



medibank
For Better Health

Notice of Annual General Meeting 2019

About us

Every day we're focused on improving the health and wellbeing of Australians, helping people lead better quality lives. We're more than just a health insurer – we're a healthcare company committed to delivering affordable healthcare that gives our customers more choice. We're playing a leading role in helping to improve Australia's health system, collaborating with health professionals and government on new approaches to delivering care and reform. And to make life simpler for our customers, we offer a range of travel, pet and life insurance.

Whether you are a Medibank shareholder, customer or employee, you're supporting us to help millions of people achieve better health for better lives. Thank you.

Our purpose

Better Health for Better Lives

Our strategy

Broaden the offering of our Medibank and ahm brands to deliver the best combination of products, service and advice for our customers

Build a market leading health services offering for our customers

Our values



CUSTOMERS FIRST

Our customers are at the centre of everything we do.



OWN IT DO IT

We are accountable. We deliver on our promises, even when it's hard. We make it happen.



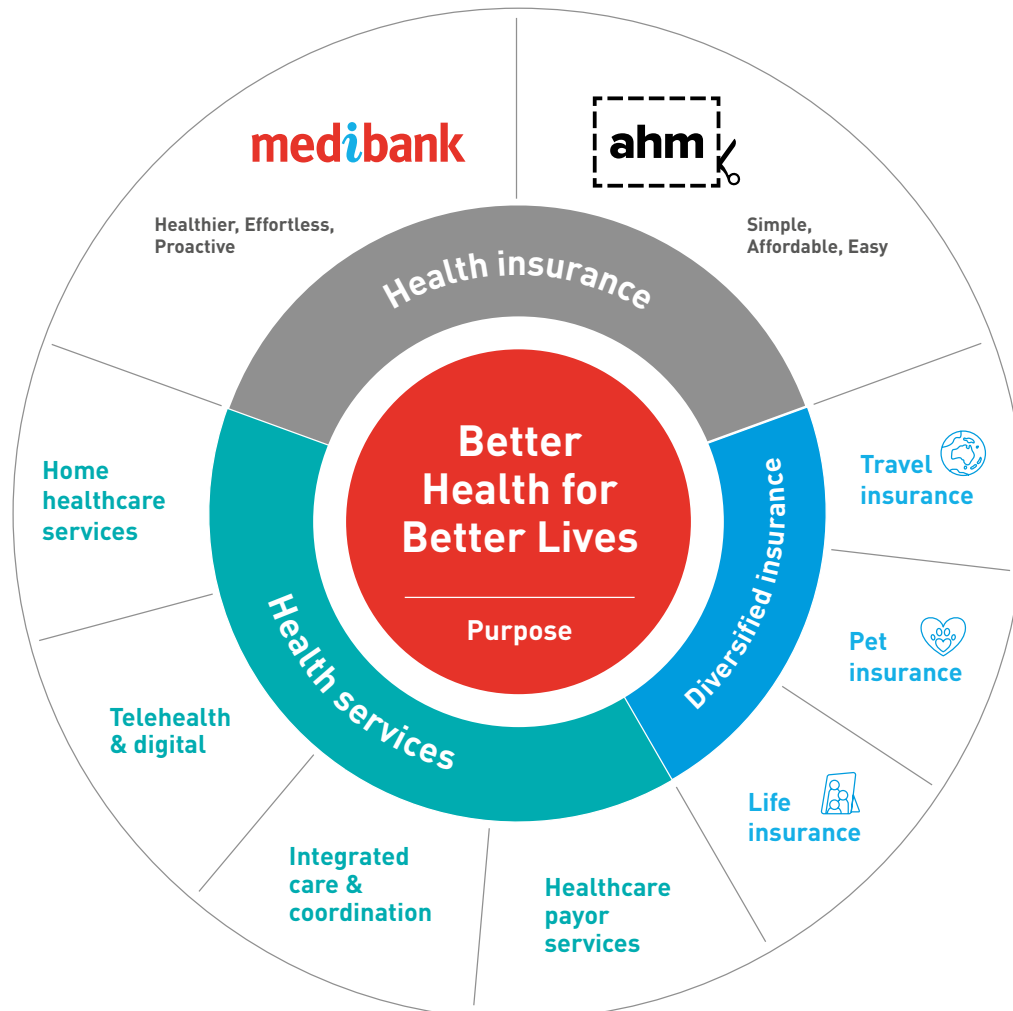
SHOW HEART

We show compassion. We care for each other, our customers and our community.



ONE TEAM

We work better and smarter together. More we, less me.



Dear Shareholder

I am pleased to invite you to attend the **annual general meeting** (“meeting” or “AGM”) of Medibank Private Limited (“Medibank”) to be held on **Thursday 14 November 2019 at 10.30am** (Melbourne time).

AGM details

The meeting will be held at the Clarendon Auditorium, Level 1, Melbourne Exhibition Centre, Melbourne Convention and Exhibition Centre, 2 Clarendon Street, South Wharf, Victoria 3006. A map with directions to the venue appears on page 13 of this notice.

If you attend the meeting, you will need to register at one of the registration desks on the day. Registration will commence at 9.30am (Melbourne time). You will find it easier to register if you bring with you a shareholder document showing your holder number (such as a holding statement or proxy form).

This notice sets out the details of the items of business of the meeting, as well as voting instructions and explanatory notes.

At the AGM, Chief Executive Officer Craig Drummond and I will review the operations and performance of Medibank for the year ended 30 June 2019. There will be an opportunity for shareholders to ask questions of the Board and the external auditor. We encourage your participation at the meeting and look forward to providing an informative program.

If you are unable to attend the meeting in person, I encourage you to submit your voting instructions by:

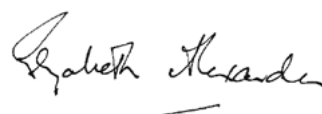
- following the instructions on the front of the proxy form to lodge your proxy electronically at www.investorvote.com.au; or
- completing the personalised proxy form and returning it to Medibank’s share registry.

The completed proxy form must be lodged electronically or be received by no later than 10.30am (Melbourne time) on Tuesday 12 November 2019.

The meeting will be webcast live and may be viewed at www.medibank.com.au. The webcast will also be available on Medibank’s website shortly after the conclusion of the meeting together with the presentations and voting results.

I look forward to seeing you at the meeting, and thank you for your support as a shareholder.

Yours sincerely



Elizabeth Alexander AO
Chairman

Financial summary

All data is presented on a statutory basis

Dividend

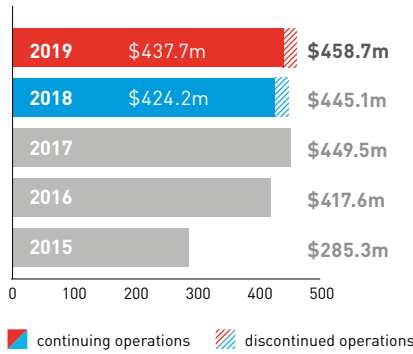
13.10 cents per share

Full year ordinary dividend fully franked

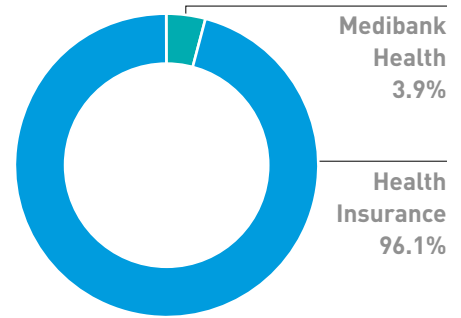
2.50 cents per share

Special dividend fully franked

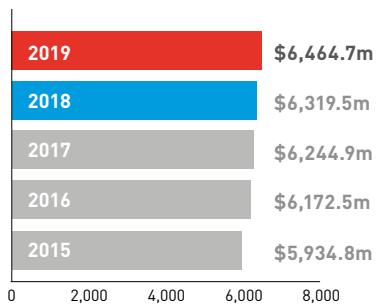
Group net profit after tax (\$m)



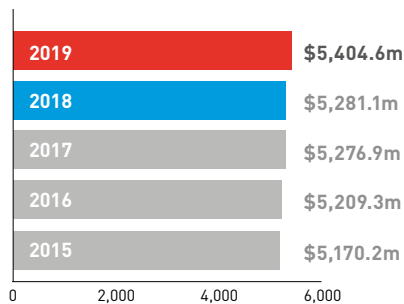
Composition of 2019 segment operating profit from continuing operations (%)



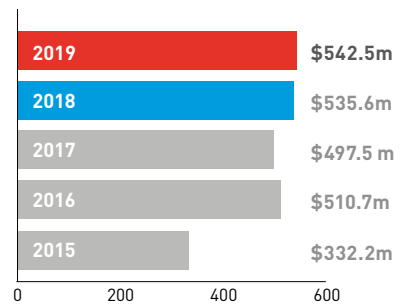
Health Insurance segment premium revenue (\$m)



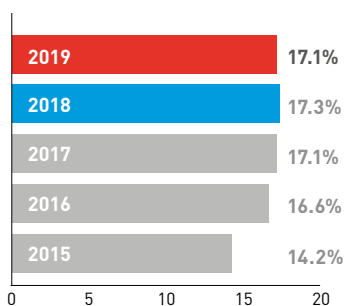
Health Insurance net claims expense (excluding risk equalisation) (\$m)



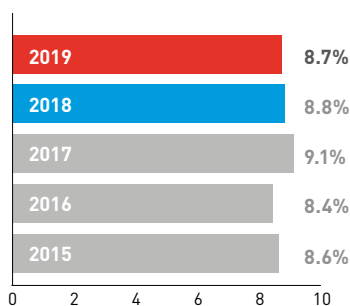
Health Insurance operating profit (\$m)



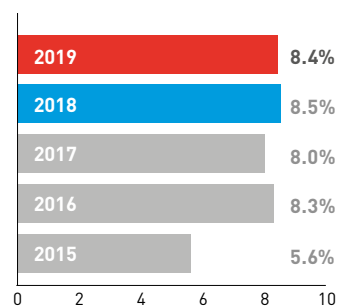
Health Insurance gross margin (%)



Health Insurance management expense ratio (%)



Health Insurance operating margin (%)



Business snapshot

3.77 million
customers

at 30 June 2019

CUSTOMER ADVOCACY

24.8 (+9.5) Medibank

38.5 (+10.4) ahm

Average Service NPS



+15,100

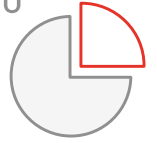
net resident
policyholder growth

+0.8%



26.9%

market share
at 30 June 2019



\$20.4 million
in productivity savings

\$5.4
billion

benefits paid for
our customers

SERVICES SUPPORTED

1.3 million+ hospital admissions



24.3 million+ extras services



500,000+ surgical procedures



Around
1.57 million
health interactions

519,200
customer check-ins

200+



virtual hospital beds

LAUNCHED

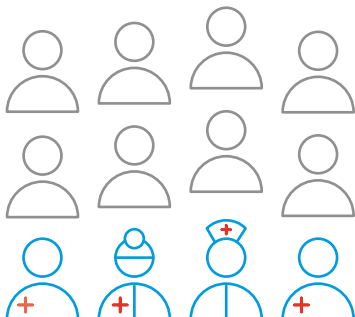
24/7

mental health
phone support



2,144

customers cared for
by Medibank at Home



3,828 employees

including around

1,300 health
professionals

Headcount at 1 July 2019

85%

employee
engagement



Chairman's message

Elizabeth Alexander AO

6 Delivering long-term value for shareholders is dependent on meeting the expectations of our customers and the community. 9

Medibank has delivered another sound result this year, balancing better outcomes for both our customers and shareholders.

Private health insurance continues to provide choice to customers, with Medibank and ahm together supporting more than 1.3 million hospital admissions, 500,000 surgical procedures and 24.3 million extras services during the year.

We have continued to progress our transformation to a broader healthcare company, extending our reach in the in-home care market and exceeding our target to double the number of customers receiving Medibank at Home services. We also continued to deliver programs on behalf of government and other organisations in areas including mental health, chronic disease and after-hours health advice.

Our performance this year helped us deliver a fully franked full year ordinary dividend to our shareholders of 13.10 cents per share. In addition, our decision to move to a lower target capital range from FY20 onwards resulted in the payment to shareholders of a fully franked special dividend of 2.50 cents per share.

Delivering long-term value for shareholders is dependent on meeting the expectations of our customers and the community. Trust is hard to win and easy to lose, and this is why the Board continues to focus on strengthening our governance framework and proactively addressing relevant industry issues identified by the Australian Prudential Regulation Authority and the Hayne Royal Commission. The Board's mix of skills, knowledge, experience and capability stands us in good stead to deliver on this now and into the future, and I thank my fellow directors for their contribution this year.

The sustainability of our company is also directly linked to how well we meet the needs of our customers, including the issues around affordability. Our comprehensive implementation of the Federal Government's reforms this year,

including the voluntary decision to apply a young adult discount to 150,000 existing customers, demonstrates this commitment. Significant opportunity remains for further reform and we are working closely with the government and the broader health sector to advocate on behalf of our customers.

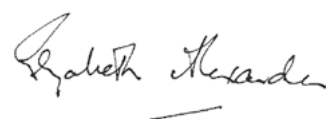
We recognise that as a leader in the community, our contribution must extend beyond our operations. Medibank's purpose – Better Health for Better Lives – continues to guide us with the investments that we make. In 2019 we increased our mental health support, both through the services we offer our customers and the organisations we support.

We continue to focus on supporting greater access and inclusion for people living with disability. Our actions and commitments have been recognised with Medibank ranked one of Australia's top two companies on the Australian Network on Disability's Access and Inclusion Index.

I am also pleased Medibank has continued to deliver on its environmental commitments with our business operations now carbon neutral and the transition of our domestic equity investments to a low carbon portfolio.

Medibank's performance this year reflects our strong purpose and the values-driven culture embedded across the company.

I would like to extend my thanks to Craig Drummond and the Executive Leadership Team for the standard they set and the leadership they continue to show. I also wish to recognise Medibank's employees who continue to deliver for our customers, for each other, and for your company.



CEO's message

Craig Drummond



By continuing to invest in the value and service we provide to our customers, Medibank is a stronger and more sustainable business.

Reflecting on the events of the past year, I am pleased with what we've been able to achieve for our customers, our shareholders, our community and our people. By continuing to invest in the value and service we provide to our customers, Medibank is a stronger and more sustainable business.

For the first time in 10 years, our market share increased over a full year and we added 15,100 new customers. At the same time, customer advocacy improved, with record levels in our Service Net Promoter Score across Medibank and ahm.

We know affordability is a key challenge for our customers, so we are focused on increasing the value and choice we provide. Since January, we've saved customers more than \$3 million in out-of-pocket costs, through the launch of our Members' Choice Advantage dental network. And we launched our Live Better rewards program to recognise customers for taking healthy actions, with one of the benefits being that rewards can be used to lower premiums.

This year we've put considerable focus on how we deliver a more personalised experience to our customers, launching a new early intervention mental health line, targeted personalised health promotions and an expansion of programs supporting people going to hospital.

Our transition to becoming a broader healthcare company is well underway. We doubled the number of customers who were able to have treatments in their own home and provided more than 200 virtual hospital beds. We also introduced 24/7 access to nurses and mental health counsellors. Furthermore, our acquisition of Home Support Services will enable us to expand our in-home care capabilities. We are now well positioned to be a leader in the in-home care market, which we believe will be key to the future of healthcare in Australia.

While we enjoy one of the best healthcare systems in the world, we need to work harder to drive affordability. This is why we've been disciplined about our own costs, delivering

more than \$40 million of productivity savings over the last two years, and committing to an additional \$50 million over the next three years.

Balancing rising healthcare costs with the essential elements of being affordable and meeting the needs of customers, is the challenge driving our focus on value and transparency. We must reduce the gap between premium increases and wages growth, however the focus cannot simply be on the private health insurers. Expect to see us remaining active and at the forefront of promoting reform and affordability initiatives.

In the year ahead we will continue to focus on delivering greater value, such as extending our Members' Choice Advantage network to optical to reduce out-of-pocket costs for our customers. We will also work with doctors to fund no-gap procedures by trialling early-to-home for hip and knee replacements.

Our people are determined to achieve our purpose of Better Health for Better Lives and I am proud of the team, who have worked so hard to deliver for our customers. Thank you all.

While we may face a challenging market environment, our focus is clear – to give our customers greater choice over how and where their healthcare is delivered – and make health insurance more affordable, better value and easier to use. By delivering for our customers, we can deliver for our shareholders as well.

Thank you for supporting us this year.

Medibank Private Limited

Notice of Annual General Meeting 2019

Medibank's AGM will be held at the **Clarendon Auditorium, Level 1, Melbourne Exhibition Centre, Melbourne Convention and Exhibition Centre**, 2 Clarendon Street, South Wharf, Victoria 3006 on Thursday 14 November 2019 at 10.30am (Melbourne time).

Business

Resolution 1

Receipt of financial statements and reports

To consider the financial report for the year ended 30 June 2019, together with the directors' report and auditor's report as set out in the 2019 annual report.

Resolution 2

Re-election of David Grahame Fagan as a director

Resolution 3

Re-election of Linda Bardo Nicholls AO as a director

Resolution 4

Adoption of the remuneration report

To adopt the remuneration report (which forms part of the directors' report) for the year ended 30 June 2019.

Voting restrictions apply to this resolution (see page 7).

Resolution 5

Grant of performance rights to the Chief Executive Officer

To approve the grant of performance rights to Craig Drummond (being Medibank's Chief Executive Officer) to be issued in accordance with Medibank's 2020 Long-Term Incentive Plan as described in the explanatory notes.

Voting restrictions apply to this resolution (see page 8).

By order of the Board



Mei Ramsay
Company Secretary
17 September 2019

Information for shareholders

Attendance and voting

All shareholders may attend the meeting. For the purpose of voting at the meeting, the directors have determined that shareholders will be taken to be those persons who are registered as holding shares in Medibank at 7.00pm (Melbourne time) on Tuesday 12 November 2019.

All resolutions at the meeting will be determined by way of a poll.

Shareholder questions

If you are entitled to vote at the meeting, you may submit written questions relevant to the business of the meeting in advance. Questions may also be submitted for the external auditor about the auditor's report or the conduct of the audit.

Questions may be lodged as part of the online proxy process. Alternatively you may send written questions to Medibank's share registry at the address set out on the proxy form or email your questions to company.secretary@medibank.com.au. Please ensure that your written questions are received no later than 5.00pm (Melbourne time) on Thursday 7 November 2019.

How to vote

Voting in person

Shareholders may vote by attending the meeting and casting their votes in person.

Voting by proxy

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or attorney to attend and vote on behalf of the shareholder. A proxy or attorney need not be a shareholder of Medibank and may be an individual or a body corporate (and any body corporate so appointed may then appoint an individual to exercise its powers at the meeting).

A shareholder who is entitled to cast two or more votes may appoint two proxies or attorneys and may specify the proportion or number of votes that each proxy or attorney may exercise. If no proportion or number is specified, each proxy or attorney may exercise half of the shareholder's votes. If you wish to appoint two proxies, please follow the instructions on the proxy form.

Shareholders can direct their proxy how to vote. If a shareholder appoints the Chairman of the meeting as proxy and does not direct the Chairman how to vote, then the Chairman (unless restricted from voting on the resolution) will vote FOR each resolution.

How to vote by proxy

Shareholders should consider directing their proxy as to how to vote on each resolution by marking either the "For", "Against" or "Abstain" box when completing their proxy form.

Under the *Corporations Act*, if the appointment of a proxy specifies the way the proxy is to vote on a particular resolution, and:

- if the proxy is not the Chairman of the meeting, the proxy need not vote on a poll but if the proxy does so, the proxy must vote as directed (subject to any applicable voting restrictions);
- if the proxy is the Chairman of the meeting, the proxy must vote on a poll and must vote as directed.

In addition, there are some circumstances where the Chairman of the meeting will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has not expressly appointed the Chairman of the meeting as their proxy.

This will be the case where:

- the appointment of the proxy specifies the way the proxy is to vote on a particular resolution; and
- the appointed proxy is not the Chairman of the meeting; and
- a poll is called on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the AGM; or
 - the proxy attends the AGM but does not vote on the resolution.

Lodging your proxy form

To be valid, proxy forms must be lodged electronically or be received by Medibank's share registry, Computershare Investor Services Pty Limited ("Computershare"), no later than 10.30am (Melbourne time) on Tuesday 12 November 2019 ("Proxy Deadline").

Proxy forms may be submitted:

- online at www.investorvote.com.au. To use this facility, please follow the link in your email inviting you to the AGM, or the instructions on your proxy form;
- by post to GPO Box 242, Melbourne Victoria 3001. Please allow sufficient time for the form to reach Computershare by the Proxy Deadline;
- by facsimile to Computershare on +61 (0)3 9473 2555; or
- by hand delivery to Computershare, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria.

Corporate representatives

A corporate shareholder wishing to appoint a person to act as its representative at the meeting may do so by providing that person with:

- a properly executed letter, certificate, form, or other document, such as an "Appointment of Corporate Representative" confirming that they are authorised to act as the corporate shareholder's representative. A form may be obtained from www.investorcentre.com under the tab "Need a printable form?"; or
- a copy of the resolution appointing the representative, certified by a director or secretary of the corporate shareholder. A copy of the signed document must be produced prior to admission to the meeting.

Power of attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy form is signed by an attorney, the power of attorney (or a certified copy) must be received by Computershare by the Proxy Deadline, unless the document has been previously lodged with Computershare. Powers of attorney may be submitted by post or by hand delivery to the addresses shown in the "Lodging your proxy form" section.

Voting restrictions

Resolution 4 – Adoption of the remuneration report

A vote may not be cast (in any capacity) on resolution 4 by or on behalf of a member of Medibank's key management personnel ("KMP"), whose remuneration details are included in the remuneration report, or a KMP's closely related parties. A "closely related party" includes a spouse, dependant and certain other close family members of a KMP, as well as any companies controlled by a KMP.

However, a vote may be cast on resolution 4 (and that person is not prohibited from voting) if:

- it is cast by a KMP or a KMP's closely related party as proxy for a person entitled to vote and the vote is cast in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting, as proxy for a person entitled to vote, if:
 - the appointment does not specify the way the proxy is to vote on resolution 4, and
 - the appointment expressly authorises the Chairman of the meeting to exercise the proxy even if resolution 4 is connected directly or indirectly with the remuneration of a KMP.

The Chairman of the meeting intends to vote undirected proxies FOR resolution 4.

Resolution 5 – Grant of performance rights to the Chief Executive Officer

Medibank will disregard any votes on resolution 5:

- cast in favour of this resolution by Craig Drummond or any of his associates; or
- cast by a KMP or a closely related party of a KMP, acting as a proxy, if their appointment does not specify the way the proxy is to vote on the resolution.

However, a vote may be cast on resolution 5 (and that person is not prohibited from voting) if:

- it is cast by a person identified above as a proxy for a person who is entitled to vote on the resolution and the vote is cast in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting, as proxy for a person who is entitled to vote on the resolution, and the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP.

The Chairman of the meeting intends to vote undirected proxies FOR resolution 5.

Note

The voting restrictions for resolutions 4 and 5 mean that if you appoint a KMP (such as a director) as your proxy, it is important that you direct them on how to vote by ticking one of the "For", "Against" or "Abstain" boxes on your proxy form in respect of each resolution. This is because, in certain circumstances, a KMP is prohibited from voting undirected proxies on resolutions 4 and 5.

If the Chairman of the meeting is your proxy or is appointed as your proxy by default, and you do not direct your proxy to vote "For", "Against" or "Abstain" on resolution 4 or 5, you expressly authorise the Chairman to exercise the proxy even though those resolutions are connected directly or indirectly with the remuneration of a member of the KMP.

Explanatory notes

Resolution 1

Receipt of financial statements and reports

Medibank's financial statements and reports for the year ended 30 June 2019 are set out in its 2019 annual report. The annual report is available at www.medibank.com.au.

The *Corporations Act* requires that the financial report, directors' report, and auditor's report of Medibank and the consolidated entity be placed before the meeting. There is no requirement for shareholders to vote on these reports.

Shareholders will be given a reasonable opportunity at the meeting to ask questions about and make comments on the financial statements and reports and on the management of Medibank. During discussion on this item, the external auditor will be present and will answer relevant questions.

Resolution 2

Re-election of David Grahame Fagan as a director

David Fagan retires in accordance with article 11.3(b)(iii) of the Medibank Constitution and, being eligible, offers himself for re-election.



David Grahame Fagan

Independent
Non-Executive Director
LLB, LLM, GAICD

David was appointed a director in March 2014. He is Chairman of the Risk Management Committee and a member of the Investment and Capital Committee and the Nomination Committee.

David is a highly experienced banking and major projects lawyer with more than 39 years of experience. He acted for major banks and corporate clients with Clayton Utz, and was Clayton Utz's Chief Executive Partner from May 2001 to June 2010. David also chaired the Medibank Privatisation Committee which operated during 2014 in preparation for the privatisation process. David is a former director and Chair of the Audit Committee of the Global Foundation, a former director of Grocon Funds Management Group and the Hilco Group and a former member of the advisory board of Chase Corporate Advisory.

David is currently a director of PayGroup Limited (since November 2017). He is a director and Chair of the Audit and Risk Committee of UBS Grocon Real Estate Investment Management Pty Ltd and a member of the ASIC Director Advisory Panel.

Recommendation

The Board (other than David Fagan) recommends that shareholders vote FOR this resolution.

Resolution 3

Re-election of Linda Bardo Nicholls AO as a director

Linda Bardo Nicholls retires in accordance with article 11.3(b)(iii) of the Medibank Constitution and, being eligible, offers herself for re-election.



Linda Bardo Nicholls AO

Independent
Non-Executive Director
BA, MBA (Harvard), FAICD

Linda was appointed a director in March 2014. She is Chairman of the People and Remuneration Committee and a member of 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 was previously Chairman (October 2008 to October 2010) and a director (January 2000 to October 2010) of Healthscope, Chairman of KDR Victoria Pty Ltd (Yarra Trams) (2009 to 2016), a director of Pacific Brands Limited (October 2013 to July 2016), Sigma Pharmaceuticals Limited (December 2005 to December 2015) and Fairfax Media Limited (February 2010 to December 2018).

She is currently Chairman of Japara Healthcare Limited (since March 2014) and a director of Inghams Group Limited (since November 2016). Linda is also Chairman of the Board of Melbourne Health and a member of the Museums Board of Victoria.

Recommendation

The Board (other than Linda Bardo Nicholls) recommends that shareholders vote FOR this resolution.

Resolution 4

Adoption of the remuneration report

Medibank's remuneration report for the year ended 30 June 2019 is set out on pages 47 to 70 of its 2019 annual report.

The remuneration report contains information about the remuneration policy of Medibank and the remuneration of non-executive directors, the Chief Executive Officer and other KMP for the financial year ended 30 June 2019.

At the meeting, the Chairman will give shareholders a reasonable opportunity to ask questions about and make comments on the remuneration report.

The vote on this resolution is advisory only and does not bind Medibank or its directors. However, the Board will actively consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing Medibank's future remuneration policies and practices.

Recommendation

The Board recommends that shareholders vote FOR this resolution.

Resolution 5

Grant of performance rights to the Chief Executive Officer

Shareholder approval is being sought to grant performance rights to the Chief Executive Officer, Craig Drummond, under Medibank's Long-Term Incentive ("LTI") Plan. Details of Craig Drummond's remuneration arrangements are set out in Medibank's 2019 remuneration report.

Key terms

The key terms of the grant of performance rights proposed to be made to Craig Drummond are set out below.

Number allocated	Craig Drummond's proposed LTI award is 665,028 performance rights ("LTI performance rights"). These LTI performance rights have a face value of \$2,301,000 (being 150% of his total fixed remuneration for the 2020 financial year). The number of LTI performance rights proposed to be granted has been determined using the volume weighted average price of Medibank shares on the ASX during the 10 trading days up to and including 28 June 2019 (being \$3.46). No dividends are paid on LTI performance rights.
Date of grant	If shareholders approve the grant of LTI performance rights, those performance rights will be granted to Craig Drummond within 12 months of the AGM at no cost to him.
Performance period and vesting	Each LTI performance right proposed to be granted to Craig Drummond will give him the right to receive one share in Medibank subject to the LTI performance right vesting at the end of a three-year performance period beginning on 1 July 2019 and ending on 30 June 2022. No value will be received if the vesting conditions are not met or the LTI performance rights otherwise lapse.
No retesting	The LTI vesting conditions are only tested once following the end of the performance period. Any LTI performance rights that remain unvested following the end of the performance period will lapse immediately.
Vesting conditions	<p>In line with the Board's approach to regularly review Medibank's remuneration framework, Medibank's proposed 2020 LTI offer to Craig Drummond will include a strategic customer measure, Customer Growth, with a weighting of 30%. For the proposed 2020 LTI offer to Craig Drummond, the Customer Growth performance hurdle will be measured by the growth of Medibank's private health insurance market share (as reported by APRA) ("PHI Market Share") over the three-year performance period to 30 June 2022. PHI Market Share is an independently assessed measure that is well understood, is a lead indicator that drives long-term value and creates tension with the existing measures of earnings per share compound annual growth rate ("EPS CAGR") and relative total shareholder return ("TSR").</p> <p>The Board believes this approach creates a more balanced LTI hurdle mix that reflects the importance of PHI Market Share as a positive indicator of our 'customers first' focus. The introduction of this strategic measure also reduces the reliance on financial metrics, which is a key component of APRA's recent consultation paper on remuneration prudential requirements.</p> <p>Therefore, 35% of the LTI performance rights proposed to be granted will be subject to a vesting condition based on Medibank's EPS CAGR over the performance period ("EPS performance rights"); 35% will be subject to a TSR vesting condition measured over the performance period ("TSR performance rights"); while 30% will be subject to a vesting condition based on the growth of Medibank's PHI Market Share over the performance period ("Market Share performance rights").</p> <p>Each year, the Board reviews the 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 results for our shareholders.</p>

EPS performance rights

In this context, the Board approved a threshold EPS CAGR target of 3%. The number of EPS performance rights that vest on achievement of the threshold EPS CAGR target has been retained by the Board at 33.33% of the EPS performance rights. The EPS CAGR target that must be met for 100% of the EPS performance rights to vest has been retained by the Board at 9% with straight line vesting in between the EPS CAGR targets.

The baseline EPS that the EPS CAGR vesting condition will be calculated from for the 2020 LTI offer to Craig Drummond will be 15.5 cents per share, aligned with Medibank's 2019 underlying net profit after tax of continuing operations of \$426.9 million.

Details of the vesting schedule are set out below:

Medibank's EPS CAGR over the performance period	Percentage of EPS performance rights that vest
Less than 3% EPS CAGR	Nil
At 3% EPS CAGR	33.33%
Between 3 and 9% EPS CAGR	Straight line pro-rata between 33.33% and 100%
9% EPS CAGR or greater	100%

Relative TSR performance rights

Medibank's TSR will be compared with a comparator group comprising companies with a market capitalisation positioned within the ASX 11 – 100, excluding mining and energy companies. The percentage of TSR performance rights that vest will be based on Medibank's TSR ranking over the performance period, as set out in the vesting schedule below:

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

Market Share performance rights

Introduced as a vesting condition for the 2020 LTI offer to Craig Drummond, the Board has approved a threshold PHI Market Share growth target of 25 basis points. The number of Market Share performance rights that vest on achievement of the threshold PHI Market Share target has been set at 33.33% of the Market Share performance rights. The PHI Market Share growth target that must be met for 100% of the Market Share performance rights to vest has been set at 75 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
Equal to 25 basis points	33.33%
Greater than 25 basis points and up to 75 basis points	Straight line pro-rata between 33.33% and 100%
At or above 75 basis points	100%

Cessation of employment	<p>If Craig Drummond ceases employment with Medibank before his LTI performance rights have vested and is a 'good leaver', the LTI performance rights held by him on cessation of employment will be forfeited on a pro rata basis according to a formula that takes into account the length of time that he has held the LTI performance rights relative to the performance period for the grant. The remaining LTI performance rights will remain unvested and will be tested at the end of the performance period against the existing vesting conditions.</p> <p>If Craig Drummond's employment is terminated for other reasons (such as resignation, misconduct, fraud or unsatisfactory performance) then the unvested LTI performance rights held by him will lapse immediately on cessation of employment.</p>
Clawback	<p>Medibank has an Executive Remuneration Clawback Policy that provides discretion to the Board to reduce, cancel, or recover (clawback) any performance-based awards made to a senior executive employee in certain circumstances, including the following:</p> <ul style="list-style-type: none">• Serious misconduct or fraud by the employee.• Unsatisfactory performance by the employee to the detriment of strategic Medibank objectives.• Error in the calculation of a performance measure related to performance-based remuneration.• A 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. <p>The Executive Remuneration Clawback Policy provides that if any of these events had occurred in the previous five financial years the Board may, in its absolute discretion, withhold an employee's performance-based payments, require the repayment of all, or part of, previous performance-based awards, or require the forfeiture of previously deferred and unvested performance-based rewards subject to applicable laws.</p>

The Board has determined to purchase the shares required on market, and therefore is not required to seek shareholder approval for the proposed grant. However, in the interests of transparency and good governance, Medibank considers it is appropriate to do so.

If shareholder approval of the grant of performance rights to Craig Drummond under Medibank's LTI Plan is not obtained, he will receive a cash payment in lieu of those performance rights. The cash payment would be subject to the same vesting conditions outlined on pages 10 and 11.

Other information required by the ASX Listing Rules

At Medibank's 2018 annual general meeting, shareholder approval was obtained for the grant of performance rights to Craig Drummond under the LTI Plan, and 790,720 performance rights were granted on 6 December 2018.

No amount is payable by Craig Drummond for the LTI performance rights.

Craig Drummond is the only director eligible to participate in Medibank's LTI Plan.

No loan has been or will be made to Craig Drummond by Medibank in relation to the LTI performance rights.

Recommendation

The Board (other than Craig Drummond) recommends that shareholders vote FOR this resolution.

Getting to the annual general meeting



BY TRAM: Catch any of the following trams and exit at the stop opposite the Clarendon Street entrance of the MCEC: Route 96, 109 or 12. Alternatively, catch tram number 70 or 75 and exit at the Flinders Street stop. Then take a short walk towards the Yarra River, across Seafarers Bridge.



BY TRAIN: Take any train to Southern Cross Station. Exit at Southern Cross Station and catch tram number 96, 109 or 12 as above.



BY BUS: From Monday to Friday, bus route 237 goes via Southern Cross Station to Lorimer Street, which is a five-minute walk to the MCEC. For bus timetables or further trip planning, use Public Transport Victoria's Journey Planner.

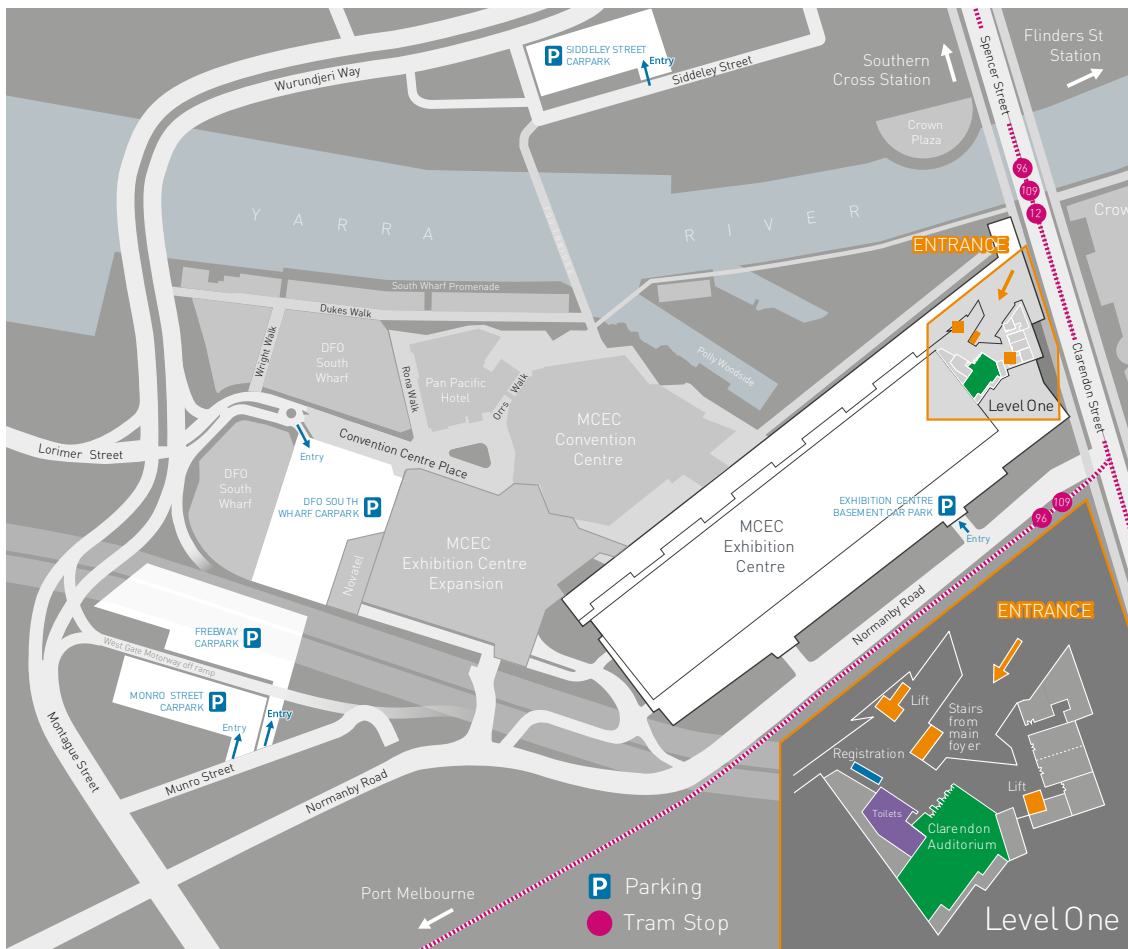


BY TAXI: Ask your driver to drop you off at the Clarendon Street entrance of the MCEC.



BY CAR: Parking is available at the MCEC and adjacent carparks. Please read the important car parking information on the MCEC website (link below) prior to your trip.

OR GO TO: <http://mcec.com.au/your-visit/getting-there/>



medibank

Medibank Private Limited

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