super hero set off from Bright in June on a 6,000km motor bike ride to spread messages of COVID safety and empowerment to young people along the way.

We've also continued to progress our environmental agenda in our capacity as a corporate leader and health company that recognises the health impacts of climate change. This includes a commitment to Net Zero by 2050 and aligning our reporting to the recommendations of the Task Force for Climate-related Financial Disclosures. As part of this we completed a climate scenario analysis to look at the risks and opportunities of climate change on our business.

We expect to be fully aligned to the TCFD framework later this financial year when we set science-based short, medium and long-term targets. Our ongoing energy reduction efforts and progressive switch to renewables will likely see us achieve Net Zero for Scope 1 and 2 by 2025. While the timeframe for Scope 3 will be longer given the complexity of reducing emissions in our broader value chain, we will be actively seeking opportunities to expedite the process and bring forward our Net Zero goal.

FY21 was another challenging year for all Australians. However, Medibank has come through that year in good shape and is well positioned for the future.

This is in no small measure due to the efforts of our people who remain focused and committed. Medibank's purpose of Better Health for Better Lives runs deep in our organisation and on behalf of the Board and you our shareholders I want to thank everyone across the Company for showing this to be the case every day.

I also want to thank our CEO David Koczkar and the Executive Team for their leadership during a challenging year.

It would be remiss of me not to also mention Craig Drummond who retired as CEO in May and whose contribution to the Company during his tenure was very significant.

I also acknowledge and thank my Board colleagues for their continuing focus, wise counsel and support. In this regard I particularly want to mention Christine O'Reilly and Peter Hodgett who will both be retiring from the Board at the conclusion of this meeting.

Christine has shared her significant financial and operational experience with the Board over the past 7 years and Medibank has benefitted greatly from her contribution and insights throughout this time.

Peter has had a significant influence on Medibank's capital framework as well as being central to the Company's adoption of more sustainable investment practices, including oversight of our Responsible Investment Policy.

Thank you both for your contribution to Medibank from government ownership through to ASX listing and up to today.

Our search to replace Christine and Peter is well underway.

And finally, I want to thank you, our shareholders. Your continued support has allowed us to look after the health and wellbeing of millions of Australians, and we look forward to helping many more in the years ahead.

I'll now ask David to update us on the Company's strategy, direction and current performance.

CHIEF EXECUTIVE OFFICER

Thank you Mike and good morning everyone.

I'd like to acknowledge the Traditional Owners and Custodians of the land on which I join you from today, home of the Wurundjeri people. I pay my respects to Elders past, present and emerging and I extend my respect to all Elders on the lands on which we work and live.

This year, as COVID continued to impact our lives and place even more pressure on our health system, more and more people chose to prioritise their health and wellbeing and find greater value in private health insurance.

And we were there for them. We were able to step up and provide broader support to our customers and community during this period, because of the investments we have made over the last few years.

We brought healthcare to people in their homes and communities – through our virtual care, telehealth and in-home care programs.

We made it simpler and easier for our customers to manage their health and wellbeing and navigate the healthcare system in an informed way, personalising their experiences to make health more accessible.

We intensified our focus on preventative health, developing new support programs, inspiring people to eat, move and feel better and rewarding them for taking healthy actions through our Live Better activities and rewards program.

We collaborated with doctors and hospitals to develop new models of care built around the needs of patients, and supported the expansion of the short-stay, no gap joint replacement model to hospitals across the country.

We helped our customers through COVID with the biggest support package in our 45 year history. Our financial support sits at around \$300 million, including \$103 million in claims savings we recently returned to customers through premium relief, with customers receiving up to \$52 for extras only policies and up to \$175 for hospital and extras policies. We've also provided financial hardship support to more than 60,000 customers.

We remain committed to returning any permanent net claims savings due to COVID to our customers, and we will continue to assess the financial implications of the extended lockdowns in NSW, Victoria and the ACT.

We adapted the way we worked, prioritising the health and wellbeing of our people and empowering them to deliver better customer experiences. All the while, managing our own costs.

As a result, we saw our strongest growth in more than 10 years, with market share up 37 basis points. We increased policyholders by almost 83,000, with more customers choosing to hold onto their health insurance or take out cover for the first time.

We achieved our highest ever customer advocacy levels for both Medibank and ahm, and saw customers engage with our health programs in record numbers, and grew our Medibank Health segment profit by 12.9%.

This demonstrates that focusing on our customers' needs and being disciplined in how we run our business has allowed us to deliver strong results for you – our shareholders.

We've also played a greater role in helping the community through COVID. In New South Wales and Victoria, we've supported almost 14,000 COVID-positive patients in their homes through our partnership with Calvary – assessing the right level of care they require or providing telehealth support and virtual care through our COVID Care at Home program.

We've provided over 60,000 hours of contact tracing in three states, and assisted Federal and State governments through phone support, welfare checks, in-home COVID testing, and mental health counselling services.

And we are supporting the Government's drive to reach vaccination targets.

As a health company, we know vaccination is crucial to protecting the health of the community and helping us get back to a normal way of life. This is why we require our people to be fully vaccinated to attend a workplace or work event.

We've also been encouraging our customers to get the jab – rewarding eligible customers who are fully vaccinated with 1,000 Live Better points. To date almost 37,000 customers have claimed almost 37 million points that can be redeemed for savings on their health cover, boosts to extras and other rewards.

The way we think about health and wellbeing, the expectations of our customers, how we interact with the health system, and the way we work – all have been changed because of COVID. While Australia has avoided the worst-case scenarios seen in many other countries, we're not immune to the longer-term health implications of COVID – and these are shaping our approach to supporting the health and wellbeing of our customers, our people and community as we move into the next phase of the pandemic.

Key among these is COVID's impact on people's mental health. The number of young people in the workforce reporting high levels of psychological distress has doubled during the pandemic. And our research shows that the majority of parents are very concerned about COVID's effect on the emotional wellbeing of their young adult children.

Mental health has been a focus for us for many years, and with 1 in 5 Australians experiencing a mental health issue each year, we've been working to make it easier for people to get the help they need – whether that be preventative support and self-help, care in the community or in-hospital psychiatric care.

This year we've stepped up our support - we launched our Better Minds website and app which offers wellbeing checks, self-help skills, information and resources connecting people to support services – and which has already seen more than 40,000 visits since August.

Last year, we added counselling services and telehealth services for psychology to our Extras cover and just a few weeks ago, we introduced our new MyChoice Extras product, which incorporates both psychology and counselling services as part of its core product, to ensure these services are more accessible for our customers.

At the more acute end of treatment, we're supporting hospital trials in Queensland and Victoria to deliver a new approach to mental healthcare. It's helping people achieve their mental health goals by offering a more personalised approach, which combines a shorter stay in hospital with more intensive in-home support (where clinically appropriate).

Another key concern is the drop in diagnostic testing and scans that has occurred during the pandemic. It's estimated there were almost 164,000 fewer diagnostic procedures for cancer – like colonoscopies and

mammograms – last year - more than half a million fewer eye tests conducted and over 1.6 million fewer imaging tests like ultrasounds and MRIs.

Added to this is the impact of the elective surgery restrictions that occurred during lockdowns, and which are still in place in Victoria, further intensifying the pressure on already long public surgery waitlists, which continue to be twice as long as the private system. The emotional strain on doctors, nurses and paramedics is evident, with 30% of healthcare workers recently reporting burnout.

This is why we are taking the lead on driving preventative health. It is core to our purpose of Better Health for Better Lives. We also know our customers want personalised support to improve their health and wellbeing. So we are scaling and expanding our preventative health programs, embedding more health expertise across our customer facing teams and rewarding customers for preventative health activities. Earlier this year, more than 8,000 customers received Live Better points for getting their blood pressure checked; this month we're rewarding people to do a skin check.

It's also why we invested in the Myhealth Medical Group of GP clinics this year, to support them in expanding their footprint and transforming their approach to providing preventative healthcare for patients.

In the longer term, our focus on preventative health will be key to helping ensure the overall sustainability of the health system. But preventative care will not be enough for many Australians, with hundreds of thousands of our customers needing treatment every year.

This is why we will continue to partner with leaders in the health sector to develop innovative new patient-centred models that can provide leading care and more choice.

Not only have our new approaches to care this year delivered greater value and more treatment options for our customers in private health, they are also supporting the public health system. In January we launched My Home Hospital, a Wellbeing SA service we are delivering in a joint venture with Calvary which has provided hospital-level care in the home to more than 1,450 public patients in South Australia to date and we think this model has room to expand to support patients in other parts of Australia.

We know this is part of the important role Medibank has to play in helping ensure Australia's health system can continue to meet the ongoing needs of all people in Australia.

Continued innovation will be necessary to sustain quality health outcomes in Australia and is why it is core to Medibank's strategy. We've also continued to work with key stakeholders to pursue much needed prostheses reform, as Australians with private health insurance have been paying too much for these devices for too long and reforms could save the industry up to \$500 million.

The Federal Government has committed to this reform and we expect to see further price reductions in prostheses in 2022, although the savings may be spread over a number of years. And as we've said previously, we will pass on prostheses reform savings to our customers through lower premium increases.

We continue advocating for other reforms that improve healthcare affordability – by supporting change to make the health system more patient-centric, while reducing waste and improving efficiency.

We're focused on reforms encouraging greater participation in private health insurance – such as the Government's current review into the Medicare Levy Surcharge and extending the age a young adult can stay on a family policy from 24 to 31 years old.

Reform is important, but it is not the only factor that determines our success. We will continue to do what we can to actively drive the change we know is required to improve the sustainability and strength of the health system, by improving choice and affordability.

This drive for systemic change is what sits at the heart of our approach to sustainability. As our company strategy has matured, so too has our approach to environmental, governance and social issues.

Now, our business goals and the United Nations' sustainable development goals that we are working to support, are fully aligned.

As we transform into a health company, preventative health and new models of care will see us provide people with even more support to manage their health and wellbeing.

Our dual brand strategy in the private health insurance market will continue to give people more choice and value, while meeting the distinct needs of Medibank and ahm customers.

Across both brands, our strong digital connections are supporting the day to day engagement with our customers and enabling a more personalised and connected health experience.

Whether it's managing their cover or better navigating the health system, through to participating in a virtual care program to help manage their chronic knee pain, or being rewarded for being more active, our digital capability, in addition to our traditional retail and phone channels, provides our customers with an overall experience unlike others, by increasingly bringing together our health insurance and health & wellbeing offerings.

In five years, we've tripled the number of customers who have registered to use the My Medibank app and in FY21 had almost 6.5 million digital or virtual health engagements with our customers.

As we continue to accelerate our capability in these areas, so too will we accelerate the growth of our business.

Our strategy has evolved, but our customers and people remain at the centre of everything we do.

Our ambition is bold as we look to our future as a health company and our purpose of Better Health for Better Lives.

Turning now to an update on our outlook that we provided to the market at our financial results in August.

As mentioned, we remain committed to returning any permanent net claims savings due to COVID back to our customers and we expect to confirm our next wave of customer support before the end of the year.

Our strong policyholder growth has continued with the addition of around 21,000 policyholders in the first four months of this financial year.

Given this growth, and our assumption that industry participation growth will be slower in FY22 relative to FY21, we are now aiming to achieve at least 3% growth in FY22, including growth in the Medibank brand.

While the most recent COVID lockdowns in Victoria and NSW have impacted the health system in recent months, on an underlying basis, we still expect average net claims per policy unit to be in line with the second half of FY21, or 2.4% among resident policyholders.

The remainder of our outlook is unchanged.

I would like to thank you all for your ongoing support of Medibank. While I speak to you today as CEO, I do so on behalf of almost 4,000 team members and our partners, whose hard work I'd like to acknowledge and of whom I am so proud to work alongside.

I'd also like to thank Mike and the Board, as well as the Executive Leadership Team for their support and guidance over the past 6 months, and recognise the significant contribution of our former CEO Craig Drummond.

As we have navigated another year of uncertainty, lockdowns and restrictions, I have been struck by the tenacity and resilience of our people – how they have rallied together and supported one another, while always staying focused on doing the best they can for our customers, our community and you – our shareholders.

Our people are committed to our purpose and optimistic about our future. As I hope are you.

I'll now hand back to you Mike.



Customer relief

Full year outlook at FY21 result

We continue to assess claims activity and any permanent net claims savings due to COVID-19 will be given back to customers through additional support in the future

Updated outlook

No change to our commitment

The next wave of customer support expected to be confirmed before the end of 2021



Policyholder growth

Aiming to achieve c. 3% policyholder growth¹ in FY22, including continued growth in the Medibank brand

Policyholder growth of approximately 21k (1.1%) as at 31 October 2021

Aiming to achieve at least 3% policyholder growth¹ in FY22, including continued growth in the Medibank brand



Claims

Underlying average net claims expense per policy unit is forecast to be in line with 2H21 (2.4%) among resident policyholders

No change



Productivity

FY22 productivity target of \$15m in Health Insurance management expenses

No change



Growth

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

No change

¹ Assumes slowing industry participation growth in FY22 relative to FY21