

Sustainability Report

2018



Healthscope



About our report

Structure

Our Sustainability Report outlines how we operate our business and describes our approach to sustainability. We also detail our management approach and FY18 performance in relation to key sustainability focus areas. Read this report in conjunction with our 2018 Annual Report and 2018 Corporate Governance Statement, which are available in the Investor Centre on our website.

Scope

Information in this report covers the performance of Healthscope's Australian Hospital division (which includes Healthscope Independence Services) and New Zealand Pathology operations, which Healthscope had operational control over for all, or part, of the reporting period (comprising Healthscope Ltd and its wholly owned subsidiaries). Where information regarding partially owned and/or managed facilities is material, available and relevant, it is included and clearly referenced.

Data

All data is for the 12-month period ending 30 June 2018 or as at 30 June 2018, unless otherwise stated.

Investments and divestments since the previous report

No material acquisitions were made during FY18.

A strategic review of our Asian Pathology business led to the announcement in July 2018 of an agreement to sell the business for \$279 million. This transaction completed on 17 August 2018. The previously announced divestment of Healthscope's Australian medical centres business completed on 30 September 2017.

Results for these operations have been classified as discontinued operations for FY18. This Sustainability Report reports on our performance in relation to key sustainability focus areas relating to our continuing operations, the Hospital division in Australia and New Zealand Pathology. For comparison purposes, prior year metrics have been restated.

During the year, the strategic review of the Hospital portfolio was completed which resulted in the difficult but necessary decision to close Cotham Private and Geelong Private Hospitals.

Projects under development and construction

In FY18, Healthscope completed five construction projects which increased capacity by 75 beds and added 13 operating theatres. These projects included developments at Newcastle Private and Norwest Private Hospitals in New South Wales, Gold Coast Private (Stage 2), Sunnybank Private and Brisbane Private Hospitals in Queensland.

In addition to the Northern Beaches Hospital development, Healthscope has a further seven brownfield projects currently under construction.

Awards and recognition

Healthscope is proud to be included in the Dow Jones Sustainability Index and the FTSE4GOOD Index, which recognise economic, environmental, social and governance performance.

ROBECOSAM
We are Sustainability Investing.



FTSE4Good

Historical reports

Previous Sustainability Reports are available on our website.

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Further information

This Sustainability Report is part of a set of documents produced by Healthscope Ltd with respect to the financial year ending 30 June 2018.

- Annual Report 2018
- Corporate Governance Statement 2018
- Tax Transparency Statement 2018

All documents are available via the Investor Centre.

Contact us

We welcome feedback on this report. Contact us via email at sustainability@healthscope.com.au

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At Healthscope,
we believe patients
come first.

We're united
by our passion
for healthcare.

We're inspired
by the opportunity
to make things better.

Our success
comes from working
together as one team.

**Working together
for better care**

MD & CEO message



‘We place patients at the centre of healthcare and at the heart of everything we do.’

On behalf of our staff at Healthscope, I am delighted to present our FY18 Sustainability Report.

Demand for healthcare services continues to grow making our role in delivering quality healthcare services more important than ever. With skill, compassion and dedication, our team of over 18,000 staff and 17,500 Accredited Medical Practitioners place our patients at the heart of everything we do.

Our goal is to create long-term value for our shareholders, stakeholders and communities and ensure we make a positive contribution towards a sustainable future. We aim to lead the industry in transparency, set the standard for patient-centred care, attract and retain the best teams, partner with exceptional doctors, and continually improve our operations for strong market results.

Throughout FY18, we maintained our focus on patient safety and quality, patient-centred care, our people and being a responsible business. We continued to engage with our communities and to work to ensure everything we do is environmentally responsible and sustainable.

Commitment to patient safety and quality

Fundamental to our business is a commitment to providing patients with the best possible experience. Our ambition is to be a market leader in both clinical outcomes and the delivery of exceptional patient care. During the year we established externally measurable benchmarks that will indicate our progress as well as establishing new governance structures to ensure continual improvement in this critical area.

Everyone in our team also has accountability for delivering safe and high-quality care, and this year we published data on our patients' experience for the first time.

Patient-centred care

At Healthscope, patients come first. That means involving patients in their care and continually improving their experience.

In FY18, 93% of our patients rated the quality of their experience and care overall as 'very good' or 'good'. This is a testament to the commitment and dedication of our people to putting patients at the centre of our decisions and is what sets Healthscope apart from our peers.

We also launched a strategy to refocus our patient-centred care model and create an exceptional patient experience. Our 'Back to Bedside' program will eliminate wasted time and rework from our processes, focus on the behaviours that most impact the patient's experience, and regularly seek feedback from patients on their treatment and care. We expect that this program will drive further improvements in patient experience.

A team of exceptional people

Our people are central to delivering quality clinical outcomes, exceptional patient experiences and strong operating discipline. By providing a safe, inclusive and rewarding workplace we are enabling our people so that they can provide the highest quality care to our patients.

This year in our annual engagement survey, we achieved a sustainable employee engagement level of 78%. Our key areas of improvement included reward and recognition, communication, and workplace health and safety.

We support our people by investing in training and development. In FY18, we facilitated 57,694 hours of clinical training and 31,712 hours of non-clinical training for our people. A new training program was also rolled out to address the growing incidence of workplace violence and aggression.

Finally, we again recognised and rewarded service excellence via our STAR staff awards which are based on our Company values of service excellence, teamwork and integrity, aspiration and responsibility.

Creating shared value in our communities

Engaging with our local communities is fundamental to how we operate. In FY18, we provided training opportunities across Australia and New Zealand for our future workforce. Over \$500,000 in cash and kind was provided to tertiary institutions for clinical research programs and to enhance clinical education for Australian nursing and allied health students. Vocational training support was also offered for medical practitioners as part of their recognised medical specialty training programs.

We also formed a working group to provide executive leadership and support to a number of Australian initiatives which will help 'close the gap' for Aboriginal and Torres Strait Islander peoples. The work which we have done during this year provides a strong foundation for further work on reconciliation in FY19 which will include developing our first Reconciliation Action Plan.

Environmental sustainability

In FY18 we maintained our commitment to ensure an environmentally sustainable future. 'Green Teams' across our hospital sites continued to focus on reducing waste and improving the way we manage and monitor energy consumption across all divisions of the business.

In an effort to reduce landfill, a pilot program to recycle aluminium and PVC IV fluid bags at our hospitals was implemented. We also donated 80,000 unused newborn nappies destined for landfill to Rotary and the Salvation Army for use locally and abroad. 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.

The opportunity to make things better

To every member of the Healthscope team, thank you for your dedication and commitment to our patients and your relentless pursuit of excellence in healthcare. While this report represents a snapshot of our achievements in FY18, we have the opportunity to make things better for all our stakeholders in the future as we work together for better care.



Gordon Ballantyne

Managing Director and Chief Executive Officer

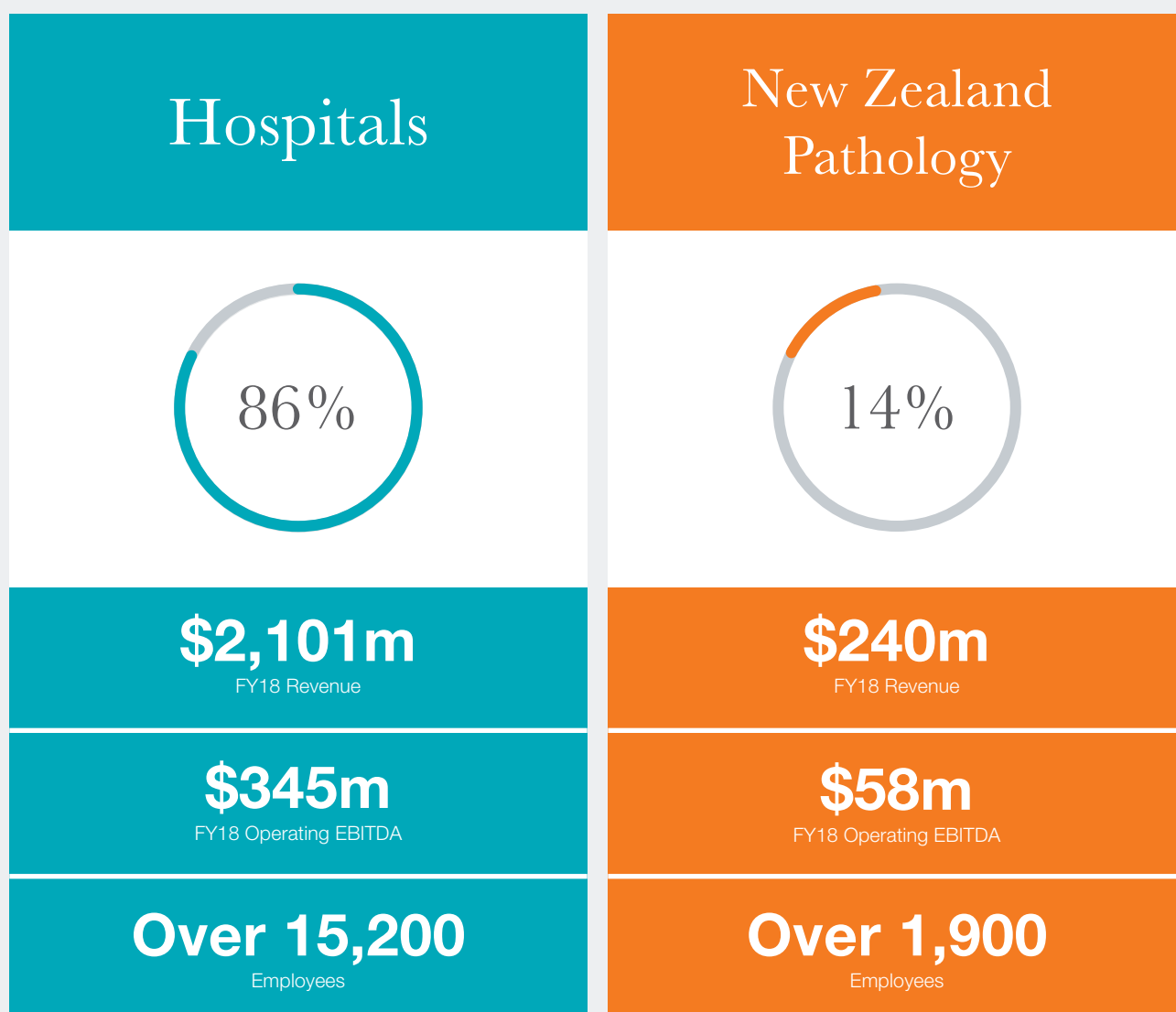
Who we are

Our business

Healthscope is one of Australia's leading private healthcare providers with a presence in every Australian State and Territory. We are also the largest provider of human pathology services to New Zealand's District Health Boards. We exist to heal and care for the communities we serve. We exist for patients.

Our team of over 18,000¹ staff and 17,500 Accredited Medical Practitioners understand that healthcare is a unique vocation impacting the lives of our patients, their families and communities.

Through skill, compassion and dedication, we work to place patients at the centre of healthcare and at the heart of everything we do. We deliver industry leading clinical outcomes and are recognised globally for our quality and transparency.



¹ Includes worldwide staff as at 30 June 2018, including Asian pathology which was divested on 17 August 2018.

Our footprint extends across Australia and New Zealand.



Victoria

15 Private hospitals

New South Wales

11 Private hospitals

ACT

1 Private hospital

Queensland

7 Private hospitals

South Australia

5 Private hospitals¹

Western Australia

1 Private hospital

Tasmania

2 Private hospitals

Northern Territory

1 Private hospital

New Zealand

24 Pathology laboratories

1 Includes three hospitals under management for the Adelaide Community Healthcare Alliance (ACHA).

2 In June 2018, Cotham Private Hospital and Geelong Private Hospital were closed.

3 Map (and related data) as at 8 August 2018.

Who we are

In FY18, we delivered another year of revenue growth and continued our significant capital investment to expand our hospital portfolio to accommodate future demand.

\$2.3b¹
FY18 REVENUE

↑3.7%

\$375.9m^{1,2}
FY18 OPERATING EBITDA

↓4.4%

\$265.9m^{1,2}
FY18 OPERATING EBIT

↓7.8%

\$151.2m^{1,2}
FY18 OPERATING NET
PROFIT AFTER TAX

4.4 CENTS
PER
SHARE
EARNINGS PER SHARE (EPS)
Basic EPS from continuing operations

6.7 CENTS
PER
SHARE
TOTAL FY18 DIVIDEND
PER SHARE (DPS)
Interim DPS of 3.2 cents and
final DPS of 3.5 cents

¹ Healthscope's continuing operations consist of the Hospital and New Zealand Pathology businesses.

² Operating results represent statutory results from continuing operations adjusted for items of other income and expense of \$107.2m (pre-tax) – for further information refer to the Financial Report, including the Notes to the financial statements, set out in Healthscope's FY18 Annual Report on pages 56 to 110.

Hospitals Australia

Our Hospital division operates facilities across every state and territory in Australia, with 43 private hospitals and more than 5,100 inpatient beds. Of these, 28 facilities are owned by Healthscope, 12 are leased and three are managed on behalf of Adelaide Community Healthcare Alliance (ACHA).

Within our hospitals, we provide a range of specialist orientated, multi-disciplinary healthcare services from acute care through to rehabilitation and mental health services. We also have a significant hospital expansion and development program underway, which will deliver an expanded range of services to the community over the coming years.

Across our portfolio, 30 hospitals provide acute care services to patients ranging from medical treatment to complex surgery and associated care. In addition, industry leading care is provided for patients with mental health conditions in seven dedicated hospitals. A further six facilities are dedicated to rehabilitation.

Over 17,500 Accredited Medical Practitioners work in our hospitals. These specialists were supported in FY18 by a team of over 15,200 people providing the highest quality of care to patients and support to our doctors.

All our hospitals are accredited under the National Safety and Quality Health Services Standards. We report on 26 quality outcomes publicly via the MyHealthscope website, outperforming the industry benchmark and our peers on a majority of indicators.

New Zealand Pathology

We are a leading provider of community pathology services in New Zealand, operating 24 laboratories and 145 collection centres. In FY18, New Zealand Pathology serviced over 6.7 million patient episodes.

In New Zealand, the community pathology market consists of 20 government-funded District Health Boards (DHBs). Each Board enters into exclusive contracts with providers to service their local population. During FY18, we held contracts for a majority of the DHB regions, including the major cities of Auckland, Wellington and Christchurch. Services are delivered under three Healthscope brands: Labtests, Southern Community Laboratories and Northland Pathology.

We also offer veterinary and analytical pathology services in New Zealand under the Gribbles brand.



Who we are

Our sustainability strategy

We take a sustainable long-term approach to our business by putting our patients at the centre of everything we do.

Our strategy starts with quality clinical outcomes and exceptional patient care. We deliver this through extraordinary teams and strong operating disciplines. Our aim is to lead the industry in transparency, set the standard for patient-centred care, attract and retain the best teams, partner with exceptional doctors, and continually improve our operations for strong market results.

At the heart of our Sustainability Framework is Our Purpose: We work together for better care. Through this Framework, we focus on four key areas which support Our Purpose through the delivery of our business: patient safety and quality, patient-centred care, care for our people, and responsible business. Underpinning these key areas is our commitment to providing better care for our communities and environment.



We are also focused on creating sustainable value for our stakeholders. Managing these diverse relationships requires good two-way communication, clear expectations and high levels of governance. For our stakeholders, value is defined as:

- **Patients** – quality, safe clinical outcomes and exceptional patient care.
- **Doctors and other healthcare professionals** – long-term partnerships, professional development, excellent facilities.
- **Healthcare funders (government, healthcare insurers)** – long-term collaborative relationships working together towards efficiencies and solutions.
- **Shareholders and financiers** – wealth creation achieved through operational efficiencies and sustainable returns.
- **Government** – support for industry-wide initiatives and policies which strengthen the private healthcare sector and provide public healthcare services (such as pathology services provided to DHBs in New Zealand).
- **Community** – investments in community health initiatives.
- **Employees** – a safe, inclusive and rewarding workplace that enables them to provide the highest quality care to patients.
- **Suppliers** – fair and transparent procurement activities.

Throughout FY18, we continued to engage with and consult our stakeholders on a variety of issues via our regular financial reporting cycle, Annual General Meeting, employee briefings and regular meetings. Issues raised by our stakeholders have helped to inform our sustainability strategy and the key areas outlined in this Report.

Our sustainability achievements

93%

of our patients rate the quality of their treatment and care overall as 'very good' or 'good'.

22.6%

decrease in the rate of Hospital acquired complications.

57,694

hours of clinical training and 31,712 hours of non-clinical training provided for our people.

158,090

clinical placement days provided for nursing and allied health students, an increase of 34% on the previous year.

Water

use per patient per day maintained at FY17 levels.

78%

sustainable employee engagement¹.

¹ All Australian Healthscope and ACHA employees invited to participate

Patient safety and quality

Our approach

At Healthscope, patients come first. That means involving patients in their care and continually improving their experience. It also means putting patients at the centre of our decisions.

We are committed to providing safe and quality clinical care to our patients, minimising risks and fostering an environment of excellence in care. As an organisation, we monitor patient safety and quality through three key areas: quality and accreditation; safety and clinical risk management; and public reporting.

FY18 highlights

- 100% of Healthscope hospitals assessed against the National Standards received accreditation. By comparison, the average national rate in Australian hospitals is 78%.
- All New Zealand pathology laboratories scheduled for accreditation continued to hold full accreditation.
- We maintained our industry leadership role and continued to work towards raising the standard of clinical quality across the industry.
- The hand hygiene compliance rate across our facilities improved to 86.8%, exceeding the national industry benchmark of 80%.
- Since 2015, the number of clinical incidents with serious outcomes has decreased by 16.4%.

Our performance

Taking accountability

Our clinical governance program requires everyone to take accountability for delivering safe and high-quality care to our patients.

This includes:

- focusing on the consumer experience throughout the continuum of care
- showing strong leadership and allocating resources appropriately
- providing clarity around the responsibility for managing safety and quality
- effectively using data to monitor, report on and improve performance
- having systems in place to identify and manage risk
- implementing processes to support continuous improvement
- complying with legislative and relevant standards, including accreditation.

Our Safety and Quality Plan Clinical Governance Framework drives our quality and safety priorities. This national plan focuses on three key pillars and 10 focus areas:

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

A measure of our performance

Achieving national accreditation of all our facilities against relevant and required standards is a priority. This is a rigorous and challenging process and is fully integrated into our quality program.

All our Australian hospitals are accredited to the National Safety and Quality Health Service Standards (National Standards) published by the Australian Commission on Safety and Quality in Healthcare. Accreditation provides a measure of our performance against the required healthcare standards as well as peers and best practice benchmarks.

In New Zealand, our Healthscope pathology laboratories are accredited to ISO 15189 while our Veterinary laboratories are accredited to ISO 17025 by IANZ.

We are one of the few private healthcare groups that has achieved corporate accreditation by the Australian Council on Healthcare Standards against the National Standards and the EQuIP National Corporate Health Service Standards. Onsite inspections occur every two years.

In FY18, we maintained our industry leadership role and continued to work towards raising the standard of clinical quality across the industry. We were represented on national working groups and committees developing the 2nd edition of the National Standards (due to be implemented on 1 January 2019) and actively contributed to the development of the Standards, guidebooks and resources. We also advocated for a number of changes to advance transparency and quality clinical outcomes for the provision of healthcare in Australia.

Ensuring continuous improvement

To ensure continuous improvement across our business, a comprehensive suite of quality and safety indicators are monitored monthly, quarterly and annually and benchmarked against industry performance.

In line with our national Healthscope Quality Plan, each of our Australian hospitals has a quality plan which guides improvement and monitors activities. These plans are revised annually to incorporate best practice and key learnings.

To ensure best practice, our comprehensive policy and procedure system is updated on an ongoing basis. Through an extensive internal audit program, we ensure our quality processes are being followed and can identify areas for improvement.

In New Zealand, our pathology laboratories monitor and report on a range of key performance indicators. This ensures a number of the elements required for accreditation are embedded into routine practice.

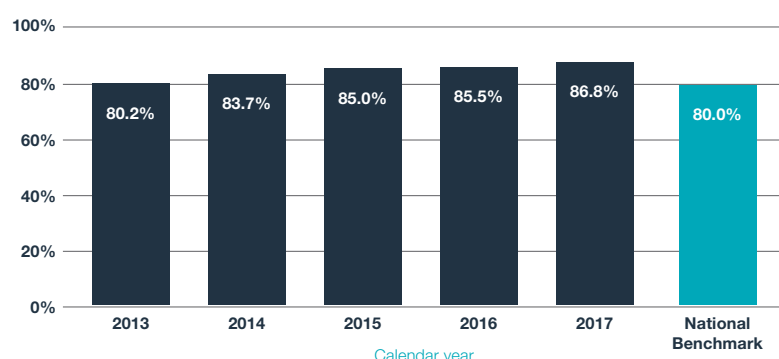
Sharing our learnings

Our Quality and Clinical Cluster system ensures site-initiated quality improvements are shared throughout our business. Clinical clusters bring together experts from across our clinical areas (including mental health, obstetrics, rehabilitation, medication safety and infection control) to share learnings, support benchmarking and identify best practice. This ongoing commitment to monitoring and improving performance, reducing clinical risks at all facilities, and developing a central repository of information, shared learnings and tools is assisting our Quality Managers and other hospital staff.

Hand Hygiene

In FY18, the Infection Control Cluster implemented a project to improve hand hygiene (hand washing) compliance. Through extensive auditing and an ongoing education program, the hand hygiene rate for CY2017 improved across our facilities to 86.8%, which exceeds the national industry benchmark of 80%.

Hand Hygiene Compliance*



Hand Hygiene Staff Compliance

Period 3 2017

Nurses - 89%

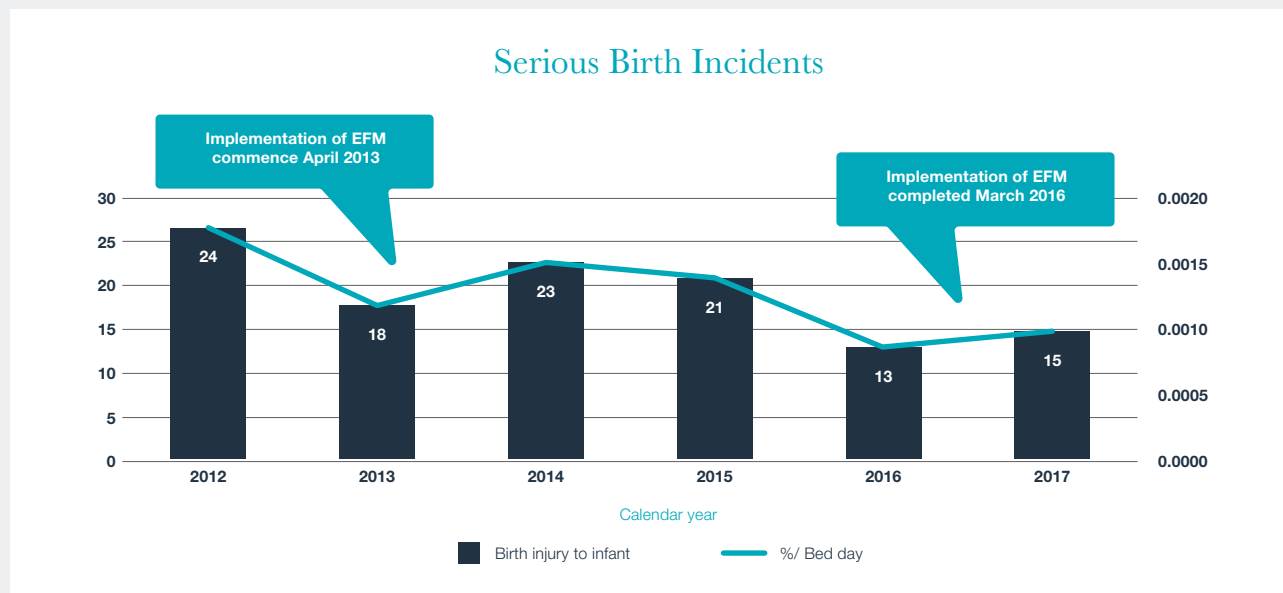
Doctors - 77%

Other Staff - 82%

Patient safety and quality

Serious birth incidents

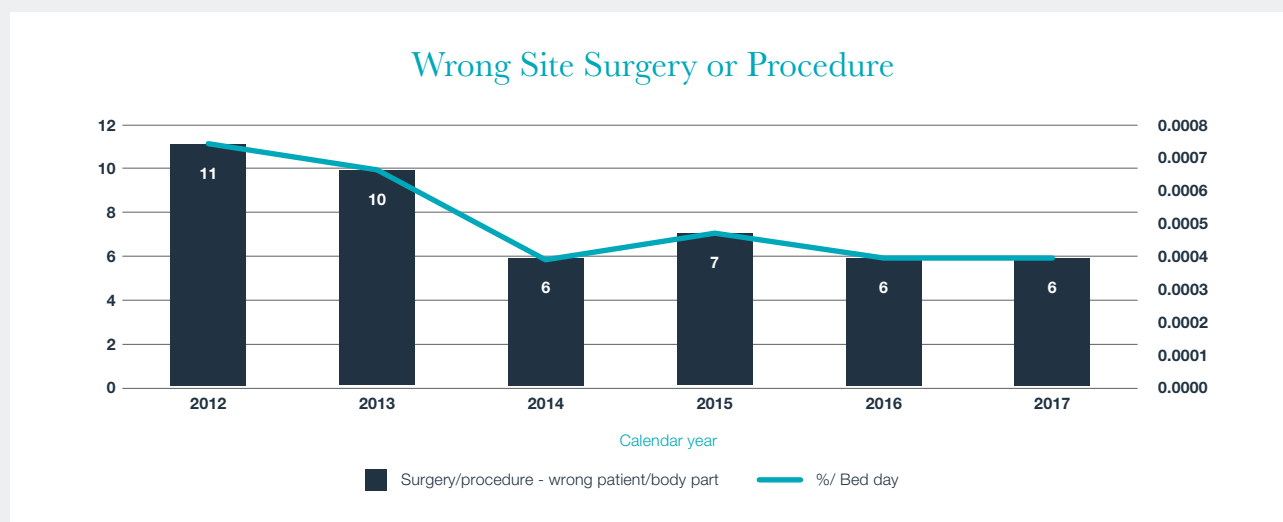
The number of serious birth incidents decreased by 38% since the implementation of an enhanced Electronic Foetal Monitoring (EFM) system¹. The Obstetrics Cluster meets quarterly to share their learnings from these types of events, with a focus on improving patient outcomes and best practice across all units.



¹ The decrease can be seen by both the number of serious birth incidents per year, and by rate as a percentage of bed days. The rate represented the number of serious birth incidents/1,000 bed days.

Wrong site surgery or procedure

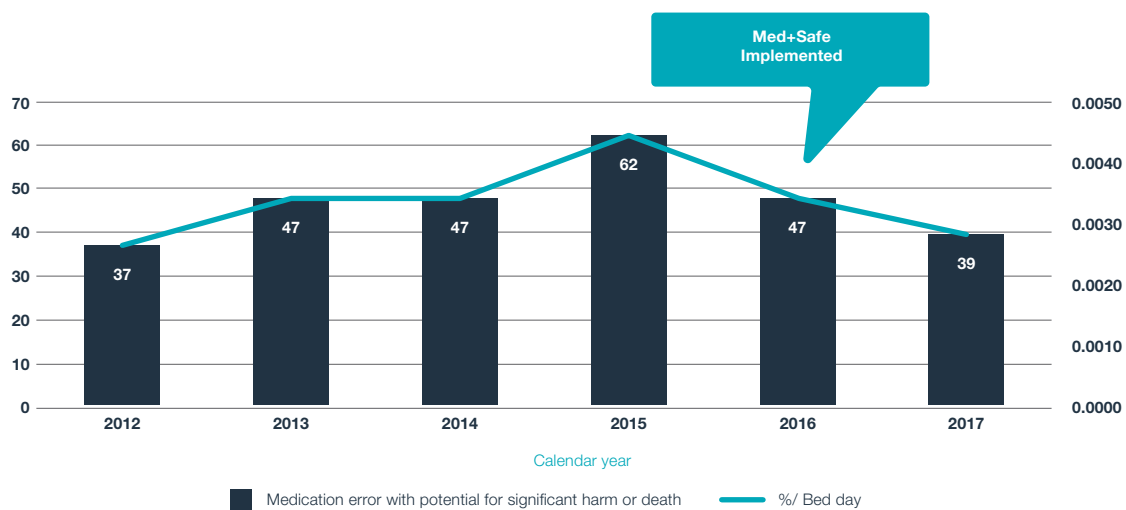
An ongoing focus on 'time out' processes in theatre, site marking, auditing, education and a commitment to teamwork in the operating suite resulted in a 45.5% reduction in wrong site surgery or procedure in the operating suite since 2011. Theatre Managers from all over Australia meet quarterly to focus on quality and best practice.



Medication-related sentinel events

Following the introduction of our interactive, eLearning program Med+Safe in 2015 we have seen a 37% reduction in medication-related sentinel events¹. Med+Safe helps to reduce medication errors and improve clinical practice. The decrease is apparent in the number of medication-related sentinel events per year since 2015 and in the rate as a percentage of bed days². The Medication Cluster, with representation of all hospitals, meets quarterly to share learnings from medication incidents, with a focus on improving clinical practice.

Medication related Sentinel Events



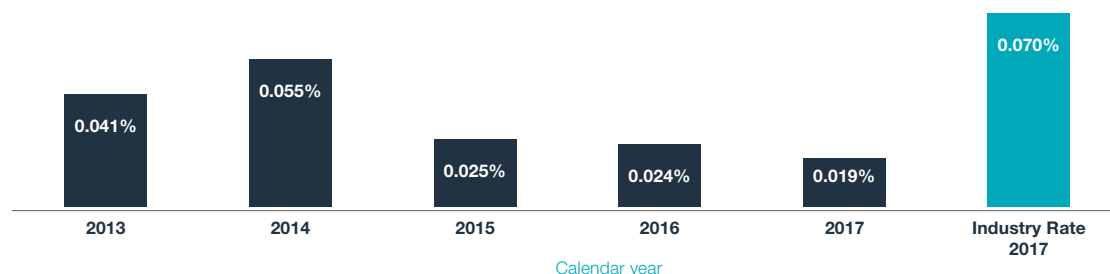
¹ Sentinel events are a subset of adverse events that result in death or serious harm to a patient.

² The rate represents the number of medication-related sentinel events/1,000 bed days.

Patients developing pressure injuries

The use of pressure-relieving devices (such as special mattresses and a variety of supports), together with improved patient/carer education, has resulted in fewer patients developing pressure injuries. Best practice is shared through a national working group.

% Patients Developing Pressure Injuries*



*A lower rate is desirable.

Patient safety and quality

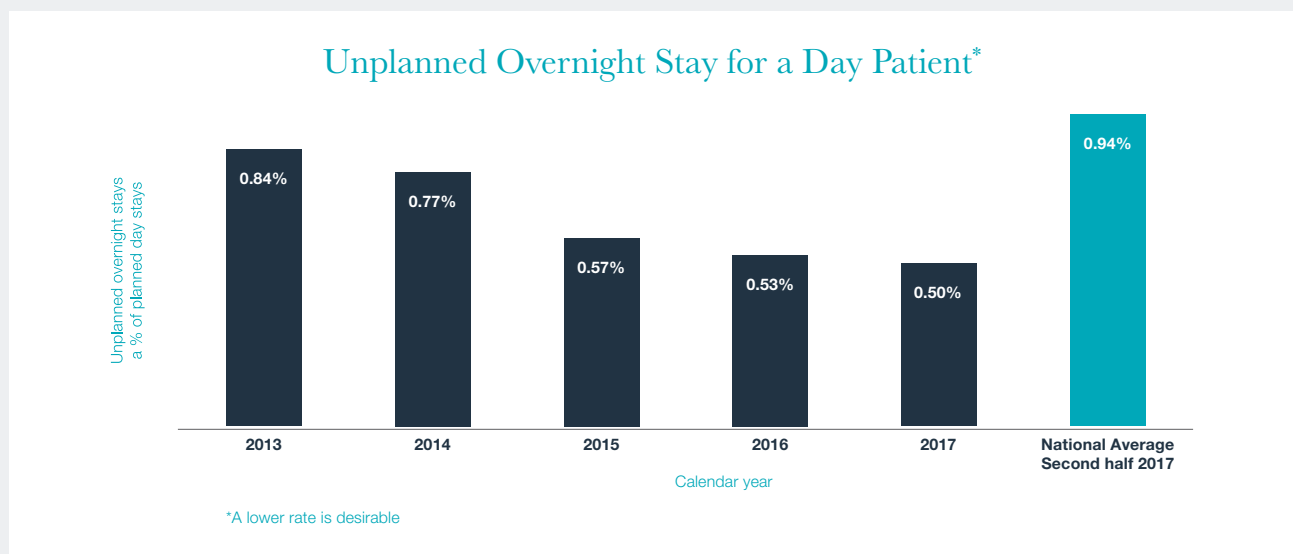
Transparency in reporting

Our commitment to our patients is to deliver safe healthcare services with minimal errors and incidents. By reporting publicly and being transparent in our findings, we continue to drive continuous improvement in patient safety and quality.

A number of key quality indicators are measured by all our hospitals, monitored over time, and reported publicly on the MyHealthscope website.

In FY18, we published data on patient experience for the first time (refer page 20 for more detail). Patient ratings of the quality of treatment and care are published at a national and individual hospital level, with the change over time recorded quarterly.

One example of the 26 indicators published on MyHealthscope annually is Unplanned Overnight Stay for a Day Patient. While the chart below indicates the national rate, individual hospital rates are also reported on each hospital's website.



Safety is paramount

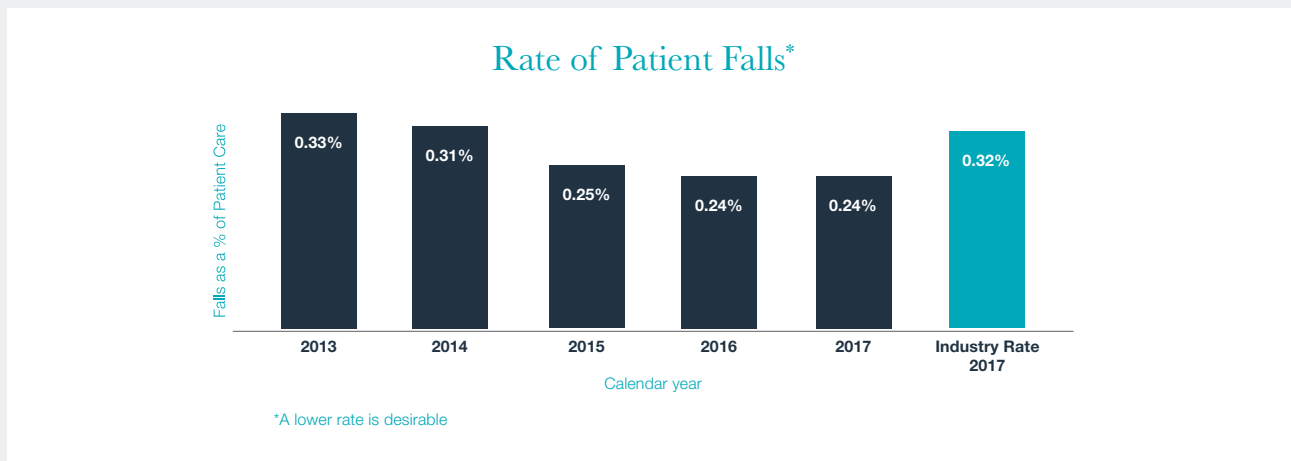
Ensuring the safety of our facilities is paramount. Across our business, we have a formal approach to investigating incidents and near misses and identifying any underlying causes. The Healthscope Clinical Governance Committee reviews all investigations ensuring key learnings can be quickly implemented across the portfolio. Key learnings are shared across our network on a quarterly basis and summarised annually. These learnings also inform our policies and procedures.

In FY18, the number of clinical incidents resulting in serious outcomes continued to decline. Since 2015, there has been a 16.4% decrease in incidents with serious outcomes.

Managing clinical risks

To continually improve the quality and safety of the healthcare services we offer, we have to understand and manage the clinical risks. Across our business, all clinical risks are formally reported, recorded in our Integrated Risk Register (RiskMan) and mapped to the National Standards (Australian Standard AS/NZS ISO 31000 Risk Management – Principles and Guidelines) where applicable. This proactive approach and commitment to clinical risk management has reduced the number of key adverse events recorded in FY18, a downward trend that has continued since 2010.

One of our key metrics is the rate of patient falls. Since 2013, this rate at our hospitals has continued to trend down and remains well below the industry average.

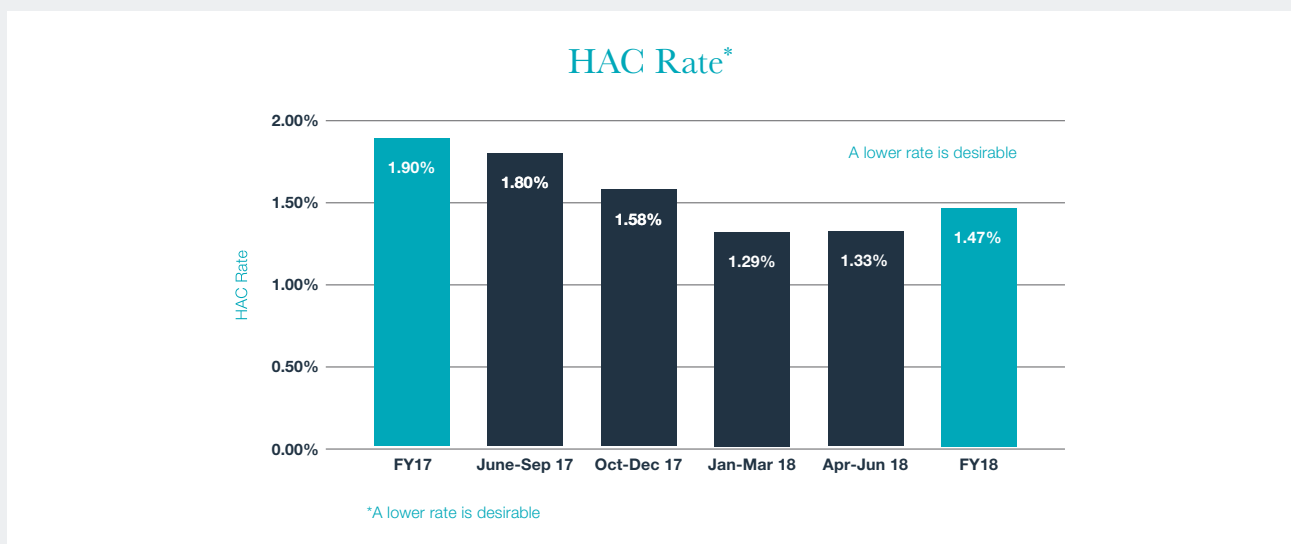


As part of our clinical risk management approach to patient falls, we employ a number of strategies including chair pads with alarms to alert staff if patients stand up and a RiskMan extension for falls incident reporting which collates additional useful information for analysis on an individual and aggregated basis.

Minimising hospital acquired complications

Hospital acquired complications (HAC) are patient complications for which clinical risk mitigation strategies may reduce (but not necessarily eliminate) the risk of that complication occurring. The HAC list is set by the Australian Commission on Safety and Quality in Health Care to monitor safety and quality of care and include falls, infections, pressure injuries, bleeding, delirium and surgical complications.

In FY18, we achieved a national rate of 1.47%, a 22.6% decrease on the FY17 rate of 1.9%.



Exceptional patient-centred care

Our approach

At Healthscope, we believe patients come first. We are committed to exceptional patient-centred care.

FY18 highlights

- 93% of our patients rated the quality of their treatment and care overall as 'very good' or 'good'.
- Back to Bedside, a strategy to refocus our patient-centred care model and create an exceptional patient experience was launched.
- New education workshop developed and delivered for consumer representatives.
- Trial of a simulated patient pathway undertaken to provide staff with a patient 'experience'.
- Overall satisfaction of doctors at our hospitals continued to improve.

Our performance

Patient experience

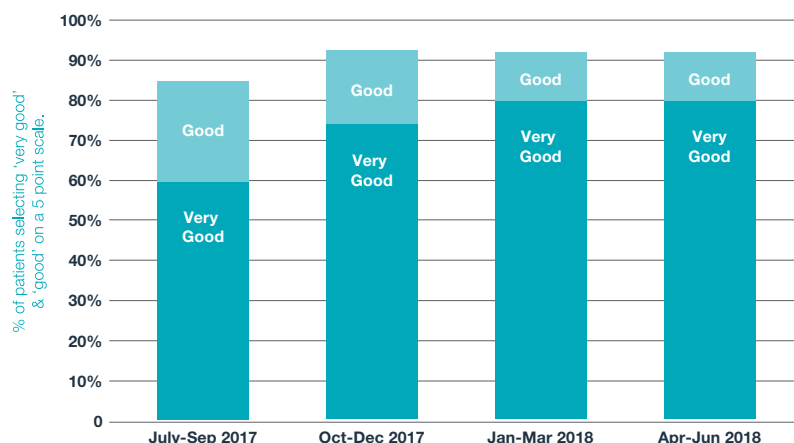
We are committed to providing our patients with the best possible experience during their hospital stay.

Patient experience often reflects the personal side of care. To evaluate how well we meet patient needs, we invite our patients to complete a survey after discharge. We are one of the few health care providers who conduct surveys throughout the year, ensuring the feedback is accurate, timely and continuous.

Our survey is based on the Australian Hospital Patient Experience Question Set (AHPEQS) which was developed by the Australian Commission on Safety and Quality in Health Care for use in both public and private health services. We were early adopters of the Question Set with our surveys commencing in January 2018. Completion of our survey is voluntary and anonymous with most patients filling in their surveys online.

As part of the survey, patients are asked to rate, on a scale of 1 to 5, (from 'very good' to 'very poor'), the overall quality of treatment and care. In FY18, 93% of our patients rated the quality of their treatment and care overall as 'very good' or 'good'.

Overall Quality of Treatment and Care*



*A lower rate is desirable

This year, senior hospital staff also had access to their hospital's survey results via our Patient Experience Portal. The Portal allows feedback to be reviewed immediately and improvement opportunities to be identified. Anonymous patient comments can also be shared with relevant staff. This is part of our commitment to providing the best possible experience for our patients.

Survey results are continuously monitored by our Corporate Quality team with monthly reports presented to senior management and our Board. This has driven further improvement at each hospital site.

To enhance the patient experience, we:

- provide ongoing staff education and resources to ensure care is person-focused and of the highest standard
- consistently monitor the rating of overall treatment and care and take action to address any areas of concern
- consult with our national Patient Experience Manager to implement strategies to enhance patient experience
- engage consumer consultants to provide feedback from a patient or carer perspective
- involve patients in their own care, for example by doing shift handover at the bedside
- follow-up patients after discharge from hospital to ensure they are managing
- keep relatives informed of the current location of their loved one in hospital via our 'Patient Finder' app
- obtain detailed feedback from volunteer patients who diarise every part of their patient journey, from pre-admission to post-discharge follow-up
- focus on initiatives which address specific areas of concern, such as taste testing to improve our menu, or measuring noise levels within different areas of the hospital.

Each of our hospitals is responsible for delivering patient-centred care. This includes techniques such as hourly rounding, documenting key information for patients on patient care boards, bedside handover and patient-nominated staff excellence awards. We also conduct national focus groups in varying state locations to inform the way our hospitals are operated.

Our web-based patient surveying platform shows patient experience scores and real-time patient comments. This provides staff with up-to-date information on the experience and satisfaction of patients in their hospital as well as on specific wards.

Back to Bedside

Exceptional person-centred care assists in reducing hospital acquired complications, increases employee engagement and satisfaction, increases doctor satisfaction and aligns with Our Purpose.

In FY18, we launched a new strategy across our hospital division (including our Corporate office). Back to Bedside is designed to refocus our patient centred care model to create an exceptional patient experience. A toolkit, resources and education rollout will support this strategy during FY19.

Back to Bedside has three components:

- Rework – remove wasted time and rework from processes.
- Always Events – focus on five key behaviours that most impact the patient experience (as informed by patient feedback). While every role has specific Always Events, for direct care nurses these are standard communication, regular rounding, bedside handover, patient care boards and acts of kindness.
- Monitoring – seek feedback from patients about whether the 'Always Events' occurred, as well as monitoring their overall rating of treatment and care at the ward level.

Exceptional patient-centred care

Consumer participation

A new education workshop for consumer representatives was designed and delivered by Consumer Consultants and our Corporate Quality team in FY18. This education workshop assists Consumer Consultants to:

- better understand their role and responsibilities as a Consumer Representative, including at accreditation, on committees, and when reviewing strategy, indicators, data and publications
- educate staff about patient-centred care – often done at staff orientation
- talk to and conduct brief verbal surveys of current patients – to gain feedback and engagement from current patients.

The initial workshop was run in Adelaide, followed by further development of the workshop into a one-day program delivered at The Melbourne Clinic in December 2017 and Northpark Private Hospital in May 2018 to over 30 participants. Two additional facilitators were trained to deliver future workshops.

Simulated Patient Pathway

The simulated patient pathway program allows staff to experience hospital from a patient's perspective and identify areas for improvement.

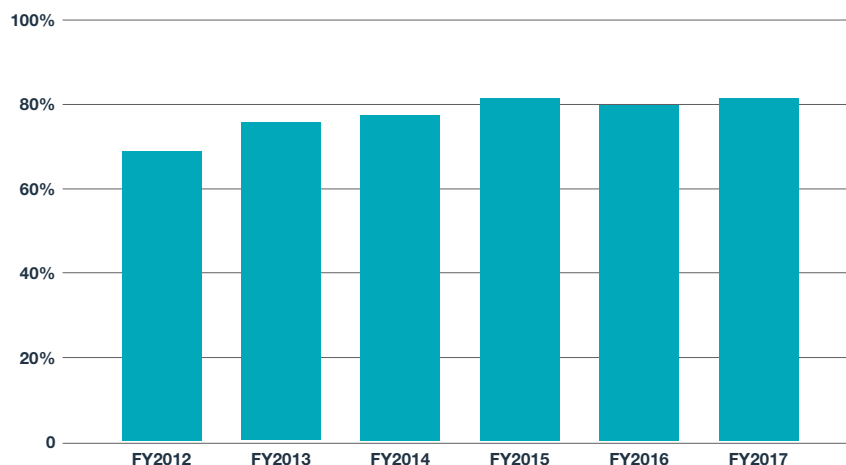
This program is set to expand in FY19.

Doctor satisfaction

The satisfaction of doctors at our hospitals continued to improve in FY18.

- In the past five years, the overall rating of our hospitals has improved by 19%, including a 2% improvement in FY18.
- 2683 surveys were sent out, an increase of 21% on the previous year. The response rate of 35% was 6% higher than last year.
- Of the 17 questions, 11 (65%) showed improvement from 2016 to 2017. Three areas were unchanged and three had lower results, however, this was not statistically significant.

Overall rating of hospitals





Working together as one team

Our approach

Healthcare is a unique vocation impacting the lives of our patients, their families and communities. Through skill, compassion and dedication, we work to place patients at the centre of healthcare and at the heart of everything we do.

Our people are central to delivering quality clinical outcomes, exceptional patient experiences and strong operating discipline. Our focus is on providing a safe, inclusive and rewarding workplace for our people, so in turn they are able to provide the highest quality care to our patients.

FY18 highlights

- Achieved a sustainable employee engagement rate of 78% in the Employee Engagement Survey.
- Facilitated 57,694 hours of clinical training and 31,712 hours of non-clinical training for our people.
- Reduced the lost time injury frequency rate by 29% since FY16; total recordable injury frequency rate reduced by 46% over the same period.
- Developed and rolled out occupational violence and aggression training.

Our performance

Culture is a key enabler of our strategy, it is also the foundation on which we are creating an environment where our people can reach their full potential. We respect and value difference, are inclusive, reflect the communities in which we work, and have a zero tolerance for discrimination.

At the heart of our culture are our values. These form the basis on which we engage with each other, our patients and doctors, suppliers, contractors, partners and other key stakeholders. Our values are: service excellence, teamwork and integrity, aspiration and responsibility.

As part of our engagement survey, we asked our people about their experience of our culture and values. We value the feedback we receive from our employees and our leaders are actively working to continuously improve the experience our people have at work each day.

In FY18, we achieved a sustainable employee engagement rate of 78% in our Employee Engagement Survey which was a 1% increase from the last survey conducted in FY16¹. Our key areas of improvement included reward and recognition, communication, and workplace health and safety.

Case study: Celebrating and rewarding outstanding effort

Our STAR Awards are a peer-based recognition program that celebrate and reward the outstanding efforts of individuals and teams who demonstrate extraordinary dedication and commitment to our values.

In FY18, STAR Awards recipients were recognised for a range of initiatives:

- Our Pathology laboratory in Wellington achieved biochemistry service excellence in the production of urgent Troponin T test results within a consistent and exceptionally fast turnaround time. Over the past nine months, 90% of urgent hospital Troponin T results were delivered within 60 minutes.
- Our Independence Services Group delivered outstanding health and safety standards for patients with disabilities.
- Using the Agency for Clinical Innovation's clinical redesign methodology and evidence-based change theories, substantial improvements to the elective surgery model of care have been achieved through service process redesign. This has created vastly improved experiences for our patients and doctors.
- Our Specimen Reception team at Gribbles Veterinary Laboratory in Christchurch (NZ) achieved an outstanding level of service excellence.



¹ All Australian Healthscope and ACHA employees invited to participate

In addition to the STAR Awards we also conduct annual performance-based awards. These awards recognise the highest levels of performance against our strategic pillars of Exceptional Patient Experience, Quality Clinical Outcomes, Creating Extraordinary Teams and Strong Operating Discipline.

In 2018 these awards included:

- most improved hospital/division for employee engagement
- highest overall engagement
- most improved patient experience rating for rehabilitation
- most improved patient experience rating for overnight services
- best accreditation performance
- most improved quality score
- most consistent quality score
- best pathology performance
- best hospital performance.

Developing extraordinary teams

A safe, inclusive and rewarding workplace provides our people with the opportunity to excel, fulfil their potential and provide the highest quality care to our patients. To create this kind of workplace we:

- ensure we have the right people in place with the right mix of capability to deliver for our patients and doctors
- enable an inclusive, supportive and productive culture, with attitudes and behaviours centred on care and high performance
- engage our people and provide them with development opportunities to help them succeed
- provide a safe and healthy workplace for our people, patients, contractors and visitors.

We have a team of over 18,000 staff and 17,500 Accredited Medical Practitioners. While the majority work in our Australian hospitals, a team of 1,900 are employed by our New Zealand pathology business. We also lead an additional 2,300 people through the management of three hospitals on behalf of the Adelaide Community Healthcare Alliance (ACHA).

How we work

Like many in our industry, we embrace flexible work practices. In FY18, 74% of our people worked flexibly on a part-time or casual basis.

Nurses are our largest group of employees, representing 46% of our workforce. We also have large teams of catering, cleaning and maintenance employees and Allied Health Professionals.

As of June 2018, our 12-month rolling average turnover was 8.2% representing a decrease of 0.3% on FY17. These turnover results are well below internal benchmarks with the decreasing rate reflecting our efforts to retain our people and provide rewarding careers across the business.

Developing our people

While attracting, recruiting and retaining extraordinary talent - both clinical and non-clinical - is fundamental to sustaining our business, we are also committed to developing our people and building leadership capability. This is a fundamental aspect of our culture.

In FY18, we facilitated 57,694 hours of clinical training and 31,712 hours of non-clinical training for our people.

Developing our leadership capabilities is also a clear focus. Throughout FY18, we continued to build strong management capability and a pipeline of talent for senior leadership positions. Across the business, leadership and management training was provided to 100 middle managers. Our high potential next generation leaders and existing leaders also participated in leadership development programs. In addition, our people were encouraged to learn from each other, improve their leadership capabilities and share learnings and best practices through craft groups.

Working together as one team

Employee relations

The relationship we have with our employees is based on mutual respect. We are committed to full compliance with legislative workplace requirements in the jurisdictions in which we operate. Terms and conditions of employment for 93% of our workforce are regulated by Enterprise Agreements, with the balance of our people engaged under modern awards or contractual arrangements. In New Zealand, our pathology business has Collective Employment Agreements in place which set out the terms and conditions for local employees.

Our Code of Conduct promotes a high level of professionalism and a respectful, positive workplace. The Code outlines how we expect our people to behave and conduct business and includes legal compliance and guidance on appropriate standards.

We have productive and long-standing relationships with our key stakeholders. No protected industrial action was taken in our business in FY18.

Safety and well-being

The safety of our people is a key priority. It is a company-wide performance indicator and is included in our measure of employee engagement.

Our people, patients, contractors and visitors have the right to a safe and healthy workplace. To optimise workplace health, safety and wellbeing, we work together to:

- strengthen our legislative compliance and safe systems of work
- improve the health and safety knowledge and capability of our people
- ensure a continual focus on managing risks that have the potential to cause harm
- maintain our focus on preventative programs
- engage with our people, community and stakeholders.

Across the business, our safety performance continues to improve as a result of a focus on hazard identification, risk management, incident reporting and investigation. Since FY16, our lost time injury frequency rate (LTIFR) has declined by 29%, while our total recordable injury frequency rate (TRIFR) has reduced by 46% over the same period.

Nil fatalities were recorded during FY18. The Serious Workers' Compensation Claims measure (per million hours worked) experienced a small increase year-on-year, from 3.03 in FY17 to 3.87 in FY18. This measure remains well within the industry standards for healthcare. A complete review of health and safety reporting is currently underway, due for completion in November 2018.

In FY18, a new training program designed to reduce the incidence of workplace violence and aggression was developed and rolled out. A new manual handling program was also implemented to curb the occurrence of sprains and strains caused by lifting and moving equipment.

We will continue to invest in injury prevention programs targeting our key risks, provide specific training to build knowledge and capability within our workforce, and ensure early intervention programs are in place to deliver sustainable return to work outcomes.

Diversity and inclusion

Everyone should have the opportunity to thrive in an inclusive and diverse workplace. We encourage our people to proudly bring all of their diverse perspectives and talents to their work. Our systems and processes support fair treatment and we do not tolerate any form of unlawful discrimination, bullying or harassment.

To ensure our workforce represents the communities in which we work, we recruit, develop and promote individuals based on merit. This is supported through a range of supportive policies, practices and employment conditions addressing equal employment opportunity, harassment and discrimination, recruitment and selection, parental leave, carer's leave and domestic violence leave.

Our flexible work arrangements support a balance between work and other responsibilities. As a result, 74% of our workforce is permanent part-time or casual. Our employees are a very diverse group of individuals from a range of cultural backgrounds and across a broad range of age groups.

- Approximately 0.6% of our workforce identify as Aboriginal or Torres Strait Islander.
- The average age of our employees is 47.
- 18% of our employee population is over 55.

We also have a strong focus on gender diversity and seek to ensure that we increase the representation of women at the board and senior management level.

In FY18, we set a target to maintain 50% representation of women as identified potential successors in succession plans for senior management roles and achieved 60%. We also set a target to maintain at least 50% female representation among the short-listed candidates for senior management positions in the reporting period. Our long-term goal is to achieve gender balance in our Senior Leadership Team with the aim of increasing the representation of women in the Senior Leadership Team to 30% by the end of CY2018. At the end of FY18, we had achieved our target of at least 50% female representation among the short-listed candidates for senior management positions.

In our 2018 Workplace Gender Equality Agency (WGEA) submission, women made up 82% of our total workforce and represented 79% of management roles.

We undertook a gender pay equity review for our Australian workforce (excluding ACHA). Consistent with FY17, no gender-based pay gap was identified for 95% of our workforce (being those remunerated under Enterprise Agreements). In addition, no systemic gender-based pay gap was identified in like-for-like roles for the remaining 5% of the workforce. We will continue to monitor gender pay equity and remain focused on implementing measures which will continue to ensure equitable remuneration across the company and increase the proportion of women in senior leadership roles.

A responsible and ethical business

Our approach

We are committed to maintaining an open and honest workplace culture with high levels of integrity and ethical standards. We acknowledge that an open, honest and ethical work place culture can only be achieved through setting clear values, robust frameworks and active leadership to support those values and frameworks.

FY18 highlights

- All new employees trained on the Code of Conduct.
- Corporate governance practices strengthened.
- All 'at risk' employees completed face-to-face cyber security training.

Our performance

Employee relations

Our workplace behaviour is guided by our STAR values.



Our Code of Conduct sets the standards of integrity and business ethics that we expect in our workplaces and further reflects our values.

The Code promotes a high level of professionalism and a healthy, respectful and positive workplace and environment for all employees. The Code also supports our business reputation and corporate image within the wider community, and ensures employees are aware of the consequences should the Code be breached.

The foundations for an open, honest and ethical workplace culture were further enhanced following a review of our Code. To improve clarity and guidance in our Code, several changes were made this year including:

- the addition of further key topics relevant to our operations, such as mandatory training, substance abuse and smoking
- a focus on compliance with relevant laws and standards, such as professional regulations and standards (including record-keeping), equal employment opportunity and discrimination rules, and cooperation during investigations and audits
- further guidance on the consequences of non-compliance.

We encourage a culture of openness and transparency, in which our personnel and stakeholders are encouraged to report suspected unethical, illegal or improper behaviour. Our Whistleblower Policy provides an avenue to make such reports without being victimised as a consequence. Under the Policy, disclosures may be made confidentially and anonymously to a designated Whistleblower Protection Officer.

Induction and training

The Code is included in induction training and is part of the new 'starter pack' for all incoming employees. Our senior management team are also refreshed on all aspects of our Code as part of a regular cycle of training on our policies and compliance procedures.

The Code of Conduct is accessible to all Healthscope personnel through our Intranet and is publicly available on the Corporate Governance page of our website at www.healthscope.com.au/about/corporate-governance.

Investigation and resolution of workplace grievances

Our Grievance Policy and Procedure covers all employees. The Policy aims to ensure any workplace grievances are resolved as quickly as possible and in a fair and equitable manner. The Procedure details the responsibilities of the parties and outlines the steps for grievance resolution, however, where the matter is unable to be resolved through discussion between the parties, a graded escalation process is provided.

Bribery and corruption

We do not tolerate bribery or corruption. Our Code of Conduct strictly prohibits bribery, improper payments and similar conduct, including facilitation payments.

During FY18, there were no confirmed instances of bribery or corruption, money laundering or material instances of fraud.

Political donations

While we do not make direct contributions to any political party, we do pay fees to attend events organised by political parties. This ensures we can actively contribute to major policy discussions with key opinion leaders and policy makers. In FY18, we paid \$18,040 in fees to the Australian Labor Party and \$17,000 in fees to the Liberal Party of Australia to attend such events. These fees are publicly reported as required by the Australian Electoral Commission.

Governance

Good corporate governance is key to creating, protecting and enhancing value for our shareholders. Our Board is committed to maintaining high standards of corporate governance and has adopted a system of internal controls, risk management processes and corporate governance policies and practices to support and promote the responsible management and conduct of our business.

Our 2018 Corporate Governance Statement sets out the key features of our governance framework and reports against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council. Our Corporate Governance Statement is available on our website at www.healthscope.com.au/about/corporate-governance.

In FY18, we continued to strengthen and enhance our corporate governance practices:

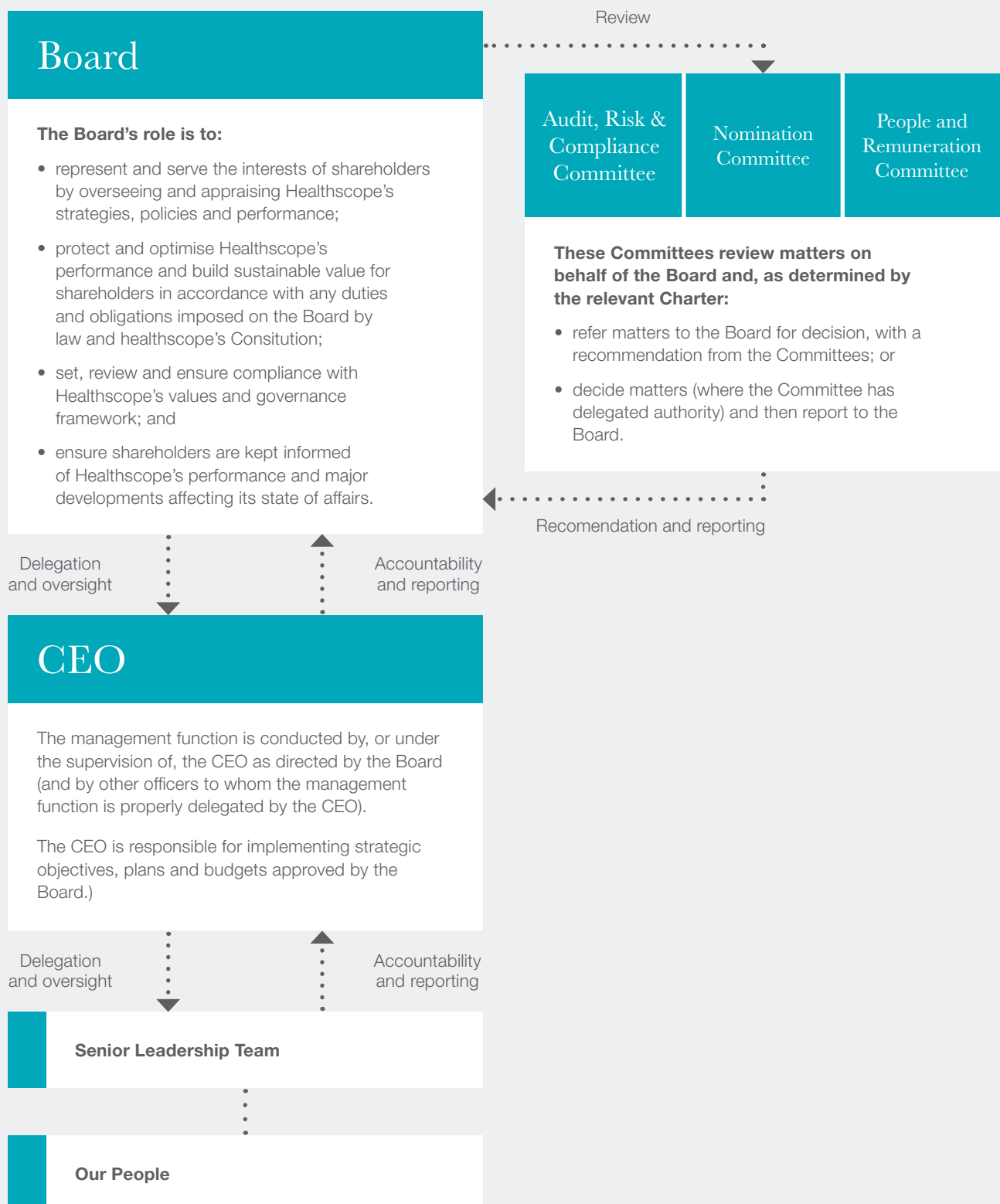
- The appointment of Michael Stanford further enhanced the skills mix of the Board. Michael's deep medical and executive healthcare experience and focus on operational excellence and best practice patient safety and quality, complements the Board's existing skills and expertise.
- We performed well against our gender targets during the prior reporting period and have renewed these targets for the next reporting period. Further detail on our inclusion and diversity results can be found on page 27.
- We established external measurable benchmarks to monitor and inform our progress on clinical outcomes and the delivery of exceptional patient care. New governance structures and enhanced reporting to oversee continual improvement in this critical area have also been established. Further detail on our clinical governance can be found on page 18.
- we reviewed and updated a number of our key corporate governance policies during the year including:
 - o Dealing in Securities – this policy was reviewed with a focus on simplifying the processes in relation to approvals under the Policy.
 - o Continuous Disclosure and Market Disclosure Policies – minor updates were made to reflect changes in senior management responsibility and current disclosure practices.



A responsible and ethical business

Role of our Board and committees

Our Board is responsible for the overall governance of Healthscope including overseeing and evaluating our strategies, policies, performance and reporting to shareholders. The Board delegates to our Chief Executive Officer and senior management matters involving the implementation of corporate strategy and management of our day-to-day activities.



Sustainability Committee

As part of its responsibility for overall governance of Healthscope, the Board also oversees and monitors the management of environmental, social and governance risks.

During FY18, our Sustainability Committee, chaired by our Chief Executive Officer, was formed. The membership of the Sustainability Committee includes a subset of the members of our senior leadership team. The Committee meets regularly to review and monitor Healthscope's Sustainability Strategy and make recommendations to the Board.

Privacy, information security and technology

We are committed to protecting personal and health information in accordance with the privacy laws of Australia and New Zealand. Our Privacy Policy and Code of Conduct clearly state our obligations, commitments and expectations. All employees are required to complete privacy and Code of Conduct training.

The privacy of our patients is our priority. All patients are provided with a copy of our Privacy Brochure (also available online) which covers:

- the personal information we collect and hold
- how we collect personal information
- how we use and disclose personal information
- how we store and secure personal information
- how complaints can be made.

As part of our commitment to continuous improvement, a privacy maturity control environment assessment is underway, which is designed to identify any improvement opportunities in the area of privacy.

Protecting our information assets

Information security and cyber-attacks are a material business risk to our business. With the potential for failure in critical data, processes or systems, this risk is reviewed regularly by senior management and considered by the Audit, Risk and Compliance Committee biannually.

The role of our Information Security Committee is to oversee and review internal controls for protecting our information assets and the security governance structure (framework, security policies and risk tolerances). To manage our information security and cyber-attack risks:

- The Committee has developed an Information Security Strategy ensuring all vendors who handle our sensitive data are assessed.

- Our dedicated Information Security Manager is responsible for detecting and responding to cyber incidents, maintaining close contact with all relevant government authorities and receiving regular updates on global activities responsible for detecting and responding to cyber incidents.
- Our Incident Response Plan details how Healthscope should respond to information security incidents and cyber-attacks incidents.
- We maintain many incident detection tools, such as firewall reports, email filtering alerts, log correlation alerts, and anti-virus alerts.

Further preventative steps include:

- Disaster Recovery and Business Continuity planning
- increased staff awareness – all 'at risk' staff completing face-to-face training, cyber-security awareness posters at all sites and twice monthly simulated phishing emails sent to all staff
- Information Security Program to strengthen our control environment
- continuous review of our information technology controls.

In FY19, our key focus areas include the implementation and embedding of appetite statements and key risk indicators and an Information and Cyber Security Framework which includes a detailed risk register.

Taxation transparency

We are committed to meeting all tax compliance obligations and to providing our stakeholders with information about the taxes we pay and the taxation policies we employ.

We have adopted the Australian Board of Taxation's voluntary Tax Transparency Code. Since 2017, we have been publishing Tax Transparency Statements which comply with this Code. These are available in the Investor Centre on our website.

Creating shared value in our communities

Our approach

We are inspired by the opportunity to make things better and committed to the creation of shared value. One way we show our commitment is the way we invest in and contribute positively to the communities in which we work.

FY18 highlights

- 158,090 clinical placement days for nursing and allied health students, an increase of 34% on the previous year.
- 350 hours of clinical training provided across our Australian hospitals and attended by more than 1,900 GPs.
- Over \$500,000 in support provided to tertiary institutions for clinical research programs and to enhance clinical education for Australian nursing and allied health students.
- 2,120 employees across Australia and New Zealand participated in StepTender raising \$88,600.
- Entered into an agreement with the Fred Hollows Foundation to provide cataract surgery for up to 80 elderly Aboriginal men and women at Darwin Private Hospital.
- Provided clinical placement training positions to six Aboriginal and Torres Strait Islander students.
- Established a Maori Health Advisory Group in New Zealand.

Our performance

Training our future healthcare workforce

In addition to training our own team, we continued to make meaningful investments in training our future healthcare workforce and enhancing the skills of medical practitioners.

During FY18, we provided clinical placements for tertiary healthcare students. Through our partnership with 35 Australian universities, 45 TAFE colleges, and other registered training organisations, nursing and allied health students across Australia participated in clinical placements in our hospitals across Australia. In FY18, we provided 158,090 clinical placement days, an increase of 34% on the previous year. In addition, we provided over \$500,000 in support to tertiary institutions for clinical research programs and to enhance clinical education for Australian nursing and allied health students.

We also partnered with five universities in New Zealand, providing clinical placements for medical laboratory scientists.

We provide vocational training support for medical practitioners as part of their recognised medical specialty training programs. In FY18, we continued to offer registrars the opportunity to undertake a rotation in our private hospitals in Australia or in our pathology laboratories in New Zealand.

Supporting the professional development of GPs

In Australia, General Practitioners train to gain their qualifications and then continue their education and training to further develop their knowledge and expertise. Healthscope is an accredited activity provider organisation registered with the Royal Australian College of General Practitioners. Our education programs support General Practitioners throughout their professional development.

Our focus is on providing quality clinical education on identified health risks within the community. These include mental health, women's health, men's health, orthopaedics, oncology and cardiology. Programs are generally free of charge and predominantly provided by medical specialists who are credentialed to work in our hospitals. These programs provide General Practitioners with quality clinical education while our medical specialists have the opportunity to build their connections within our communities. In FY18, we provided 350 hours of clinical training across our Australian hospitals which was attended by more than 1,900 General Practitioners.

Case study: Brisbane Private Hospital Damascus Drug and Alcohol Education Day

High-quality primary care is an integral part of identifying, supporting and treating individuals with alcohol and other substance addictions. It is therefore essential for GPs to develop and maintain an understanding of the legislative frameworks around drugs of dependency, and be educated on prescribing, obtaining permits and providing appropriate therapies.

For many people dependent on substances, seeing their own GP rather than attend a drug dependence clinic as an outpatient, is the preferred option. However, with the growing dependence on substances such as methamphetamine, requests for medicinal cannabis and access to electronic cigarettes, GPs are faced with new challenges that require knowledge and expertise.

The Damascus Drug and Alcohol Education Day was designed to provide GPs with an overview of the latest therapies available for patients with alcohol or prescription drug issues. For the 32 GPs attending, this has enabled them to provide the holistic continuity of care required to treat the addiction like any other chronic disease, and to consequently minimise the risk of harm, achieved service excellence.

Working with local partners to address community need

Our hospitals and pathology laboratories work closely with local partners to identify issues of relevance to their communities.

Last year, we refreshed our Philanthropic Donations Policy to provide a focus for our philanthropic donations. We focus on projects which are in line with our STAR values and are designed to improve the health and wellbeing of the communities in which we work. Our focus is on disadvantaged groups, remote, rural and regional communities, and women.

In FY18, our hospitals provided health education and awareness programs to the community free of charge, health screenings at community events, donated medical equipment, supported schools and sporting clubs, provided support for clinical research, raised funds for various charities and leveraged our doctors, patients and suppliers to provide enhanced support for community initiatives.

Case study: Making a difference by stepping together

In September last year, 2,120 employees across Australia and New Zealand participated in Steptember, an annual fundraising event for children and adults living with cerebral palsy. The goal is to take 10,000 steps a day for 28 days with funds raised towards vital equipment, therapy and services. Our employees formed 530 teams and collectively walked 272,580 kilometres, the equivalent of walking almost seven times around the globe. This event showed the difference we can make when we work together, with \$88,600 raised for cerebral palsy services and research.



Case study: The Melbourne Clinic and LGBTIQ+ community

The Melbourne Clinic is a recognised leader in quality mental health care services offering inclusive, confidential, safe and patient-centred care via the recovery model to all clients in inpatient, day program and outreach programs. The Melbourne Clinic is dedicated to providing high quality, patient-centred healthcare regardless of an individual's sex, gender, appearance and/or sexuality.

The Melbourne Clinic was the first private hospital in Victoria to achieve Rainbow Tick Accreditation and has been supporting the Midsumma Festival, Victoria's premier queer arts and cultural festival for and by LGBTIQ+ communities, since 2017. At the 2018 Midsumma Festival, the Melbourne Clinic's booth provided information about the hospital, Mental Health services and the Clinic's inclusive practice.

Creating shared value in our communities

Case study: Transforming lives through Smile for ME

For 20 years, the Prince of Wales Private Hospital in Sydney has been dedicated to Smile for ME, a charity that gives children access to free, safe surgery to repair cleft lip and palate deformities. The charity gives the children the chance to learn to speak after the surgery, ensuring they can go to school, learn valuable skills and contribute to their community.

Each year over five days, a team of specialist doctors, dentists and nurses, perform surgery on approximately 60-80 children with cleft palate and cleft lip deformities. Doctors and nurses from the Prince of Wales Private Hospital in Sydney donated their time, clinical skills and medical consumables to assist children undergoing cleft palate and lip surgeries in Cebu, Philippines. Our support ensures Smile for ME can continue to do these surgical missions.

Indigenous health initiatives

During the year we continued our work to improve health outcomes for Aboriginal and Torres Strait Islander peoples in Australia and Maori in New Zealand.

In Australia, we entered into an agreement with the Fred Hollows Foundation to provide cataract surgery to up to 80 elderly Aboriginal men and women at Darwin Private Hospital. The surgeries will be undertaken in FY19. We also entered into a four-year clinical placement agreement with the Aboriginal Health and Medical Research Council of NSW to deliver clinical placement training to Aboriginal and Torres Strait nursing students in New South Wales commencing FY19.

Ear infections have been identified to be more common in Aboriginal and Torres Strait Islander children than in non-Indigenous Australian children with the chronic consequences representing a major public health problem. Eight surgeries were performed at Parkwynd Private Hospital to improve ear health (via the implantation of grommets) in young children. This year, one of our surgeons supported the production of an animated film, 'Boom!' This film was produced for Awabakal, an Aboriginal community-controlled health service in the Hunter region in New South Wales to support the importance of ear health, increase awareness within indigenous families and demystify surgery for children.

During FY18, we provided clinical placement training positions to six Aboriginal and Torres Strait Islander students. Many of our hospitals celebrated National Reconciliation Week and NAIDOC week to increase awareness and support for reconciliation. In addition, we developed a reporting tool which enables us to better tailor our healthcare services to Aboriginal and Torres Strait Islander patients.

We also formed a working group, chaired by our Chief Executive Officer, to provide executive leadership and support to the various Australian initiatives we are progressing to help to 'close the gap' for Aboriginal and Torres Strait Islander peoples. The work which we have done during this year provides a strong foundation for further work on reconciliation in FY19 which will include developing our first Reconciliation Action Plan (RAP). Our RAP will provide a framework for us to use to realise our vision for reconciliation.

To better inform our reconciliation journey, this year we commenced asking new employees and our patients whether they wish to tell us if they identify as Aboriginal or Torres Strait Islander. We also included cultural identification questions for the first time in our employee engagement survey which enabled us to establish that 0.6% of our workforce culturally identify as Aboriginal and Torres Strait Islander people, compared with 2.8% of the Australian population as counted in the 2016 Census.

We also continued to work with our partners in New Zealand to improve Maori health outcomes. In FY18 we:

- established a Maori Health Advisory Group
- created a Communication Strategy about the links between cultural diversity and our healthcare services with a particular focus on the healthcare needs of our First Nations peoples
- developed a Maori Health Awareness course and commenced a pilot roll out
- commenced work on our first New Zealand Maori Health Plan.

Case study: Maori Health Awareness course

We piloted and launched an awareness course for District Health Boards on our obligations under the Treaty of Waitangi and the Maori Health Plan. The Maori Health Awareness course is designed to raise awareness of why and how we incorporate a cultural perspective into the way we do things at Healthscope NZ and includes Te Tiriti o Waitangi (treaty), Tikanga Maori (culture) and Te Whare Tapa Wha (health model). The course is expected to achieve 100% compliance by the end of the 2018 calendar year. Our long-term goals are to increase customer satisfaction with culturally appropriate healthcare services.

The course provides facts about Maori Health and outlines culturally appropriate practices and approaches we can apply when providing healthcare services to Maori patients. This includes the Treaty, the Ministry of Health's position on Maori, our Maori Health Plan, Maori health model, Maori health issues, Te Reo greetings for service excellence, cultural events, facts and information as well as the development of a cultural diversity online site which celebrates, informs and engages our people. This site provides additional resources and information to promote the focus on Maori people.

Consulting with our communities

We engaged regularly with patients and doctors to gauge their level of satisfaction with us. Further information on our surveys can be found on page 20.

Hospital developments provide an opportunity to build new, sustainable and innovative facilities to support the provision of healthcare into the future. We engage with our local communities during the planning and construction of our development projects to ensure our hospitals continue to evolve in line with community expectations, and do not create any unintended negative impacts.

During development planning, our hospital management and infrastructure teams conduct extensive research, review demographic data and trends, and consulting with doctors, patients and local communities about their healthcare needs and expectations from our facilities. These findings are incorporated into our concept and design works ensuring the final product meets the needs of all stakeholders. Regular engagement with the

community during planning and construction phases ensures they are kept informed, interruptions are minimised, feedback is received, and concerns are proactively addressed.

We also submit environmental and community impact assessments and mitigation plans to local government authorities for all major development projects. Information about these projects and potential impacts are displayed at each facility and on our website.

Case study: Community engagement at Northern Beaches Hospital

The Northern Beaches Hospital is on track to open for patient transfer on 30 October 2018. The state-of-the-art facility will provide patient-centred personalised care provided by exceptional health care professionals.

During the build process, we have actively engaged with the local community providing key information on progress via an online presence (www.northernbeacheshospital.com.au) and through numerous community events including:

- a student challenge to design a medical-themed robot for the hospital using their coding talents, as well as collaboration, communication and problem-solving skills. The result was a self-driving hospital bed prototype created using Lego robotics.
- community 'sneak peek' where thousands of local residents had the opportunity to tour the facility as it neared completion.
- regular updates to the community regarding the development through local newspapers, community newsletters, on our website and social media channels.



Protecting our environment

Our approach

We are committed to using natural resources responsibly, protecting and respecting our environment, and proactively minimising the impact of our operations.

FY18 highlights

- Further embedded our Supplier Code of Conduct and evaluation criteria.
- Implemented a pilot program in partnership with IV fluid and anaesthetic suppliers to recycle aluminium and PVC bags which diverted 2,718 kg of waste from landfill.
- Donated 80,000 unused newborn nappies destined for landfill to Rotary and the Salvation Army for use locally and abroad.
- Improved the way we manage and monitor energy consumption across all divisions of the business.
- Maintained the amount of water used per patient per day at FY17 levels, indicating our water saving measures are working.

Our performance

Our water usage, energy usage and carbon emissions all increased in FY18. This can be attributed to the completion of several large-scale brownfield projects (such as Brisbane Private Hospital, Gold Coast Private Hospital Stage 2, Holmesglen Private Hospital, Newcastle Private Hospital and Sunnybank Private Hospital) which are now operational.

The amount of water used per patient day, however, has remained at FY17 levels. This indicates our water saving measures are working. Water usage is also below the levels recorded in FY15/FY16 prior to the implementation of water saving measures.

Period	Energy consumed (Gigajoules)	Megajoules per patient day	CO ₂ e (tonnes)	KgCO ₂ e per patient day	Water (total kL)	Water kL per patient day
Hospitals						
FY18	702,010	437	111,658	70	714,964	0.45
FY17	673,385	426	104,159	66	711,906	0.45

Resource efficiency and responsible supply chain

As a healthcare provider we recognise the critical nature of our supply chain. To efficiently and responsibly deliver quality healthcare, we need reliable access to clinical and non-clinical products and services supplied by partners who support our operations and with whom we have developed strong, mutually beneficial relationships.

In FY18, over 4,500 diverse suppliers contributed to our complex operations.

We further embedded our Supplier Code of Conduct and evaluation criteria within our procurement policy for supplier partners. With a focus on privacy, integrity, human rights and environmental considerations, the Code is key to developing tenders and contracts which consider the sustainability of supply and the environment.

In FY18, 100% of new contracts with key supplier partners included a contractual requirement for suppliers to comply with the Code.

Operational reviews are underway to eliminate duplication of tasks and waste in the system. By centralising system tasks our aim is to reduce non-contracted spending and improve communication and relationships with our key suppliers. We have also developed agreements for back-up vendors for critical products and services. As part of the operational review of warehousing, key actions will be implemented in FY19 to streamline deliveries, removing duplication and reduce truck movements across the network in Queensland.

Waste

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.

As clinical waste cannot be recycled (for safety reasons), hospitals generally have a lower recycling diversion rate compared to other industries. All chemical and biomedical waste is removed by EPA compliant contractors.

Across our hospital sites, 'Green Teams' continued to focus on reducing waste. However, during FY18, we diverted 1% less waste from landfill through our primary contractor than the previous year. Our landfill diversion rate was 15%. The main contributor to our decreased performance relates to hospitals growing in size and the subsequent 410 tonnes increase in general waste.

We continue to recycle cardboard, paper, comingled materials (aluminium, PET plastic and glass), batteries, food organics, garden waste, confidential documents, printer cartridges and e-waste. From an office supply perspective, we purchase a range of recycled paper products and toner cartridges. To reduce the need for paper forms and printouts, we continue to digitise our processes.

In FY18, Green Teams identified projects which support our commitment to improve landfill diversion outcomes.

- In partnership with our IV fluid and anaesthetic suppliers, we introduced a pilot recycle program using aluminium and PVC bags across six key sites. This resulted in 2,718 kg diverted from landfill over the last 12 months.
- Surplus uniforms resulting from hospital closures have been redirected to industry textile manufacturers for repurposing. This new initiative was implemented late in FY18 and has redirected 80kg of material from landfill.
- 80,000 unused newborn nappies destined for landfill have been donated in equal quantity to Rotary and the Salvation Army to be used locally and abroad.

Energy and emissions

One of our core values is responsibility. We are committed to operating in a sustainable and responsible way across our organisation and actively seek to minimise any negative impacts our hospitals may have on our surroundings. This includes meeting all environmental regulations and legislation that apply to our facilities and the locations in which we operate.

Each Australian hospital site is also responsible for complying with our Environmental and Energy Policies.

As a significant user of energy, particularly electricity, we continue to explore options which will minimise our impact on the environment. Our environmental initiatives are focused on energy- and water-efficient equipment, sustainable building design and development, education and training to staff on environmental practices, and waste minimisation.

Integrating environmentally sustainable practices in the way we conduct business is critical. In FY18, we improved the way we manage and monitor energy consumption across all divisions of the business.

With our Australian hospitals representing more than 98% of our Australian electricity usage, the introduction of Smart Meters has allowed us to monitor energy consumption on a site-by-site basis in real time. This is particularly important for our larger hospitals as energy saving initiatives can have a greater impact. Accurate and transparent reporting around energy consumption at each site has also improved internal peer benchmarking.

Other specific initiatives implemented in FY18 include:

- installed LED lighting at exits (Gold Coast Private Hospital, Norwest Private Hospital, Campbelltown Private Hospital and The Victoria Clinic).
- replaced inefficient air-handling units and air-conditioning ductwork (Mount Hospital).
- rollout of water-efficient shower heads and tapware (Campbelltown Private Hospital).
- replaced commercial dishwasher unit at National Capital Private Hospital with a more efficient unit. Significant water savings have been achieved through shorter wash cycles.
- installed energy-efficient ovens and blast freezer (National Capital Private Hospital).
- replaced chillers (Newcastle, National Capital and Bellbird Private Hospitals) with energy- and water-efficient units.
- adjusted building management system controls to increase efficiency at Norwest Private Hospital. Chilled water and hot water consumption reduced by 5% in the Operating Theatre complex.
- rolled out more efficient Central Sterile Service Department washers and sterilisers (Prince of Wales and Campbelltown Private Hospitals). This is an ongoing program through to 2022.
- provided education and frequent reminders to staff in an effort to raise awareness to conserve power (such as switching off lights and computers).

Protecting our environment

Water

Hospitals are typically large users of water due to the need to maintain the highest standards of hygiene and sterile environments. We do not use recycled water within our hospital environments for hygiene reasons; instead our focus is on conserving water. However, we do harvest rainwater. The majority of our brownfield projects incorporate significant harvesting systems including above ground and underground storage tanks for landscape irrigation.

In FY18, we continued to implement water saving initiatives. This included transitioning from old devices (shower heads, toilets) to more water-efficient devices and installing electronic sensors where appropriate. Large plant, including cooling towers, sterilising equipment and air conditioning plant, are replaced with water efficient units as upgrades are undertaken or due to end-of-life considerations or capacity constraints.

Sustainable development

We are committed to appropriately integrating environmental sustainability principles into the planning and design of our hospitals and other health facilities.

During FY18, we continued to apply best practice standards to the design and operation of our building portfolio. All our brownfield developments are compliant with the Building Code of Australia, including requirements for environmentally sustainable design.

Case study: Building a world-class sustainable hospital at Northern Beaches

Our largest project is the landmark Northern Beaches Hospital in Sydney. The Hospital will provide health services to both public and private patients and include 450 overnight beds and 20 operating theatres. The Hospital is on track to open for patient transfer on 30 October 2018.

To deliver a world-class sustainable facility, the design had to balance flexibility and reliability with environmental, operational and health benefits. From the commencement of the design phase, progress of these initiatives has been tracked and monitored by a dedicated team ensuring the design response fulfilled our sustainability commitments. With construction complete and the facility currently being commissioned, building management systems are being finalised. Frequent metering and monitoring of energy and water consumption will be undertaken to ensure resource usage is understood and future usage is reduced.

In recognition of best practice, the facility has received a 4-star rating from Green Star, who evaluate the green attributes of healthcare building projects against key criteria including energy and water efficiency, indoor environment quality and resource conservation. We are committed to the ongoing verification of the building performance and will strive to maintain our 4-star Green Star rating going forward.



Appendix

Operations	FY2017	FY2018
Hospitals ¹	45	43
New Zealand Pathology	24	24

1 Cotham Private Hospital and Geelong Private Hospital were closed in June 2018.

Economic	FY2017	FY2018
	\$'m	\$'m
Revenue ¹	2,256.5	2,340.8
Operating EBITDA ^{1,2}	393.2	375.9
Operating EBIT ^{1,2}	288.5	265.9
Statutory NPAT	151.1	75.8
EPS ¹	8.7 cps	4.4 cps
Gearing ³	2.66x	2.95x
Dividends (per share unfranked)	7.0 cents	6.7 cents

1 Healthscope's continuing operations consist of the Hospital and New Zealand Pathology businesses.

2 Operating results represent statutory results from continuing operations adjusted for items of other income and expense of \$107.2m (pre-tax) – for further information refer to the Financial Report, including the Notes to the financial statements, set out in Healthscope's FY18 Annual Report on pages 56 to 110.

3 Gearing excludes project finance facilities for Northern Beaches

Employment	FY2017	FY2018
Full-time equivalent (FTE) employees	13,406	14,877
Women in the workforce	83%	81.7%
% of flexible working staff	~75%	~74%
Workforce turnover	8.5%	8.2%
Serious Workers' Compensation Claims per million hours worked (SCFR)	3.03	3.87
Fatalities	Nil	Nil

Environment	FY2017	FY2018
Energy consumed	673,385	702,010
MJ/PD	426	437
CO ₂ e Tonnes	104,159	111,658
KgCO ₂ e/PD	66	70
Water kL	711,906	714,964
kL PD	0.45	0.45

