

Quality-led care.

Sustainability Report 2017

MD & CEO message



“Healthscope’s key priority is to deliver quality clinical outcomes and exceptional patient care across our hospital and pathology operations.”

With a team of approximately 18,600 extraordinary people and an additional 17,500 Accredited Medical Practitioners, dedicated to delivering this care each and every day, it is a privilege to lead Healthscope as its Managing Director and Chief Executive Officer.

We continue to position the company for a sustainable future as a trusted provider for doctors, a positive contributor to the industry and a strong partner to governments as they seek to reform and deliver critical healthcare services.

Demand for healthcare services is expected to grow across each of the markets and countries in which Healthscope operates. In meeting this increasing demand, Healthscope will play a significant role in the sustainable delivery of efficient and quality healthcare services.

Our sustainability focus includes four key areas:

- **Absolute commitment to patient safety and quality**

As the first private hospital operator to report on clinical quality indicators with *MyHealthscope* in 2011, we remain steadfastly committed to this initiative. We also continue to look at ways to build on this leadership position by highlighting our commitment to patient safety and quality clinical outcomes.

Patient-centred care and quality clinical outcomes are core principles of Healthscope’s operations, and will ultimately underpin our ability to continue to improve, invest and grow the services we provide our patients. Care that sets Healthscope apart to sustainably differentiate us from the industry is our ultimate goal.

During the year, a periodic review of the accreditation of Healthscope’s corporate office was undertaken. This involved assessment by an independent surveyor of 100 of the most important governance, consumer participation and infection prevention standards. In the December 2016 survey, Healthscope achieved 51% “Met with Merit” ratings, exceeding the national average of 2% for healthcare organisations.

Our strong accreditation record validates the quality of our existing systems and processes but there is always room for improvement. With the introduction of the 2nd edition of the National Safety & Quality Health Service standards planned for 1 January 2019, we continue to look at ways to better serve our patients and raise the standard of clinical quality and service across the industry.

- **A focus on our people**

As a healthcare service provider, our core business is delivered and grown through our workforce.

Sustainable growth starts with extraordinary people and teams who are highly engaged and feel supported every day. It is through the actions of our people that we can demonstrate care for our patients.

With a strong corporate culture we believe in fostering the training, development and investment in our staff and in FY17, we successfully attracted high quality employees, as well as achieved and built upon our diversity targets. Sustained growth stems from leading a culture of innovation and we continue to encourage and instil an innovative mindset within our organisation.

We remained an employer of choice for graduate nurses and allied health professionals and we provided access to approximately 118,000 clinical placement days in FY17 for students.

Healthscope continued to make progress against the gender diversity objectives set by the Board. For senior roles, 50% of identified internal talent pools were women for the year ended 31 March 2017. In addition, 52% of short listed candidates for senior management positions were women over the same period.

Finally, we continued to recognise and reward service excellence this year via our STAR (service excellence, teamwork and integrity, aspiration and responsibility) staff awards.

- **Making strategic contributions to indigenous health and giving back to communities**

In FY17, Healthscope continued to actively engage with local and international communities over the course of the year.

The foundation of the indigenous healthcare initiatives undertaken in FY16, continues to be built upon in FY17, with the development of primary healthcare services in the broader communities in Far North Queensland.

- **Accepting responsibility to ensure environmental sustainability**

In FY17 we continued our commitment to ensuring an environmentally sustainable future. A number of new initiatives were trialled at our hospitals to reduce our environmental impact. Importantly, we continue to look for ways to further reduce our environmental impacts, from small initiatives such as switching to biodegradable cups to the installation of energy-efficient plant and equipment across our network.

I am pleased to present Healthscope's FY17 Sustainability Report and look forward to providing future updates as we continue to shape and develop Healthscope as a leading sustainable healthcare company.



Gordon Ballantyne

Managing Director and Chief Executive Officer

About this report

This is Healthscope's annual Sustainability Report. All data contained in this report is for the 12 month period ending 30 June 2017 or as at 30 June 2017, unless otherwise stated.

Report Structure

This report is structured in five sections. The first section outlines how we operate our business and describes our approach to sustainability. The following four sections detail our management approach and performance in relation to our key focus areas in FY17.

This report should be read in conjunction with our 2017 Annual Report and 2017 Corporate Governance Statement, available via the Investor Centre on our website.

Report Scope

Information in this report covers the performance of the Healthscope Group of companies (Healthscope Ltd and its wholly owned subsidiaries) and the global activities and facilities over which Healthscope had operational control for all, or part, of the reporting period.

Where information regarding partially owned and non-operated facilities is material, available and relevant, it is included and clearly referenced.

Investments and divestments since the previous report

No material acquisitions were made during FY17.

On 17 August 2017, Healthscope entered into an agreement to sell its standalone medical centres operations to Fullerton Primary Care Limited, subject to standard completion adjustments. Completion of the transaction is expected to occur by the end of September 2017.

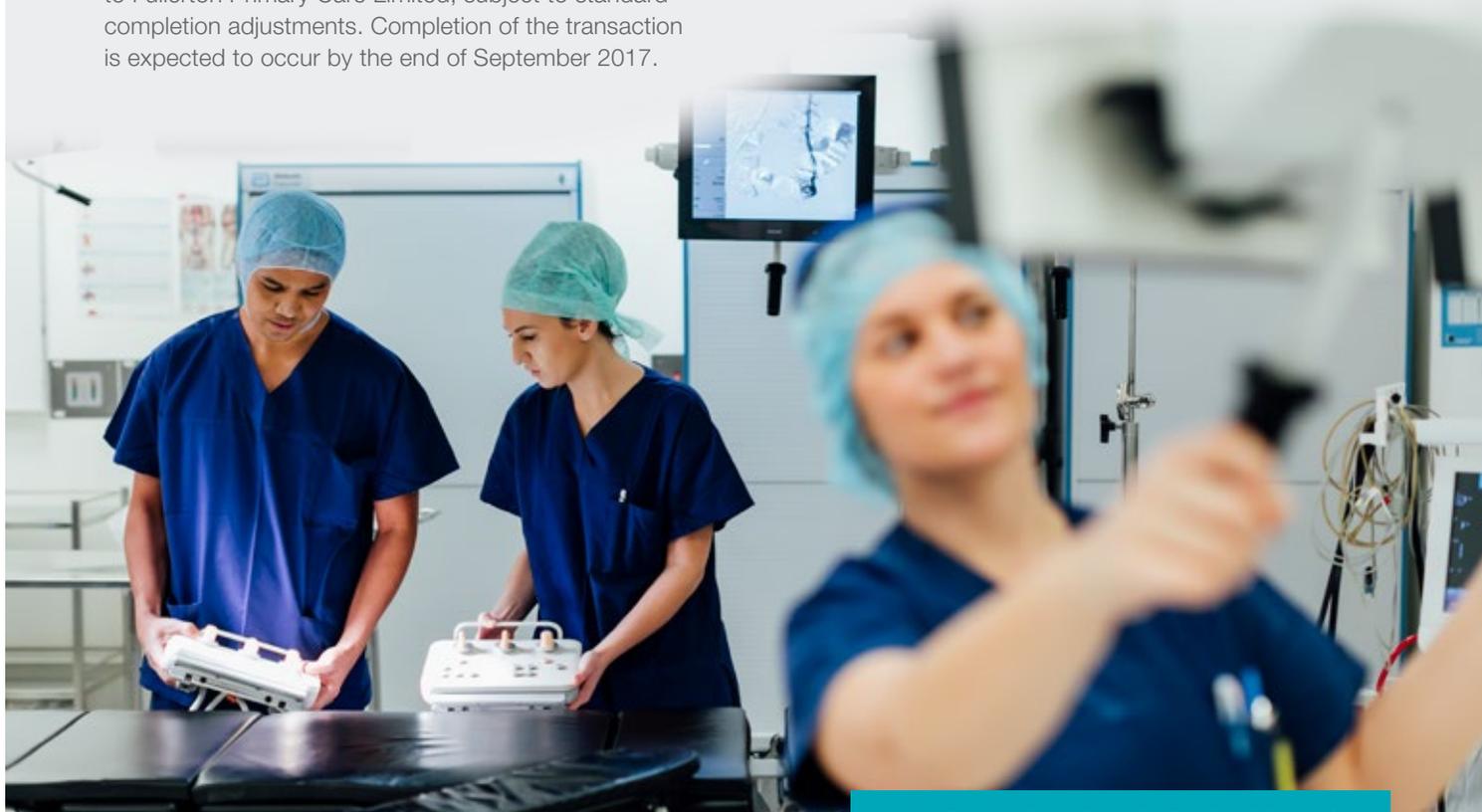
Projects under development and construction

In FY17, Healthscope completed five construction projects which increased capacity by 214 beds and added 13 operating theatres and two new emergency departments¹. These projects included the opening of Holmesglen Private Hospital (VIC) in early February 2017, 'a relocate and grow' development delivering 147 beds and eight operating theatres, a 60 bed expansion at Norwest Private Hospital (NSW), a 60 bed expansion of Frankston Private Hospital (VIC), two new operating theatres at Darwin Private Hospital (NT) and an emergency department at Northpark Private Hospital (VIC).

Healthscope has seven brownfield and "relocate and grow" projects currently under construction with a total estimated project cost of \$1,079 million. A further three projects have been approved and are scheduled to start construction in FY18 with a total estimated project cost of \$52 million.

We have been publishing annual Sustainability Reports since 2015. Historical reports are available on our website (www.healthscope.com.au/sustainability)

¹Net of 53 beds and two operating theatres that were relocated from Como Private Hospital to Holmesglen Private Hospital.



Healthscope is a leading private healthcare provider in Australia with 45 hospitals. We also have market leading pathology operations across New Zealand, Malaysia and Singapore.



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Section 1: Our business



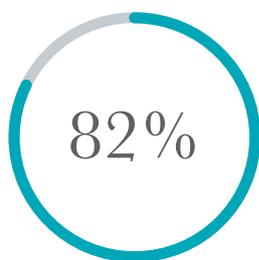
Principal activities and performance

Continuing operations¹

Healthscope is a leading private healthcare provider in Australia with 45 private hospitals. Internationally, Healthscope has leading pathology operations across New Zealand, Malaysia and Singapore and a small presence in Vietnam.

During FY17, Healthscope also operated 48 standalone medical centres including skin clinics and a specialist breast clinic. An agreement was entered into to divest these businesses on 17 August 2017, following a strategic review.

Hospitals



% of Operating EBITDA

- Significant private hospital operator in Australia with a presence in all Australian states and territories
- 45 hospitals concentrated in large metropolitan centres:
 - 32 acute hospitals
 - Seven mental health hospitals
 - Six rehabilitation hospitals
- Market leading reputation for quality clinical outcomes and transparency
- Delivering on hospital expansion projects to meet growing demand

\$2,014m

FY17 Revenue

\$359m

FY17 Operating EBITDA

15,775

Employees

New Zealand Pathology



% of Operating EBITDA

- Largest provider of human pathology services to New Zealand's District Health Boards (DHBs), operating under the Labtests, Southern Community Laboratories and Northland Pathology brands
- Veterinary and analytical pathology services provided through Gribbles brand



\$243m

FY17 Revenue

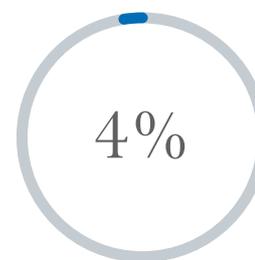
\$60m

FY17 Operating EBITDA

1,915

Employees

Other



% of Operating EBITDA

- One of the largest community pathology providers in both Malaysia and Singapore
- Operating in Singapore, Malaysia and Vietnam under the Gribbles Pathology and Quest Laboratories brands



\$62m

FY17 Revenue

\$18m

FY17 Operating EBITDA

961

Employees

¹Healthscope's continuing operations consist of the hospital and international pathology businesses.

²Divisional overview as at 30 June 2017.

³As a result of the divestment of Medical Centres, the 'Other' segment was revised to reflect the continuing business comprising Pathology operations in Singapore, Malaysia and Vietnam.

FY17 highlights



Support for Australia's future healthcare workforce:

118,000 clinical placement days provided for training of nursing and allied health students



Broadened our Diversity and Inclusion Policy:

To expand and support Healthscope's focus on workforce diversity



Tax:

Published our first Tax Transparency Statement for FY17



Supplier code:

Introduced supplier code of conduct to promote sustainable practices



Net promoter score:

Improvement of 3% with patients and 2% with doctors across hospitals compared with FY16



TRIFR¹:

Reduced by 33% in FY17 across Australian operations



Leadership development:

Finalist in the Australian HR Awards for Best Leadership Development program



Volunteering:

Continued support for indigenous Australians by assisting in the development of a primary healthcare service with Djarragun College in Cape York, Queensland



Energy:

Reduced hospital energy consumption in FY17²

¹Total recordable injury frequency rate

²After normalising for brownfields and acquisitions in FY16

How we operate

What we stand for

Our vision is to be a recognised leader of quality private healthcare services.

In delivering our vision, we know that when we provide service excellence for medical professionals and their patients, everything else takes care of itself. Healthscope operates in an environment where safety and quality are paramount, comfortably balanced against our responsibility to shareholders and stakeholders.

Ethical conduct

Given Healthscope's commitment to deliver industry leading quality of care for patients and exceptional services for doctors through our hospitals, international pathology laboratories and medical centres, it is important that high levels of integrity and ethical standards are maintained in all business practices. Our behaviour is guided by our STAR values and our Code of Conduct.

Our STAR values

-  **SERVICE EXCELLENCE**
We strive to provide the highest standard of healthcare. We seek ways to improve our care and service and its delivery.
-  **TEAMWORK & INTEGRITY**
We respect each other and openly and honestly communicate to allow us to work together to achieve our goals
-  **ASPIRATION**
Creativity, being forward-looking and continuously learning are integral to our jobs and Healthscope's success.
-  **RESPONSIBILITY**
We take responsibility for our actions and consider their impact on others. We make decisions with a balanced focus on financial security and service excellence.

Read more about our values in Section 3:
A focus on our people.

Healthscope's Code of Conduct is designed to:

- promote a high level of professionalism;
- promote a healthy, respectful and positive workplace and environment for all employees;
- support Healthscope's business reputation and corporate image within the wider community; and
- make employees aware of the consequences of breach.

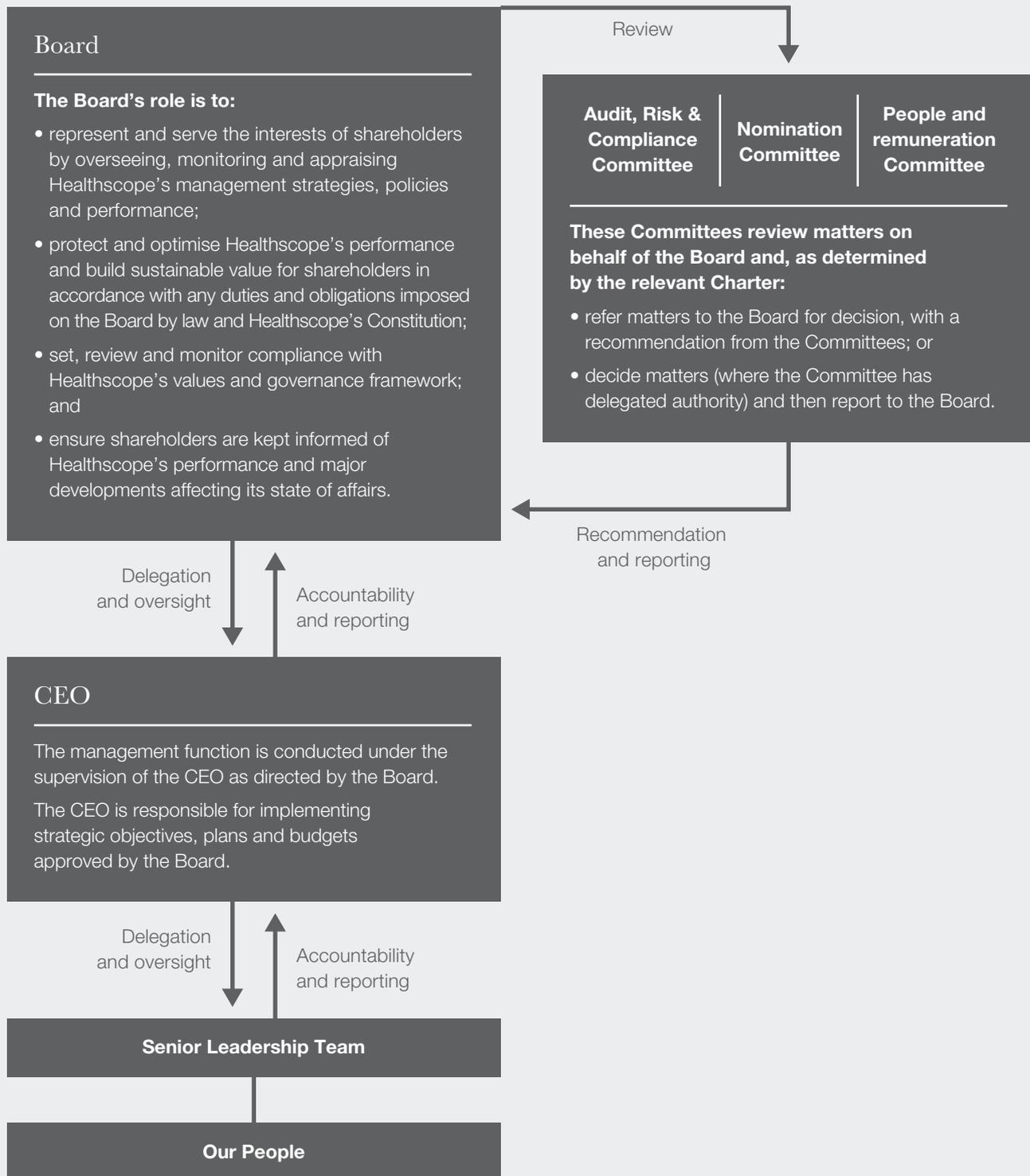
Corporate governance

Corporate governance is core to ensuring creation, protection and enhancement of shareholder value. The Board is committed to maintaining high standards of corporate governance which it considers to be core to creating and delivering value for its shareholders. To this end, the Board has adopted a system of internal controls, risk management processes and corporate governance policies and practices which are designed to support and promote the responsible management and conduct of Healthscope. Healthscope's 2017 Corporate Governance Statement sets out the key features of Healthscope's governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

Since our last Sustainability Report, Healthscope has continued to strengthen and enhance its corporate governance practices, including in the following key areas:

- CEO succession – The appointment of Gordon Ballantyne as Managing Director and CEO effective 15 May 2017. Robert Cooke (the former Managing Director and CEO) remains available to assist the Company with a smooth transition to new leadership until April 2018;
- Inclusion and diversity – Healthscope recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. During the year, the Healthscope Board reviewed Healthscope's policies and practices relating to diversity and inclusion and approved a new, revised Diversity and Inclusion Policy to expand and support Healthscope's focus on workforce diversity; and
- Board governance – during the year, the Healthscope Board reviewed the Board's governance model to provide enhanced clarity over the roles and responsibilities of the Board and its committees, for greater governance efficiency and effectiveness.

The diagram below summarises Healthscope's governance framework and the functions reserved for the Board in accordance with the Board Charter, as well as the role of each of Healthscope's standing Board Committees.



Our corporate sustainability framework

Healthscope's corporate sustainability framework outlines four important focus areas which support the sustainable delivery of healthcare services and the important role we play in our communities.

Key focus areas	 <p>Patient safety and quality</p>	 <p>People</p>	 <p>Environment</p>	 <p>Community</p>
Priorities	Clinical governance, consumer involvement, accreditation and transparency	Creating a safe and responsible culture for employees to develop, thrive and innovate	Reducing waste, ensuring efficient use of natural resources and contributing towards a sustainable future	Supporting indigenous health and community initiatives, giving back to our local communities
Healthscope measures	<ul style="list-style-type: none"> • Hospital accreditation • Pathology laboratory accreditation • Medical centre accreditation • National rates of defined clinical indicators and clinical outcomes 	<ul style="list-style-type: none"> • Key workforce statistics • Turnover and recruitment • Diversity targets • Training our future workforce • Career progression • Workplace health and safety – lead and lag indicators 	<ul style="list-style-type: none"> • Energy consumption • Diversion of waste from landfill 	<ul style="list-style-type: none"> • Indigenous employment • Site level contributions

More information about Healthscope's exposure to economic and social sustainability risks, and how we manage those material risks, is contained in pages 24 to 25 of the Review of Operations in Healthscope's 2017 Annual Report (see the 'Material Business Risks' section). The Company does not consider it has any material environmental risks (as defined in the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council). Healthscope will continue to monitor any potential economic, environmental and social sustainability risks.

Section 2: Absolute commitment to patient safety and quality



Healthscope is committed to continuously improving on providing quality clinical care to patients, minimising risks, and fostering an environment of excellence in care. Clinical governance refers to accountability for standards and performance in relation to clinical care and requires all individuals within the organisation to have accountability for the delivery of safe and high quality care to individual patients, management and the community.

Sustainability of excellence in clinical governance requires:

- A focus on the consumer experience throughout the continuum of care;
- Strong leadership and appropriate allocation of resources;
- Clarity of responsibility for managing safety and quality;
- Effective use of data to monitor, report on and improve performance;
- Systems for identifying and managing risk;
- Processes to support continuous improvement; and
- Compliance with legislative and relevant standards, including accreditation.

The Healthscope Safety and Quality Plan Clinical Governance Framework drives our quality and safety priorities. This national plan focuses on three key pillars and ten focus areas.

Monitoring	1. Accreditation / external audit
	2. Internal audit
	3. Indicators
Reducing risk	4. Incident monitoring
	5. High risk casemix
	6. Prevent adverse outcomes
Continuous improvement	7. Evidence based practice
	8. Staff competence
	9. Documentation
	10. Consumer participation

Scope

Within the national plan, there are five key areas that are most related to sustainability of quality and safety in patient care:

1. Accreditation;
2. Patient-centred care;
3. Clinical risk management;
4. Continuous improvement; and
5. Public reporting.

FY17 performance and progress

During FY17, significant progress continued to be made in these five key areas.

1. Accreditation

Commitment

Healthscope is committed to achieving external accreditation of all facilities against relevant and required standards.

- **Healthscope hospitals** are accredited to the National Safety and Quality Health Service Standards (“National Standards”) published by the Australian Commission on Safety & Quality in Healthcare.

Accreditation provides a measure of our performance against the required healthcare standards as well as peers and best practice benchmarks.

The rigorous and challenging process to achieve National Standards accreditation is the reason it is also fully integrated into Healthscope’s quality program.

Healthscope takes responsibility for being a leader in raising the standard of clinical quality across the industry. With implementation of the 2nd edition of the National Standards planned for 1 January 2019, Healthscope continued its active representation on national working groups and committees to influence the development of these standards, guidebooks and resources during FY17. In particular, Healthscope has advocated for a number of changes to advance transparency and quality clinical outcomes for the provision of healthcare in Australia.

- **Healthscope pathology laboratories** are accredited by the appropriate local agency as follows:
 - New Zealand medical testing laboratories are accredited to ISO 15189 and our Veterinary laboratories are accredited to ISO 17025 by IANZ;
 - Malaysian laboratories are accredited to ISO 15189 by Standards Malaysia;
 - Singapore laboratories are accredited to ISO 15189 by Singapore Accreditation Council (SAC); and
 - Vietnam laboratories are accredited by the Ministry of Health.
- **Medical centres** are accredited to the Royal Australian College of General Practice Standards. The relevant accreditation system nationally is the Royal Australian College of General Practice (RACGP) 4th Edition Standards for General Practices Accreditation Program. During the year, each Healthscope medical centre held accreditation as outlined by the RACGP 4th Edition Standards and administered by the national surveying organisation AGPAL.
- **Healthscope's corporate group** is accredited by the Australian Council on Healthcare Standards against the National Standards and the EQUiP National Corporate Health Service Standards, with on-site inspections in accordance with a two-year cycle. During the year, an assessment as defined by the National Standards and carried out by independent surveyors was undertaken against 100 of the most important governance, consumer participation and infection prevention standards. At this survey in December 2016, Healthscope achieved 51% Met with Merit ratings, well in excess of the 2% average for Australian healthcare organisations – a recognition of our commitment to continuous improvement in the quality of care, service and safety.

FY17 performance and progress

- In FY17, all Healthscope hospitals assessed by the National Standards received accreditation. For the most recent accreditation survey conducted in each Healthscope hospital, 4% of all criteria rated were awarded a Met with Merit rating. By comparison, the average national rate across the healthcare sector was 2%.
- In FY17, all of Healthscope's pathology laboratories and medical centres scheduled for accreditation continued to hold full accreditation.
- Quest Laboratories became the first full-service private medical laboratory in Singapore to achieve dual quality accreditation from ISO15189 and the College of American Pathologists.

2. Patient-centred care

Commitment

Healthscope is committed to assisting patients and carers in managing their own health at every touchpoint within our organisation and partnering with consumers in service planning, designing care and service evaluation.

FY17 performance and progress

Each hospital is responsible for service delivery focused on patient-centred care. Patient-centred care at Healthscope hospitals includes techniques such as hourly rounding, key information for patients on whiteboards, doctor question sheets and patient-nominated staff excellence awards. Healthscope also conducts national focus groups in varying state locations which continues to inform the way our hospitals are operated. On average, patient overall satisfaction ratings of 9 or 10 out of 10 increased by 4% compared with FY16.

In FY15, Healthscope introduced a comprehensive education package for staff on defining patient-centred care and superior customer service in clinical care. The package continues to be regularly updated to reflect best practice information including patient-initiated examples sourced from patient focus groups. A new education video demonstrating optimal bedside handover was filmed, using our staff and patient representatives to demonstrate best practice. This was distributed to all hospitals as an additional education tool. The focus on patient-centred care, including these initiatives, was a contributing factor to the patient net promoter score increase of 3% and an increase of 2% for doctor satisfaction compared with FY16.

To capture additional feedback from patients, Healthscope introduced a web-based patient surveying system to continue informing Healthscope's approach to patient-centred care. This new system introduced in FY17 included a major revision and update of our patient experience dashboards to show ward based patient experience scores, benchmarking between wards and hospitals, and real-time comments linked to positive and negative word clouds. This allows Healthscope and its staff to have up to date information through continuous sampling on the satisfaction and experience of patients in our hospitals. Key metrics include overall rating of the quality of care and net promoter score. This approach to capturing real-time feedback is expected to further improve patient experience in FY18.

3. Clinical risk management

Commitment

Healthscope is committed to delivering healthcare services which are safe with minimal errors and incidents. Learnings from adverse events are shared to prevent similar incidents in the future.

Across all businesses, Healthscope has a formal approach to investigating incidents and near misses and we aim to identify the underlying cause for serious incidents and sentinel events. Key learnings are identified and shared across the network on a quarterly basis and summarised annually. These learnings contribute to the regular revision of applicable policies and procedures. In addition, key learnings are reviewed and discussed via the Healthscope Clinical Governance Committee structure with procedures in place to quickly implement new learnings across the portfolio.

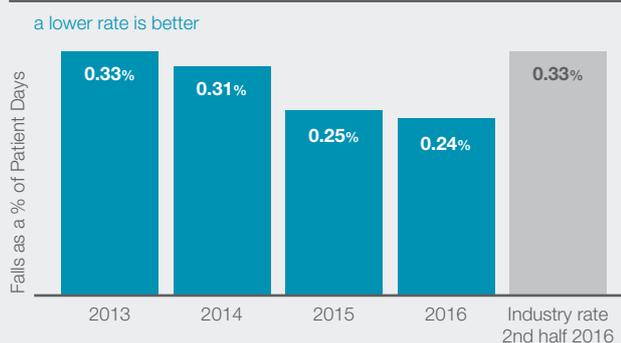
Our clinical risks are formally reported and recorded in our Integrated Risk Register. Our clinical risks are mapped in accordance with the National Standards where applicable. Our Integrated Risk Register is in line with the Australian Standard AS/NZS ISO 31000 Risk Management – Principles and Guidelines.

FY17 performance and progress

Key adverse event indicators are measured by all Healthscope hospitals, monitored over time, and reported publicly on the *MyHealthscope* website (www.myhealthscope.com.au). Across the group, our approach and continued commitment to clinical risk management in FY17 has led to a reduction in a range of key adverse events and importantly, since 2010, the rate of incidents continues to trend downwards. One of Healthscope's key metrics measures the rate of patient falls rate. As evidenced by the chart below, the rate of patient falls in Healthscope hospitals has trended down since 2013 and remains well below the industry average.

Patient falls rate

Healthscope (CY13-CY16)



4. Continuous improvement

Commitment

Healthscope is committed to continuous improvement and raising the standard of clinical quality and service across the industry.

Continuous improvement involves the measurement of key indicators across all of our businesses. Healthscope has a comprehensive suite of quality and safety indicators, monitored monthly, quarterly and annually, and benchmarked against industry performance.

Each hospital has a quality plan, in line with the National Healthscope Quality Plan which guides improvement and monitoring of activities. All plans are revised annually to incorporate best practice and key learnings. In addition, a comprehensive policy and procedure system is updated on an ongoing basis in line with best practice. An extensive audit program identifies areas for improvement, with a large number of national audit tools used by Healthscope hospitals to check that quality processes are being followed.

Healthscope international pathology laboratories and medical centres collect a range of key performance indicators quarterly with information collated centrally. This monitoring and reporting of results ensures that a number of the elements required for accreditation are embedded into routine practice.

Continuous improvement is a key focus for each Healthscope hospital facility, and the breadth of our hospital network allows site-initiated quality improvement activities to facilitate group-wide improvements through the Quality and Clinical Cluster system.

The clinical clusters represent clinical areas such as mental health, obstetrics, rehabilitation, medication safety, falls prevention and infection control. Key experts from across the group communicate and share learnings regularly to support benchmarking and the identification of best practice. The clusters provide leadership and support to ensure there is an ongoing commitment to monitoring and improving performance, reducing clinical risks at all facilities, and to developing a central repository of information, shared learnings and tools to assist Quality Managers and other hospital staff.

FY17 performance and progress

Hospitals

An example of an ongoing improvement project which has been successful across our hospitals is enhancing hand hygiene (hand washing) compliance. The extensive auditing, staff education and various other activities implemented by the infection control cluster have continued to successfully improve hand hygiene across Healthscope facilities to the current rate of 86% during 2HFY17, above the national benchmark. During FY17, the national government benchmark was 80%, as highlighted in this chart.

Hand Hygiene Compliance Healthscope (CY13-1HCY17)

a higher rate is desirable



In FY17, a number of other continuous improvement initiatives were undertaken by the hospital division including:

- establishment of a new audit process for faster processing of information and enhanced accuracy;
- major infrastructure upgrades to our risk management tools to enhance functionality and improve data capture; and
- update of tools to better manage patient falls including revision of eLearning package and enabling risk management software add-ons to generate more useful information.

5. Public reporting

Commitment

Healthscope is committed to transparency in reporting key indicators to highlight quality clinical outcomes and safety which is synonymous with patient care to the general public.

Clinical quality can be defined and measured in many ways but at Healthscope, it is a comprehensive assessment of the many aspects of a patient's experience.

We help patients make informed decisions by publishing indicators that reflect the clinical quality and safety which we believe will contribute to the patient experience at our hospitals. We support transparent public reporting of healthcare quality data and we are proud to have been the first private hospital group in Australia to publish our clinical performance and health outcome results on our *MyHealthscope* website.

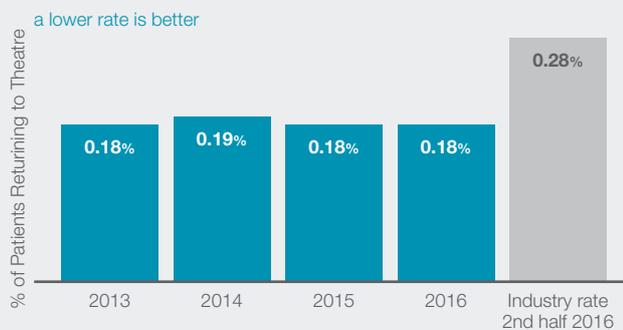
The key features of *MyHealthscope* include:

- Publication of Healthscope's national rates of quality indicators, as well as individual hospital rates;
- Each indicator is presented with a trend over time (i.e. several years);
- For every indicator, a national benchmark, average or target rate is displayed, so patients can compare Healthscope's performance to this rate;
- Patients and consumer representatives have been consulted about the indicator choice and how the website is presented;
- Information is provided about how the indicators are collected – a reference page lists the source information and definitions, if further details are required;
- Resources are provided on the web-pages for patients/families e.g. how to wash your hands; and
- Healthscope enhances and adds new indicators, where appropriate, to *MyHealthscope* on an annual basis.

MyHealthscope has received broad commendation across the healthcare industry, both nationally and internationally, and from public and private healthcare leaders. No other private Australian healthcare group provides the same level of detail and volume of quality information to the general public.

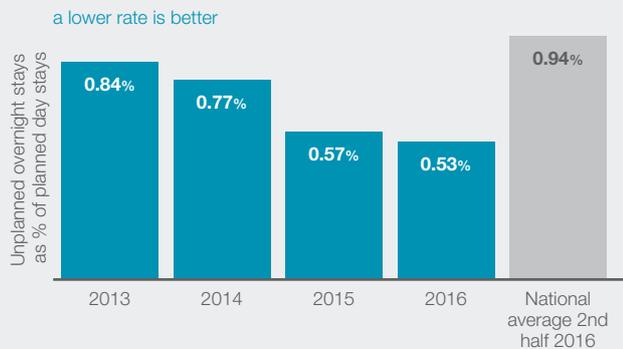
As an example, an unplanned return to theatre is a broad indicator of quality. A way of monitoring the success of surgery is to check whether any patients require an unexpected second operation during the same admission. A high rate always requires investigation as it may indicate a wide array of possible problems in surgical practice and care, such as post-surgical infection, post-surgical bleeding, poor post recovery care plan, or problem with pre-admission assessment of high risk patients. Every unplanned readmission case is investigated to improve patient outcomes and increase quality of care. Healthscope publishes this indicator for every hospital on *MyHealthscope*.

Unplanned Return to Theatre Healthscope (CY13-CY16)



Similarly, Healthscope publishes the unplanned overnight stay for a day patient indicator for each hospital on *MyHealthscope*. Tracking the number of unplanned overnight stays after an operation reflects perioperative complications and is considered a strong indicator of the quality of care delivered. A lower rate indicates strong planning and medical care.

Unplanned Overnight Stay for a Day Patient Healthscope (CY13-CY16)



FY17 performance and progress

100% of the 25 Healthscope-wide indicators showed positive performance against benchmark (equal or better) and at an individual hospital level, 86% of the data points met/exceeded benchmark.

A number of recommendations were made based on consumer consultation to streamline information and create an enhanced user experience on *MyHealthscope*. The website continued to undergo changes with an enhanced site expected to be launched in FY18 following further consumer consultation and testing. Changes made in FY17 include:

- Elimination of jargon and acronyms as suggested by consumer focus groups;
- Addition of positive “awards” achieved by staff in recent years, eg: “Lynette Hernandez – The Sydney Clinic (NSW) was named in the ‘Nurse of the Year’ category at the 2016 HESTA Australian Nursing Awards”;
- Change to menu item selection from hospital pages – tab now says “Quality” to better direct consumers to find charts;
- Upgrade of all charts and pages to match marketing update of hospital websites – major enhancement and replacement of all existing text and charts in more streamlined and modern style; and
- Dashboard style menu on landing page of *MyHealthscope* so that consumers can click on the area of greatest interest, rather than scrolling through all material and opening new pages.

Section 3: A focus on our people



Healthscope's workforce profile

As a leading provider of private healthcare services, Healthscope cares for life. Healthscope strives to create safe, flexible and inclusive workplaces to support the attraction and retention of talented people, and we are committed to leading a values based culture. We know that equipping our people with the right skills to perform their roles and allowing our employees to develop and thrive has a profound impact on our business. We continue to invest meaningfully in these areas to develop extraordinary people and teams who are highly engaged.

There have been no significant changes to our group workforce profile since last year's report.

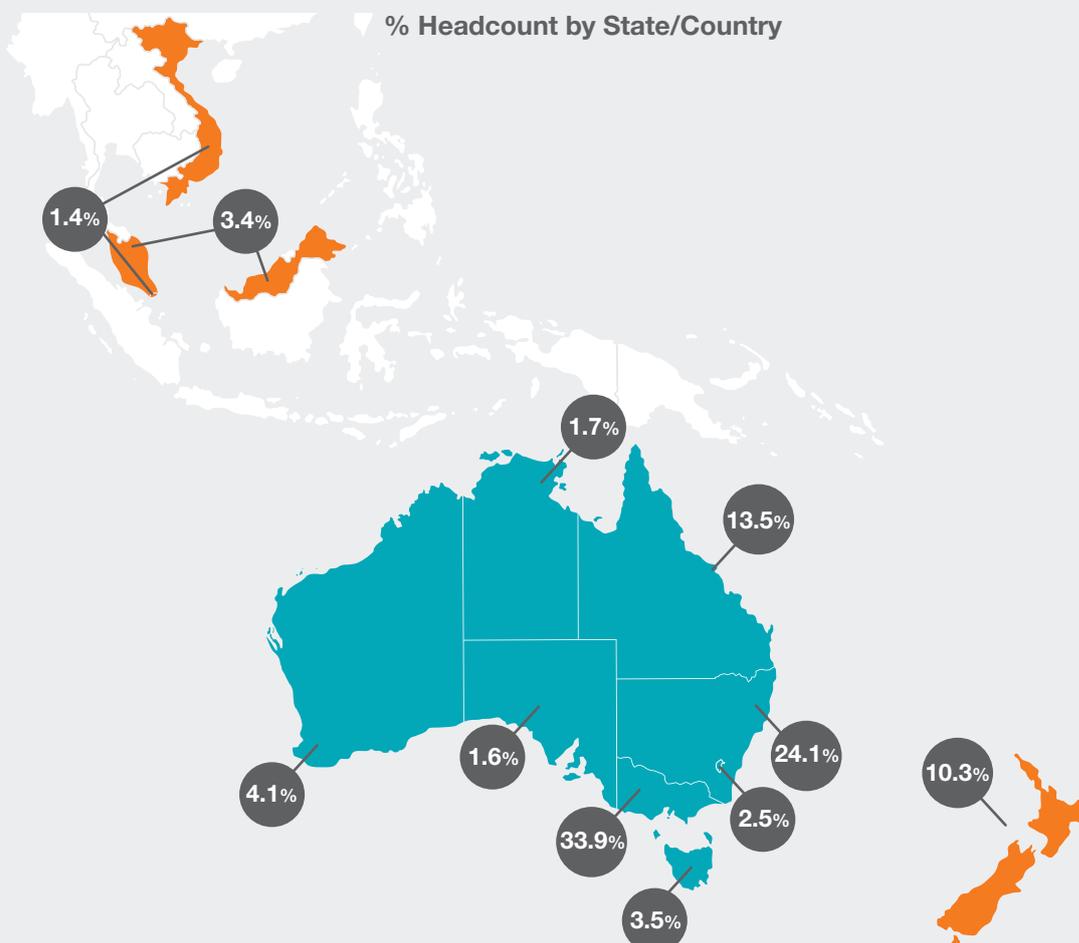
As at June 2017, Healthscope's total workforce was approximately 18,600. The majority of our people are based in Australia and work in our hospital division. Seventy five per cent of our people work on either a part time or casual basis, largely reflective of the nature of the work in the hospital division and our predominantly female workforce.

The following table shows the representation of men and women at Healthscope as at May 2017.

Level	Proportion of men	Proportion of women
Board (excluding Managing Director and CEO)	66.7%	33.3%
Senior Leadership Team	75%	25%
Senior Management	41%	59%
All employees	20%	80%

In addition to Healthscope employees, we also manage approximately 2,300 people through the management of three hospitals on behalf of the Adelaide Community Healthcare Alliance (ACHA).

Nurses play a vital role at Healthscope and represent our largest group of employees, accounting for 46% of our total workforce and 54% of our hospital division workforce.



Scope

Healthscope's material people sustainability themes reflect both our organisation wide risk profile as well as the overarching Human Resources strategy which has been developed to support growth of our employees and the company. The key areas are set out below.

1. Ensuring a sustainable workforce;
2. Engaging our people and nurturing talent;
3. Managing our people responsibly; and
4. Protecting Workplace Health and Safety.

1. Ensuring a sustainable workforce

Commitment:

As a leading provider of private healthcare services, Healthscope's success is based on the quality of our workforce. We strive to create inclusive workplaces that attract and retain a talented and diverse workforce of skilled clinical and non-clinical people.

FY17 performance and progress:

Turnover, recruitment and workforce planning

The Australian group rolling average turnover rate as at June 2017 was 8.5%, and 8.4% in our hospital division. Both figures represent a marginal increase from FY16 turnover levels and remain well below internal company benchmarks. These strong results reflect the outcomes of a range of initiatives in place since 2010 to stabilise our workforce.

At an industry level, workforce shortages in specialist clinical areas continue. Healthscope's key workforce strategy is to retain and grow our own staff, supported by our capacity to mobilise existing staff and undertake significant recruitment campaigns. Key group-wide workforce initiatives this year have included:

- The commencement of state-based education meetings as a way of informing the National Education Cluster. Typical items considered at these meetings include evidence based practices, clinical competencies, development of in-house learning packages in response to identified needs deployed via our online learning system, and development of partnerships with tertiary providers to support attainment of relevant formal qualifications, expanding career options.
- System enhancements which allow improved utilisation of our existing casual and part-time workforce to fill shift vacancies across their own and neighbouring hospitals

- Selection and configuration of a new cloud based recruitment and onboarding system at Healthscope scheduled for FY18 deployment. This solution will assist planning and delivery of the workforce required to supplement transferring NSW Health employees when we open the Northern Beaches Hospital in mid-FY19.

In terms of building our future workforce, Healthscope has formal agreements with Australian universities for the clinical placement of nursing and allied health students. Our comprehensive graduate education program allows us to identify and recruit graduates into our workplaces and supports the training of the next generation of healthcare workers. In FY17, we provided around 118,000 clinical placement days for nursing and allied health students.

One of Healthscope's key strategies has been the expansion of hospitals located in key growth corridors. In addition to incremental bed growth in our existing facilities, in early February 2017, we opened the 147 bed Holmesglen Private Hospital in Victoria. The workforce from the smaller Como Private Hospital transferred to this new site. As well as being more than double the size of Como Private Hospital, Holmesglen Private Hospital has a number of new services – including an Emergency Department and an Intensive Care Unit – requiring additional people, and new skills. Many of these people came from within our own network and recruitment continues at Holmesglen Private Hospital as activity continues to build.

Diversity and inclusion

Healthscope invests to ensure our workplaces are inclusive, and that our people are engaged, and bring diverse perspectives and talents to contribute to the richness and depth of our services.

Healthscope enables diversity in our workforce through a range of measures, including flexible work arrangements. Approximately 75% of our total workforce is permanent part time or casual, facilitating work-life balance whilst also allowing Healthscope to better manage our workforce in accordance with demand. Our flexible work arrangements support a balance between work and other responsibilities, and are enshrined in our Enterprise Agreements.

The average age of an Australian based Healthscope employee is 43 years, and 33% of our workforce is aged over 50.

Over FY17, in partnership with Yarn'n Aboriginal Employment Services – a specialist Aboriginal recruitment and employment development agency – our number of employees that identified as Aboriginal and Torres Strait Islander increased.

Since FY15, Healthscope has had a strong focus on gender diversity, with specific targets set around measures to increase the representation of women at board and senior management level.

Healthscope made progress against the objectives set by the Board for the period 1 April 2016 – 31 March 2017 as outlined below:

FY17 Target: Maintain 30% female Non-Executive Directors for the period

33% of Non-Executive Directors were women

FY17 Target: Achieve 50% representation of females as identified potential successors in succession plans for senior management roles

50% of identified internal talent pools for Senior Management¹ roles were women

FY17 Target: Maintain at least 50% female representation amongst the short listed candidates for Senior Management¹ recruitment in the reporting period, with a long term goal to achieve 50% female representation in the Senior Leadership Team²

52% of short listed candidates for Senior Management¹ positions in FY17 were women

¹Healthscope's National Executive (including all members of the Senior Leadership Team), as well as all Australian-based direct reports to members of the National Executive (which includes hospital general managers, regional medical centre division managers and senior corporate managers)

²The CEO and his direct reports

Healthscope has a wide range of supportive policies, practices and employment conditions that help achieve gender equality in the workplace including those relating to Equal Employment Opportunity – Harassment and Discrimination, Recruitment and Selection, Parental Leave and Carers Leave.

Our 2017 Workplace Gender Equality Agency (WGEA) submission covering the Australian workforce shows:

- Across the organisation, and consistent with the prior period, women made up 83% of the total workforce; and
- Female representation averaged across all management groups remained steady in FY17 at 80%.

With women making up around 83% of our Australian workforce at the end of 31 March 2017, Healthscope is committed to promoting equal pay between men and women. In FY17, Healthscope undertook a gender pay equity review for its Australian workforce (excluding ACHA) which analysed gender pay gaps by employment category and in individual roles.

No gender based pay gap was identified for the base salary of 95% of this workforce (being those who are remunerated in accordance with EBAs/awards). Although for total remuneration for this group, there was a marginal pay gap in favour of men which is being further reviewed to better understand the drivers of this difference. No systemic gender based pay gap was identified, where like for like roles were compared, for the remaining 5% of the workforce whose remuneration is based on individual negotiations. However, as all of our executive Key Management Personnel³ are men, this results in an overall pay gap in favour of men when the remuneration is compared by gender for this group as a whole.

We will continue to monitor gender pay equity and maintain our focus on measures to ensure equitable remuneration across Healthscope and to increase the proportion of women in senior leadership roles.

During the year, Healthscope introduced a new, revised 'Diversity and Inclusion' Policy to expand and support Healthscope's focus on workforce diversity. Inclusion promotes diversity of thought, new ideas and a range of perspectives, allowing us to continually improve the care and service we deliver.

A copy of the full WGEA report is available in the Sustainability section of the Healthscope website.

³As defined in Healthscope's 2017 Annual Report

2. Engaging our people and nurturing talent

Commitment

Healthscope is committed to leading a values based culture and equipping our people with the right skills to perform their roles. We know that a culture that allows our employees to develop and thrive has a profound impact on our business, our patients and our doctors.

We support our people to continually strive to deliver quality clinical outcomes and exceptional patient care and customer service in line with our organisational strategies, through a wide range of development initiatives and opportunities. Across the company, we have policies and procedures to support the growth and engagement of our

people, as well as learning packages, an eLearning suite, professional development opportunities, and established career progression and pathways. Our hospitals have dedicated clinical educators to ensure that our nurses are appropriately developed and mentored.

FY17 performance and progress

Our March 2016 Australia-wide Employee Engagement survey – “Your Voice Counts” – identified four key areas of focus across the group to improve our sustainable engagement metrics.

A variety of actions have been implemented at both site and organisation wide levels in direct response to this survey. Specific targets for improvement have been set, and a follow up engagement survey will be conducted in May 2018.



Organisation wide actions



Communication

Mechanisms to improve communication across all levels of the organisation & foster sharing of information across sites



Values

National suite of STAR values promotional materials & practices to further embed STAR values into the business



Recognition

Development of an organisation wide staff recognition program including manager guidelines & information portal



Safety & Wellbeing

National promotion of wellbeing & safety initiatives and development of shared information & support resources



Our STAR awards are a peer based recognition program that celebrates and rewards the outstanding efforts of our individual staff and teams who demonstrate extraordinary dedication and commitment to our STAR values.

STAR Award recipients in CY16 were recognised for a range of site-based initiatives including (but not limited to):

- Production of a clinical bedside handover DVD designed to help our nurses improve bedside handover performance, and in doing so, improve patient satisfaction.
- Development of an innovative app that provides real-time tracking of a patient's progress and location during their hospital stay. This app helps to alleviate some of the anxiety experienced by a patient's family and friends, particularly on the day of surgery. "Patient Finder" has made a significant difference to family and friends by allowing them (with the patient's approval) to track the progression of the patient through the hospital.
- Advancement of the understanding of the National Standards within one of our hospitals through a multi-disciplinary initiative that involved a mix of clinical and non-clinical staff, consumers and medical staff.
- After analysing the New Zealand pathology veterinary market, a successful new service in food analysis was introduced, highlighting the entrepreneurial spirit of our employees.
- With a focus on best in class delivery to hospital based specialists in Singapore, the Quest Laboratories team halved the time taken for specimen collection as a result of introducing a new laboratory sorter system.
- Development of a local staff health and wellbeing program which has served to reduce absenteeism, as well as promoting safety and wellbeing at work.

Healthscope continued to substantially invest in training and education over FY17, including funding of training positions, clinical placements and direct clinical training costs, as well as financial support for other ongoing professional education. During the year, we contributed to a data collection project and participated in subsequent reporting, designed jointly by the Australian Private Hospitals Association and Catholic Health Australia to demonstrate the contribution of the private and not for profit sector to clinical training nationally. This industry data shows the private hospital sector's investment in training doctors, nurses and allied health workers has increased to \$167 million in CY15 from \$30 million a decade ago.

Nurses are the largest professional group in Healthscope's workforce, and we support the professional development of our nurses both through on-site experiential learning and in-house programs as well as through external providers. We have a number of partnerships with universities to offer scholarships for postgraduate pathways and for nurses to progress with post graduate and masters qualifications across a range of clinical disciplines. Healthscope also has fellowship arrangements in place with higher education providers in several Australian states.

Pathology International also works with three New Zealand universities to place Medical Laboratory Scientists for their clinical year.



Leadership training remains an important strategy for Healthscope, with strong retention and promotion rates among participants in our key leadership programs, both in Australia and internationally.

Healthscope's commitment to leadership development was externally recognised in FY17, being named as a finalist in the 2017 Australian Human Resources Award for 'Best Leadership Development Program'.

3. Managing our people responsibly

Commitment

Healthscope recognises that the provision of quality healthcare to our patients and doctors draws upon the skills and commitment of our diverse workforce. Integral to Healthscope's attraction and retention strategies is the development of appropriate conditions of employment as well as adherence to our Code of Conduct.

FY17 performance and progress:

In Australia, Healthscope operates across every State and Territory. Terms and conditions of employment for over 85% of our workforce are regulated by Enterprise Agreements with the balance of staff engaged under modern awards or contractual arrangements.

Healthscope has just under 30 active Enterprise Agreements across our Australian hospital and medical centre businesses. Our Enterprise Agreements regulate employment conditions in various States/Territories. In FY17, five Enterprise Agreements were successfully renegotiated, covering 24% of our Australian workforce.

New Zealand's Pathology business likewise has ten Collective Employment Agreements which set out standard terms and conditions for the staff based in NZ pathology. Of these Collective Employment Agreements, six were negotiated in FY17.

Healthscope has long standing relationships with relevant stakeholders, and in FY17 there was no protected industrial action in our business.

Healthscope's Code of Conduct promotes a high level of professionalism and a healthy, respectful and positive workplace and environment. The Code of Conduct outlines how Healthscope expects its employees to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate standards.

4. Workplace Health and Safety

We believe that all Healthscope employees, patients, contractors and visitors have the right to a safe and healthy workplace. We strive to work together to optimise health, safety and wellbeing through:

- Creating a positive work environment that values the health, safety and wellbeing of our people and those we interact with;
- Enhancing the active engagement of our workforce around health, safety and wellbeing;
- Continually improving the health and safety knowledge and capability of our people;
- Maintaining our focus on preventative programs;
- Eliminating or managing health and safety hazards in the design and planning stages;
- Managing our injured workers to ensure effective and sustainable return to work;
- Continuing to strengthen our legislative compliance and safe systems of work; and
- Engaging in consultation with our people, community and stakeholders.

FY17 performance and progress

Healthscope's safety reporting culture has further matured and our investment in workplace health and safety (WHS) data management and reporting systems continue to provide greater visibility over key risk areas. There has been a significant increase in the reporting of near miss incidents and hazards during the year, allowing better targeting of preventative programs.

Improvements across our WHS performance indicators can be attributed to our continued efforts to invest in:

- injury prevention programs targeting our key risk areas;
- early intervention programs that drive early and sustainable return to work outcomes; and
- local and national wellbeing initiatives that promote a positive and productive safety culture.

Performance against our key indicators is set as follows. There were no work-related fatalities recorded during the financial year.

InjuryINDEX

The InjuryINDEX* was introduced in FY16 as a leading indicator to measure workplace health and safety performance and measures incidents that result in some form of injury to a person as a percentage of all recorded health and safety reports (including near miss and hazard reports). The InjuryINDEX enables improved visibility over total reported incidents and encourages a positive reporting culture by promoting proactive risk management through hazard reporting.

It is pleasing to report that Healthscope achieved an InjuryINDEX across its Australian workforce of 20%. This exceeds the FY17 target of maintaining InjuryINDEX below 25%.

Most importantly the improvement in the InjuryINDEX has been driven by a 27% increase in the proactive identification and resolution of issues before they escalate and a continued focus on the strategic management of our key WHS risk areas. The improvement in hazard reporting has enabled Healthscope to better manage the most common mechanisms of injury for WHS incidents (manual handling, slips trips & falls, needle sticks, and struck by objects), leading to the following results over FY17:

- 22% reduction in manual handling injuries;
- 5% reduction in slips, trips and falls injuries;
- 11% reduction in needle stick injuries; and
- 17% reduction in people being struck by objects.

Healthscope also continues to improve the management (timeliness and effectiveness) of the key risk areas. For example, during FY17, Healthscope improved the number of hazards 'eliminated' from the workplace by 45%.

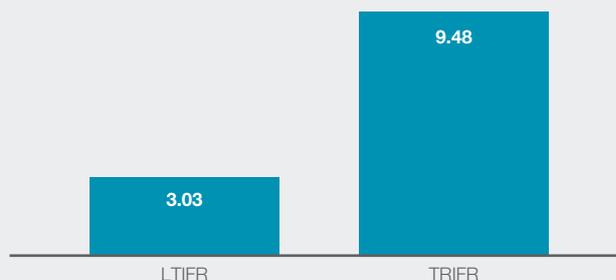
Lost time and total recordable injury frequency rate

Healthscope's internal definitions for lost time injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR) align with Australian Standard 1885.1-1990. Based on our internal definition, our LTIFR* and TRIFR* reduced by 18% and 33% respectively in FY17. Under this definition, a LTI is recorded where one or more day or shift is lost. This internal metric has been maintained to facilitate tracking of year on year improvement and to set a high bar against which to measure.

Healthscope is aware that there are a range of definitions utilised externally for LTIFR and in order to more accurately benchmark against other sections of the market, Healthscope has opted to utilise the Safe Work Australia definitions for our external reporting, which records a LTI where more than five rostered shifts are lost for an accepted workers compensation claim.

As at 30 June 2017, our group LTIFR* measured against the Safe Work Australia definition was 3.03 per million hours worked, and our group TRIFR* was 9.48 per million hours worked.

Healthscope FY17 Results



The reduction in injuries to our people, particularly those involving medical treatment and lost time, demonstrates continuous proactive management of our key risk areas.

Key risk prevention initiatives

Health and wellbeing

Healthscope actively promotes a culture that supports the health and wellbeing of our people. Across our business we offer a range of exercise and health management and wellbeing programs and promote participation in National Safe Work Australia Month and other health awareness days, including those related to mental health.

In addition, all of our employees have access to an Employee Assistance Program (EAP) which provides confidential preventive and proactive interventions for the early detection, identification and/or resolution of both work and personal problems that may adversely affect performance and wellbeing.

Manual handling

Reflecting experience more broadly across the health industry, sprains and strains from manual handling continue to be the primary cause of injury within Healthscope. To improve our approach to managing this risk and continuing our focus following the review of manual handling systems and processes, we have undertaken upgrades to our National Manual Handling Program. This upgrade forms part of the national manual handling risk prevention programs that are regularly rolled out in our business.

*Data excludes ACHA

Reducing workplace violence and aggression

Healthscope continues to focus on reducing instances of workplace violence and aggression sustained in the provision of patient care. In FY17, our partnership and collaboration with a specialist training provider and state safety regulator has resulted in enhancements to our current workplace aggression and violence education (WAVE) program. Healthscope continues to encourage improved awareness and reporting of workplace violence and aggression.

HealthSAFE

In FY17, work continued on the development of HealthSAFE, Healthscope's Corporate Safety Management System. Once complete, all existing health and safety procedures in place at a corporate level will be enhanced, providing improved guidance associated with the management of safety across the organisation.

Radiation & chemical management

Healthscope continues to invest in improving our compliance and risk management in chemical and radiation related safety hazards and risks. Healthscope continued our partnership with specialist chemical management and radiation management providers to further improve our risk and compliance management systems.

International

Healthscope enables best practice implementation of safety strategies across our group and this includes our international sites. Implementation of key compliance and risk management systems and initiatives continues, with positive impact on our key performance indicators.

At Healthscope, we believe that care for our people allows them in turn to best care for our patients and customers. We also believe that safety is everyone's responsibility and that by working together, we can continue to advance the health, safety and wellbeing of our workforce.

Section 4: Giving to our local communities



Scope

Healthscope is committed to responsible corporate behaviour. One way we show our commitment is through the way we approach our charitable donations and our non-commercial sponsorships. Our approach to donating follows our sustainable business model and our innovative culture. We focus on projects which are in line with our STAR values.

Healthscope empowers our individual hospitals, pathology laboratories and medical centres to work within their communities to provide bespoke support, guidance and assistance. We believe our local teams are best placed to guide our charitable efforts for the greatest impact.

At a corporate level, Healthscope's focus is on making strategic contribution to indigenous health and education by providing healthcare provisions, medical assistance and education opportunities to indigenous communities.

1. Commitment to support communities

With a vast footprint in Australia, Healthscope is fortunate to be a part of so many communities.

Our 45 hospitals and 48 medical centres play a significant role in providing private healthcare to millions of Australians.

Recognising that our role in the community is greater than just the provision of healthcare, our sites work within their communities and beyond to provide financial and in-kind support.

This year there was a dual focus of building on existing community engagements and fostering new relationships.

Gold coin donations

The majority of Healthscope sites undertake gold donations drives to raise money for their local community or charities with a broader reach. In the spirit in which they are intended, staff take part in morning or afternoon teas, or even sponsor colleagues in their participation of events such as Movember.

Running for a cause

The team that run together stay together and for the team at The Memorial Hospital in Adelaide this is certainly true.

Together they raised \$4,000 in aid of Sids and Kids by taking part in the City to Bay Fun Run.

Over 100 staff members of The Memorial Hospital together with their families undertook the 3km, 6km or 12km fun run.

Not forgotten

Ringwood Private Hospital, a specialist oncology hospital, has been a longtime supporter of their local Relay for Life.

With a focus close to their hearts, the Ringwood Private Hospital team undertook a donation drive in sponsorship of the 2016 Relay for Life Walk for the Maroondah community.

Together they raised a grand total of \$6,500 which enabled the team to choose the research award for the Cancer Council Victoria's Forgotten Cancers Project, specifically brain cancer.

Djarragun College: a year on

Since 2014, Healthscope has worked in partnership with the Cape York Group to provide clinical support in developing a sustainable healthcare program for school children deemed most at risk.

With the implementation of successful programs at Djarragun College and the Girl Academy, the joint focus for 2016/2017 was the development of a primary healthcare service within Djarragun College.

Integrating a medical centre within a school is a unique model, certainly not seen within any other indigenous or mainstream school in Far North Queensland or broadly within Australia.

The objective is to be able to provide students readily available, consistent access to general practice healthcare.

Tapping into Healthscope's considerable knowledge within the primary healthcare market, a specialist team was established to help develop a clinical framework and administrative procedures as well as ongoing guidance and support for the local Cape York team.

The team consisting of practice managers from Healthscope Medical Centres as well as Healthscope executives flew to Gordonvale to oversee the development over a period of months.

The medical centre will provide students a range of clinical healthcare services including general healthcare, paediatrics, speech pathology and audiology.

Smile for ME

For each of the past twenty years, a dedicated group of nursing staff from Prince of Wales Private Hospital in Sydney have spent time in Cebu Philippines donating their time and clinical skills to assist with children undergoing cleft palate and lip surgeries.

Operation Restore Hope was a passion project of Maureen Eddison, a dedicated nurse for more than 37 years, who was awarded a Medal of the Order of Australia (OAM) in 2014 for services to the international community.

With the sudden and untimely loss of Maureen on 1 January 2016, the Prince of Wales Private Hospital nursing team wanted to honour Maureen and her legacy and created the Smile for ME charity.

Smile for ME is a charity that gives children access to free safe surgery to repair cleft lip and palate deformities.

After undergoing surgery, the kids are given a chance to learn to speak, go to school and become contributing members to their communities – transforming their lives.

Each year, the team of specialists and nurses perform approximately 80 procedures for children with cleft palate and cleft lip deformities over five days.

Families travel long distances from the outer islands to line-up in the hope of receiving the life changing gift of cleft palate surgery for their child by the Smile for ME team – a costly operation, otherwise inaccessible to most families in the Philippines.

Prince of Wales Private Hospital provides both in-kind and financial sponsorship to assist their dedicated nurses to undertake their incredible work.

Section 5: Accepting responsibility to ensure environmental sustainability



Healthscope recognises environmental sustainability as an important issue globally and the need to subscribe to a high standard of environmental care in conducting our business activities.

From the provision of best practice healthcare to the design and operation of our facilities, we are committed as an organisation to reducing waste, deliver greater efficiency and contributing towards a sustainable future.

The environmental impact of Healthscope is most influenced by the buildings we occupy and the technology and equipment we use within them. This report covers areas including energy saving initiatives, waste management, recycling equipment, as well as new building design.

We are also committed to compliance with standards and codes of practice that minimise any adverse impact on the environment.

In July 2017, Healthscope revised its Energy and Environment Management policies, elevating the importance of accurate monitoring and measurement, allowing for better tracking against targets. The updated policy also reflects the continued focus on educating and empowering employees to achieve more sustainable work practices and reduce environmental impact.

Scope

Healthscope has several key areas of focus, including:

1. Conserving energy and effective use of natural resources;
2. Waste minimisation and prevention; and
3. Sustainable development.

This section sets out our FY17 progress in each of these key areas.

1. Conserving energy and effective use of natural resources

Commitment

Healthscope is committed to effectively managing and reducing our energy consumption and carbon emissions, as well as ensuring business practices focused on conserving water.

Healthscope has a specific Energy Management Policy which provides direction for organisational strategies in this area. Over the long term, the overarching aim is to reduce energy consumption.

FY17 performance and progress

In FY17, Healthscope continued to integrate environmentally sustainable practices in the way we conduct business. This included improving the way we manage and monitor energy consumption across all divisions of the business. Healthscope largest sites, representing 87% of Healthscope's electricity usage, have been fitted with Smart Meters. This allows Healthscope to measure energy reductions in real time against specific facilities.

Smart Meters improve our ability to monitor our energy consumption on a site-by-site basis; enhance transparency of energy consumption at each site; and improve internal peer benchmarking. These systems continue to be calibrated to provide greater reporting capability on energy coverage, in line with policy.

Power Factor Correction ("PFC") units were installed at seven hospital sites during FY16, reducing chargeable electricity demand and maximising the outputs of electrical consumption. The PFC units delivered a cost saving of approximately 3% across the seven hospital sites in FY17. Healthscope is investigating further installation of PFC units in FY18.

Healthscope continues to assess and implement energy efficient products and projects in order to further reduce overall energy consumption. Specific initiatives identified during FY16 continue to be implemented across the hospital portfolio. In FY17, additional projects undertaken at selected sites including brownfields projects are as follows:

- Further rollout of building controls and sensor lighting;
- Upgrading existing energy-inefficient lighting to LED lighting;
- Upgrading to energy-efficient air conditioning units with timer controls;
- Solar tinting and window screening where appropriate to reduce air conditioning requirements, especially over summer;

- Upgrading to energy-efficient hot water systems;
- Introduction of energy and water efficient ovens at Flinders Private Hospital and Prince of Wales Private Hospital;
- Greater frequency in monitoring and calibration of plant and equipment to ensure operational efficiency;
- Continued deployment of new energy-efficient computers which are up to 40% more energy efficient than the computers being replaced;
- Recycling and/or securely and environmentally destroying all redundant computer equipment via our supplier; and
- Education and frequent reminders to staff to conserve power (e.g. turning the lights off).

In addition, each Healthscope site is responsible for compliance with the updated Healthscope Environmental and Energy Policies. In FY17, our hospital Green Groups continued to consider, assess and implement initiatives to:

- Minimise waste and energy consumption;
- Segregate products for recycling;
- Convert to biodegradable products and substances to reduce landfill; and
- Work with our suppliers to introduce more sustainable products.

Hospitals are typically large users of water due to the need to maintain the highest standards of hygiene and sterile environments. Healthscope, does not use recycled water within the hospital environment for hygiene reasons, and our focus is instead on conserving water usage.

Healthscope continued to implement and rollout existing water saving initiatives such as transitioning old devices to water efficient devices including shower heads, flush toilets and pan flush systems. Electronic sensors continue to be installed where appropriate and we continue to install rainwater harvesting systems and associated storage tanks for landscape and garden irrigation.

Provided below are Healthscope's FY17 energy consumption, carbon emission and water usage metrics for all Australian operations including ACHA.

Pleasingly, a number of the environmental metrics for Healthscope were positive during FY17. After normalising the results for brownfields and acquisitions, total energy consumed and carbon emissions were marginally lower than FY16 in the Hospitals division. Total water consumption, even after factoring in new brownfields sites and acquisitions, fell by 4%.

Period	Type	Energy Consumed GJ	MJ/PD	CO2e Tonnes	KgCO2e/PD	Water kL	kL PD
FY17	Hospitals	613,173	387	100,372	63	711,906	0.45
FY16		604,821	384	96,803	61	738,488	0.47
FY17	Other operations	12,040		3,008			
FY16 ¹		14,069		3,497			

PD = Patient Day

¹ Includes the Australian Pathology operations which were divested on 6 July 2015.

2. Waste minimisation and prevention

Commitment

We aim to use natural resources efficiently, minimise the production of waste, harmful air emissions and water discharges and recycle or reuse where possible to reduce the impact of our operations on the environment.

FY17 performance and progress

Hospitals generally have a lower recycling diversion rate compared to other industries because, for safety reasons, clinical waste (which makes up a large proportion of our waste) cannot be recycled. All chemical and biomedical waste is removed by Environment Protection Authority compliant contractors.

Healthscope hospitals are committed to continuing to reduce waste. However, during FY17, the amount of waste diverted from landfill was 16% (compared with 18% in FY16). We continue to explore activities to increase diversions from landfill.

Healthscope recycles cardboard, paper, comingled materials (aluminium, PET plastic and glass), food organics, garden waste, confidential documents, printer cartridges and e-waste.

From an office supply perspective, we continue to purchase a range of recycled paper products and recycled toner cartridges and we assess and implement digitisation processes on a regular basis, reducing the need for paper forms and printouts.

In FY17, the following initiatives were undertaken in order to minimise waste across the group:

- Continued rollout of ChefMax, a food services management solution across hospitals
 - eliminating the need for printed menus for patients saving reams of paper; and
 - with a more deliberate ordering mechanism resulting in a reduction in ordered food and wastage.
- Prioritising use of food based on expiry date to minimise spoilage;
- Reduction of tray rubbish by eliminating item packaging;
- Introduction of electronic screens for kitchen staff to monitor real-time up to date diet lists, eliminating the need for paper;
- Progressively switching paper cups to more biodegradable solutions;

- A conscious reduction of non-recyclable utensils across the group with strong results during the year (e.g reduction of plastic cutlery by 70% at Prince of Wales Private Hospital and replacing 50% of the foam cups at The Victoria Clinic);
- More stringent controls around linen ordering and usage, significantly reducing overall demand and ordering which is being rolled out across the group;
- Continued to implement new recycling streams for the recycling of fluorescent tubes, batteries and stainless steel to all sites during FY17;
- Implementation of microfibre cleaning system across selected hospitals which significantly reduces chemical usage and water across the sites;
- At Flinders Private Hospital, introduced recycling into intensive care units in 10 patient bays with plans to introduce recycling across all patient rooms by the end of the 2017 calendar year; and
- At Gold Coast Private Hospital, reviewing the paper separation process to ensure a higher percentage can be recycled.

3. Sustainable development

Commitment

Healthscope is committed to appropriately integrating environmental sustainability principles into the planning and design of its hospitals and other health facilities.

FY17 performance and progress

During FY17, Healthscope continued to apply best practice standards to the design and operation of its building portfolio.

All brownfield developments are compliant with the Building Code of Australia, including Section J requirements for environmentally sustainable design.

Healthscope continues to develop its landmark Northern Beaches Hospital in Sydney with a focus on key sustainability and environmental areas. The project remains on time and budget with the external physical structure completed in December 2016 and the internal fit out progressing well.



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