

Responsible Investment Policy

1. Background

As an investor in Australian and international investment markets and as a fiduciary acting in the best interests of its insurance policy holders and shareholders, Medibank Private Limited (“MPL”) believes in promoting responsible business practices among companies and entities within its investment portfolios (whether internally or externally managed).

MPL believes that environmental, social and corporate governance (ESG) factors have the potential to impact investment returns across companies, sectors, regions and asset classes over time. As such, MPL is committed to a means of ensuring that its investment portfolio’s returns are sustainable and that MPL proactively encourages improved practices in this area.

2. Purpose

The MPL investment portfolio objective is to achieve the best long term financial outcomes for its shareholders and members, subject to maintaining risk at an acceptable level and upholding high standards of Environmental, Social and Governance and investment stewardship practice.

The purpose of this Responsible Investment (“RI”) Policy is to provide guidance on how MPL wishes these issues to be considered in managing MPL’s assets.

3. Definition

MPL defines responsible investment as the integration of ESG factors and stewardship practices into investment management processes and ownership practices in the belief that:

- (a) these factors can have an impact on financial performance and long term sustainability; and
- (b) It is the right thing to do and accords with MPL’s values.

ESG risks and opportunities include issues such as the environmental implications of climate change, the social impacts of health and safety and the corporate governance implications of appropriate remuneration structures to better protect and enhance the long term value of MPL’s investments.

4. Policy – Internal and externally Managed Investments

MPL expects companies, entities and funds in which it invests to demonstrate a commitment to the consideration and management of ESG risks and opportunities.

MPL will ensure that:

- (a) regarding internally managed investments, ESG risks and opportunities will be considered as part of any investment decision (both initial and ongoing);
- (b) regarding externally managed investments, that they:
 - (i) are informed about MPL’s expectations as detailed in this policy;
 - (ii) acknowledge Medibank’s RI policy (this policy); and
 - (iii) report to Medibank on an appropriate basis on how they integrate ESG, stewardship and climate change considerations in their approach;
- (c) in all other instances, consultants and other relevant service providers / advisers are informed as is appropriate about MPL’s expectations as detailed in this policy.

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5. Commitments

a. Reductions

Carbon

As a health services company, Medibank recognises the science of climate change and its impacts on human health. As a result, environmental considerations including the UNPRI signatory status of our asset managers are incorporated in our decision making for our investment portfolio. We are committed to playing our part in the transition to a low-carbon economy, actively shifting to a low-carbon investment portfolio across both our domestic and international equity investments. We will achieve this by ensuring that climate change risks are considered by our investment managers within our internally managed investments and factored into Medibank's investment strategy. We will continue to invest in green bonds that fund projects with positive environmental benefits.

b. Exclusions

An integration-based approach to stewardship is likely to lead to better investment outcomes over time than an exclusion-based approach. However in certain limited circumstances there may be companies or sectors which MPL considers to be unsustainable or in conflict with its core purpose and values, and where engagement is not likely to be effective in resolving these issues. However, exclusions should be seen as a last resort because once excluded MPL will no longer be able to exert its influence as a responsible investor on those companies or that sector.

Tobacco

MPL does not invest in tobacco manufacturing companies. In 2016 we announced our entire investment portfolio was tobacco-free upon moving our international equities to a new tobacco-free investment fund. 'Tobacco manufacturing companies' are defined as those for whom the manufacture of tobacco products is a core business operation.

6. Governance

MPL believes that a robust governance process for RI upholds accountability and therefore enhances the effectiveness of the Policy. Governance also extends to oversight of those RI activities outsourced to and expected of external managers.

MPL acknowledges that responsible investment is an evolving area and the approach to responsible investing and ESG issues as well as the implementation of that approach needs to be monitored. This Policy will be reviewed at least biannually by the Board to ensure it remains appropriate.