

SUSTAINABILITY REPORT



[^] All information presented in this sustainability report is, for the first time, disclosed to HMI’s stakeholders and third parties. The information presented covers the financial year 2018. Data were collected across Mahkota Medical Centre and Regency Specialist Hospital during the time period of July 2017 to April 2018 only.

SUSTAINABILITY AT HMI

Structural factors such as rising affluence, an ageing population and wider insurance coverage have led to higher healthcare awareness across the region. To cater to rising healthcare demand, while embarking on expansion plans at both its hospitals, the Group has placed the sustainability of its operations at the core of its decision making. Above all other factors, the Group strongly believes that a successful healthcare organisation is about its people and their passion for improving the quality of human life. In this light, people development is another core aspect of the Group’s strategic initiatives.

Since its inception, the Group has continuously engaged with the community, striving to educate and empower members of the public to take better care of their health by advocating the prevention of diseases through healthy living. The Group is committed to not just improving the lives of its patients, but the community as a whole by leveraging on our human capital, consistent innovation and technological expertise.

While charting steady growth, the Group aims to create sustainable value for all stakeholders while improving the quality of human life and adhering to the highest ethical standards. Accordingly, the Group actively deploys technological innovation across its operations to help enhance service delivery and ultimately, patient satisfaction. Similarly, the Group adheres to the highest standards of occupational safety for its staff and data privacy for its patients. In addition, the Group regularly conducts independent reviews and audits on the Group’s operations to evaluate the adequacy and effectiveness of internal controls including financial, operational, compliance, and information technology controls and risk management systems.

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In line with its strategy of offering a working culture that attracts and retains talent, the Group has implemented policies geared towards making HMI an employer of choice. As a regional healthcare company, the key determinant of the Group's success is the strength and depth of its talent pool. As such, the Group remains committed to developing its human capital by attracting the right talent, developing its employees and retaining them for the long term. Led by the Group's leadership team, HMI has developed a high-performance culture across its operations, creating an environment that enables employees to continuously develop and thrive.

This year, HMI received the award for "Healthcare Business of the Year" at the HealthInvestor Asia Awards 2018. The award recognised healthcare excellence across an array of categories and bears testament to the continued innovation of HMI's operations.

During the year, Mahkota continued to receive accolades, winning the Fertility Service Provider of the Year award at the Global Health and Travel Awards 2018. The award recognised Mahkota's operational excellence in pushing innovation for women's health at every stage and interaction. The Global Health and Travel Awards aims to be an effective measurement tool for healthcare businesses to benchmark themselves against industry standards and their peers.

BOARD STATEMENT

The Board of Directors of Health Management International Ltd ("the Board") is pleased to present our inaugural sustainability report.

At HMI, we remain committed to regularly assessing the environmental, social and governance risks of our operations. In this light, we place long-term sustainability at the core of our business. The Board assumes responsibility for corporate governance and considers sustainability issues such as environmental and social factors as part of its strategic formulation. To integrate sustainability within our corporate governance structure, we have established a Sustainability Steering Committee comprising of representatives across different business functions while setting various key performance indicators to monitor the Group's performance.

As we continue our growth trajectory, we are mindful of the need to minimise our impact on the environment while reducing our overall carbon footprint. This includes optimising energy efficiency across our operations. Additionally, the Group continues to work towards creating a positive social impact through numerous outreach activities to raise the level of healthcare awareness in the communities we operate in.

As we started our sustainability reporting journey in 2017, the Group conducted a materiality assessment by engaging the senior management team and relevant stakeholders to determine material sustainability topics that are most influential to our business and stakeholders.

Taking into consideration the opinion of various stakeholders, we have developed this report based on the results of the materiality assessment. Moving forward, each material factor will be reviewed annually to progressively improve our sustainability efforts, and better manage sustainability issues across the Group as we continuously invest for the future. Several key focus areas have already been identified and the Board has set in place key performance indicators ("KPIs") and targets for next year.

This report complies with Singapore Exchange (SGX)'s sustainability reporting requirements 711A/B. The report also makes reference to the Global Reporting Initiative (GRI) Standards (2016).

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STAKEHOLDER ENGAGEMENT

HMI recognises the importance of stakeholder support for business success and incorporates these opinions into its activities and operations. The Group communicates openly and frequently with key stakeholders, responding in a timely manner as well as to align business decisions with their needs and concerns. HMI is also committed to maintaining regular two-way communication with key stakeholders to foster accountability and transparency.

The Group has identified key stakeholders, both internal and external, based on their relevance to its business as well as how they impact the company. These key stakeholders include the Board of Directors, employees, doctors, patients and their families, regulators, investors and various accreditation bodies.

MATERIALITY

It is important to develop a sustainability report that is relevant and pertinent to readers as well as the business. In March 2017, HMI conducted a materiality exercise at its two operating hospitals with representatives from management and various departments to identify, prioritise and validate the environmental, social and governance ("ESG") factors that are most material to business operations and of significant interest to key stakeholders. An external consultant had been appointed to conduct the workshop involving management representatives from both hospitals. HMI believes that all stakeholders are vital in identifying material factors which contribute to sustainability, hence, their views have been widely taken into consideration throughout the materiality assessment process. Participants in the materiality workshop considered the following information:

- Risks that are identified within HMI's Enterprise Risk Management
- Global and local emerging sustainability trends;
- Industry best practices and material topics identified by industry peers;
- Sustainability reporting frameworks;

The following focus areas and material factors were identified to be material to HMI. This report will address each of these material factors.

SUSTAINABILITY FOCUS AREAS	MATERIAL FACTORS
Economic	1 Economic Performance
Environmental	2 Medical Effluents and Waste Management 3 Energy
Social	4 Occupational Health and Safety 5 Training and Education 6 Community Engagement
Governance	7 Corporate Governance

ECONOMIC

1. ECONOMIC PERFORMANCE

Against the backdrop of structural factors such as an ageing population, the increasing prevalence of chronic diseases and rising affluence, the Group continued to chart steady growth at Mahkota Medical Centre ("Mahkota") and Regency Specialist Hospital ("Regency"), our two hospitals in Malaysia. Driven by rising patient loads, the Group's revenue increased 7.3% year-on-year ("yoY") to RM467.6 million for FY2018. Underpinned by higher revenue intensity and effective cost management, the Group's EBITDA increased 19.1% yoY to RM115.2 million. Correspondingly, the Group's EBITDA margin expanded 2.4 percentage points to 24.6%.

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For FY2018, the Group reported a net profit attributable to shareholders ("PATMI") of RM60.6 million, a 194.3% increase from the prior year. This large increase is mainly due to the one-off impact of the consolidation exercise completed on 27 March 2017¹, whereby 100% of net income is now attributable to HMI shareholders.

Following the Group's interim dividend of RM1.0 cents per share, the Board of Directors has recommended a final dividend of RM1.0 cents per share, bringing total dividends to RM2.0 cents per share for FY2018 (FY2017: RM1.0 cents).

To ensure stability and sustainability, HMI aims to enhance shareholder value by building sustainable, long-term profitability for its shareholders. Profitability is also a basic requirement for sustainable development as a responsible company, for customers to trust us, and for our employees to have a stable income.

ENVIRONMENTAL

2. MEDICAL EFFLUENTS AND WASTE MANAGEMENT

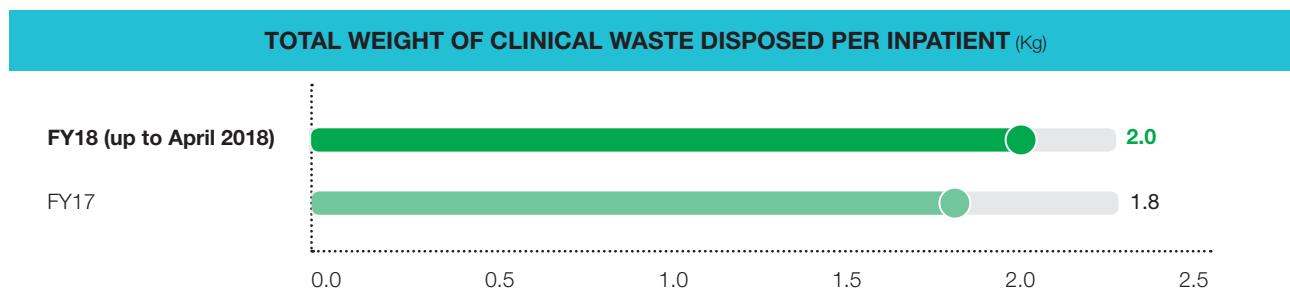
In a hospital, various types of waste are generated including general, biohazard and chemical waste. HMI is responsible for managing waste generated in the communities that its hospitals operate in, especially medical waste which may cause potential impact to human health.

HMI recognises that the improper disposal of medical waste may cause health risks to the public. To minimize risk and protect public health, HMI implements relevant policies and procedures, such as proper segregation, treatment and disposal of waste. The Group works with waste disposal companies to ensure that the environment and community are well protected from the unintended consequences of improper waste disposal.

At the Group level, stringent protocols are followed by staff in the segregation, treatment and disposal of waste. The Group has policies to treat different types of waste, especially cytotoxic and clinical wastes. Staff are also trained to segregate and handle all forms of waste properly.

At the entity level, both Mahkota and Regency follow the Department of Environment ("DOE") guidelines on "The Handling and Management of Clinical Wastes in Malaysia" to ensure the proper segregation, treatment and disposal of waste. If there are any improper disposal cases, the hospital investigates and highlights the case for further study. All clinical waste is classified to be biohazardous and segregated at the source location. For the selection of reliable partners, only licensed waste transportation companies are eligible for transportation, incineration and disposal.

There were no reported incidents of improper waste disposal of clinical waste in FY2018. The below chart provides information on HMI's hospital performance with regards to clinical waste disposal for FY2018 and FY2017.



¹ Refer to SGX announcement "HMI to consolidate its ownership in Mahkota Medical Centre and Regency Specialist Hospital" on 11 November 2016 for details

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Mahkota and Regency plan to control the Total Weight of Clinical Waste Disposal per Inpatient (kg) in the coming year through various waste reducing and recycling initiatives. Both hospitals will implement a waste management monitoring process, and increase the levels of awareness for staff at all levels on clinical waste management.

HMI will focus on maintaining a proper in-house clinical waste disposal system along with the segregation of clinical waste to maintain no incidents of improper waste disposal of clinical waste. Where possible, HMI will explore the possibility of adopting more environmentally friendly practices to dispose clinical waste, such as using biodegradable chemicals and materials.

	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Mahkota and Regency	Number of incidents of improper waste disposal of clinical waste	Maintain no incidents of improper waste disposal of clinical waste

3. ENERGY

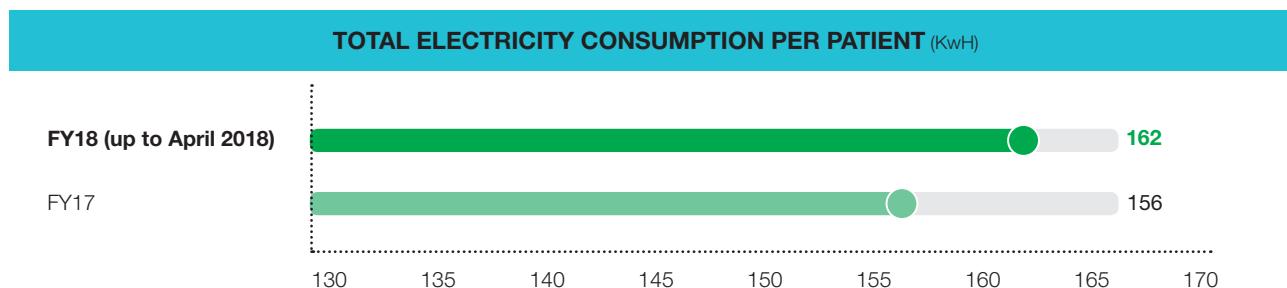
At HMI's hospitals, energy consumption is of high importance as it directly impacts the Group's environmental and carbon footprint. HMI places high emphasis on monitoring and managing energy consumption in order to reduce operational costs and minimize the negative impact on the environment. The major source of energy used at HMI is electricity, which is essential for the hospital's daily operations.

Mahkota and Regency comply with the Electrical Supply Act 447 (1990) to ensure the safe and efficient use of electricity, which requires the hospital to meet strict control standards, especially for high-energy consuming appliances, such as air-conditioning.

HMI implements various measures to save energy and ensure regulatory compliance. All equipment procured by Mahkota is checked regularly for their energy efficiency and consumption levels. Electricity-saving equipment such as LED lighting and heat wheels for recycling of energy are also installed across high-energy consuming Air Handling Units. The hospital promotes a 'green' culture amongst employees. For example, staff are reminded to turn off unused equipment after work.

The hospital uses the metric, Electrical Units consumed per Patient, to measure energy consumption. Mahkota also replaced the energy inefficient equipment with new technology, and installed electrical modulation equipment to adjust energy provision according to demand.

At Regency and Mahkota, all procured equipment shall undergo Testing & Commissioning prior to use by users. Monthly monitoring of electricity bills and energy consumption is implemented at Regency. In addition, new equipment installed at Regency and Mahkota are preferred to be energy efficient, while old equipment is replaced regularly with more energy-efficient modern technologies. The chart below provides energy consumption figures for FY2018 and FY2017.



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In the coming year, HMI's hospitals will undergo an in-depth study within each department to assess the levels of electricity consumed per patient and existing utilisation patterns. This will allow the Group to derive more meaningful statistics on electricity consumed per patient in order to drive more efficient energy consumption across the Group. To set a KPI to reduce total electricity consumed per patient today would not be meaningful until the Group conducts this study as existing data may be skewed due to the purchase of additional medical equipment which entails higher electricity consumption or lower patient load which will affect the denominator in calculating electricity consumed per patient.

Having performed this detailed study, the Group will also be able to properly assess the electricity consumed per patient for each department and set meaningful KPI's that will reduce the electricity consumed per patient and drive better efficiency.

	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Mahkota and Regency	Obtain statistics on the electricity consumed per patient within each department of the Group's hospitals through an in-depth study on electricity utilisation levels	Introduce meaningful KPI's that will reduce the electricity consumed per patient within each department of the hospitals

SOCIAL

4. OCCUPATIONAL HEALTH AND SAFETY

At HMI, employees are exposed to a variety of health and safety risks. As a responsible employer, HMI aims to address and mitigate these risks wherever possible. Health and safety hazards can arise over the use of unsafe equipment, machinery, processes, and practices. They can also arise with the use of dangerous substances, such as chemical, physical and biological agents.

HMI constantly monitors the working conditions of its employees to ensure that they comply with national standards issued by government agencies or associations such as DOSH (Department of Occupational Safety and Health), OSHA (Occupational Safety and Health Administration) and MSQH (Malaysian Society for Quality in Health).

The management of Mahkota and Regency are committed to comply with the Occupational Safety and Health Act 1994 and other relevant regulations. HMI undertakes all measures and practices to ensure the safety, health and welfare of all its employees and people in the community who may be affected by its operations.

Healthcare workers are exposed to various diseases, which may even cost their life. To protect staff, HMI aims to reduce exposure of its employees to these hazards through an Occupational Health and Safety system. Policies and procedures are in place and reviewed by management at least once every three years.

All staff are required to undertake health screening before they commence employment at either of the Group's hospitals. An emergency response team is well trained to assist staff, visitors, and patients during emergency situations. Fire drills are conducted annually to train staff on emergency procedures. OHS Trainings are also conducted during staff orientation.

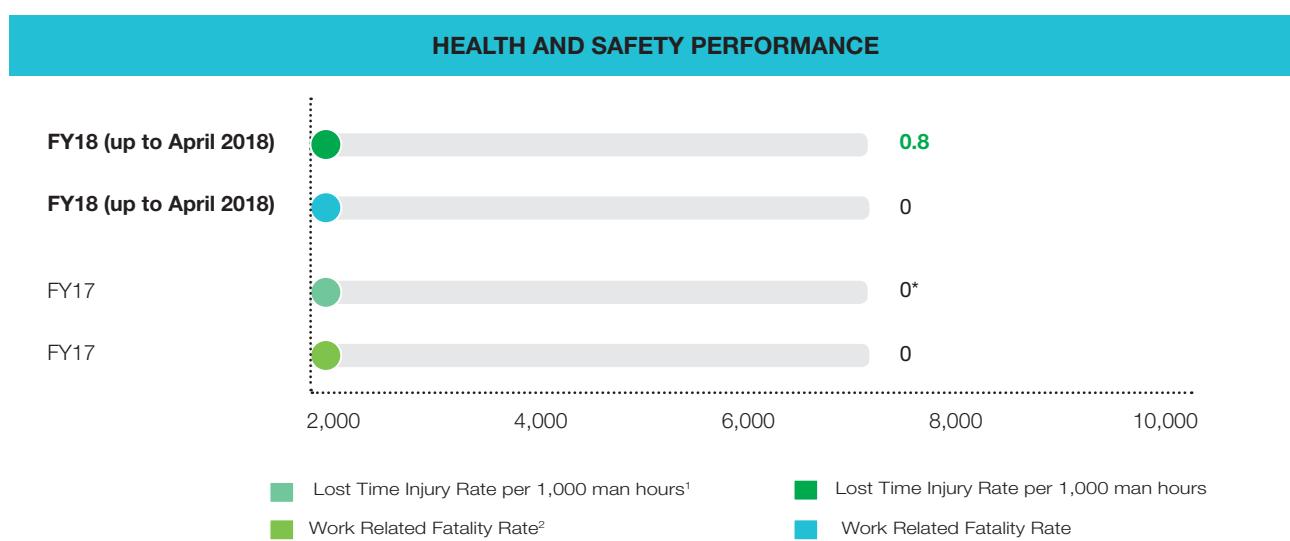
An Occupational Health and Safety (OHS) Committee was formed to oversee OHS issues at Mahkota. The OHS committee conducts a safety audit every three months to ensure practices are in compliance with local regulations. Various training programs, such as a manual handling, chemical management, fire safety, infection control and OSH practices are provided to the staff to help them understand safety practices within the hospital.

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Mahkota has also implemented voluntary programs to improve employee's wellbeing. Health check-ups are provided to staff to detect and prevent unnecessary occupational diseases. Different types of personal protective equipment are also supplied to staff to mitigate the risk of infection.

The Group organises various wellness events, festival celebrations and staff annual dinner to encourage staff wellbeing at work. HMI also set up a Sports and Recreation Club to organise regular sports events for staff and their families.

Recently, Mahkota participated in an OHS program organised by the Department of Occupational Safety and Health Malaysia. The hospital is one of the few organisations to achieve full marks during this assessment.



The Lost Time Injury Rate incurred by HMI's hospitals in FY18 (0.8 per 1,000 man-hours worked) was due to 2 staff having taken 46 days and 31 days of medical leave respectively. The former accidentally stepped on a machine cable, slipped and fell and the latter was injured while conducting maintenance operations. Management has taken appropriate steps to avoid similar incidents in the future and further improve the safety of HMI staff.

Moving forward, HMI will ensure that contract workers receive regular Health and Safety (H&S) trainings. HMI's management aims to increase emphasis on manual handling and chemical management training for staff. HMI will also look to maintain the Lost Time Injury Rate at less than 1.0 per 1,000 man hours and maintain Work Related Fatality Rate at nil.

KEY PERFORMANCE INDICATOR	FY2019 TARGET
Mahkota and Regency	<ul style="list-style-type: none"> • Lost Time Injury Rate per 1,000 man hours • Work Related Fatality Rate <ul style="list-style-type: none"> • Maintain Lost Time Injury Rate at less than 1.0 per 1,000 man hours • Maintain Work Related Fatality Rate at nil

¹ Total no. of work days lost due to injuries
Total man hours worked x 1,000

² (Total No. of fatalities / Month average of no. employees) x 1,000

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5. TRAINING AND EDUCATION

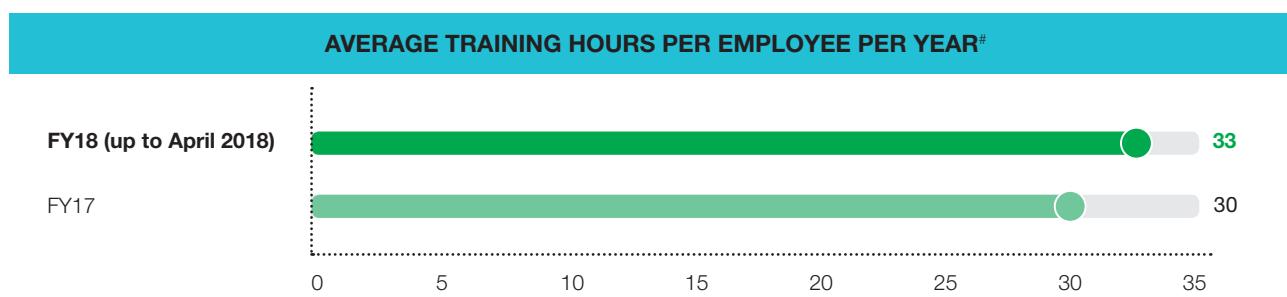
It is our strong belief that long-term success is dependent on the strength and depth of our talent pool. While charting steady growth across our hospitals, the Group remains committed to not only attracting the right talent, but also nurturing and retaining them as we grow. All of our staff are exposed to learning and development opportunities, while the management team ensures that each individual is given the appropriate training to handle their daily tasks.

In an ever-changing medical landscape, we focus on the continuous professional development of consultants and doctors through the support of industry-wide medical conferences, talks and workshops so that they are kept abreast of the latest developments in the medical field.

Similarly, we also support the professional development of our nurses and allied health professionals through talks and workshops as well as active participation in post basic training programmes to provide the best customer experience for our patients.

Various training policies at both Mahkota and Regency are listed as below:

- Eligible Employees shall attend training subject to the recommendation by the Department Head, concurrence by HR Department and approval by the Chief Executive Officer
- The training course should be relevant to the job function, responsibilities and KPIs of the employees or for future training development
- Employees attending external courses sponsored by the hospitals where total expenses are more than a certain amount shall be subject to a training bond
- Employee Education Activities Record indicating the total training hours attended by staff shall be collected by HR Department for record/tracking purposes



[#] Average Training Hours Per Employee per year, including post basic training.

In the forthcoming year, Mahkota and Regency each aims to reach at least 24 hours of training per employee per year including post basic training.

KEY PERFORMANCE INDICATOR		FY2019 TARGET
Mahkota and Regency	Average Training Hours per Employee per year, including post basic training	To achieve at least 24 hours of training per employee per year, including post basic training

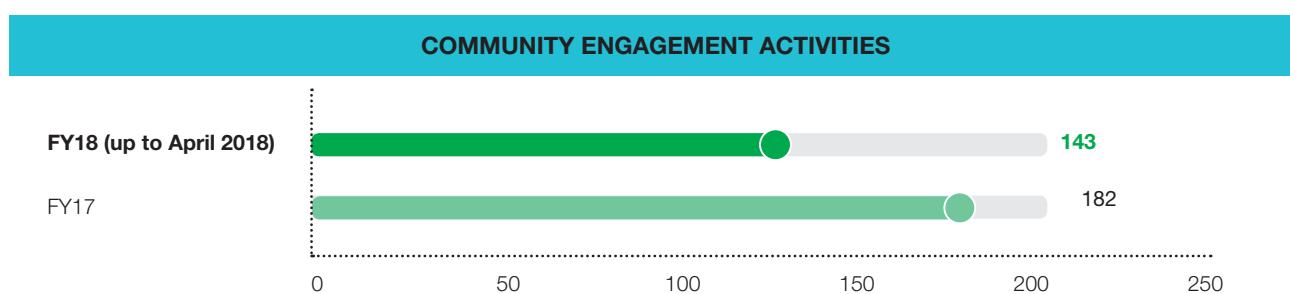
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6. COMMUNITY ENGAGEMENT

As a healthcare organization, HMI is committed to promote the wellbeing of the local community. Since our inception, we have continuously engaged with the community, striving to educate and empower members of the public to take better care of their health by advocating the prevention of diseases through healthy living. Accordingly, HMI is actively involved in Corporate Social Responsibility (CSR) and community health activities.

The Group has implemented a set of philanthropic and volunteer driven actions across its operations to develop long-term relationships with the local community. The Group's staff and consultants are actively involved in various health talks organized for both local and overseas communities.

The Group also actively promotes and organises initiatives such as public health talks, donations to non-profit organizations, and visits to elderly homes. Since 2014, Mahkota has implemented a CSR committee whereby committee members are accountable for the organization of the 'Mahkota Charity Run', a yearly event organized by the hospital.



In FY2017, Mahkota contributed approximately RM123,000 in total from donation. Charity Run activities undertaken for the past years include the following:

YEAR	THEME	CENTRE OF EXCELLENCE PROMOTED	NO. OF RUNNERS	CHARITY FUND RAISED (RM)	CHARITY PARTNER (BENEFICIARY)
2016	Sugar Rush	Mahkota Diabetes Centre	1,509	123,067	Lee Association – Lee Youth Caring Fund (Diabetes patients)

Other community activities organised by Mahkota and Regency include the Minimally Invasive Surgery Health Forum at Sin Chew Daily Headquarters and a Diabetes Roadshow. The Minimally Invasive Surgery Health Forum is organised to create awareness on minimally invasive surgeries through knowledge sharing by doctors from both hospitals. In conjunction with the World Diabetes Day celebrations, Mahkota and Lee Youth Caring Fund organized a series of Diabetes roadshows on 7 October, 18 November and 9 December 2017.

	KEY PERFORMANCE INDICATOR	FY2019 TARGET
Mahkota and Regency	<ul style="list-style-type: none"> Total number of community engagement activities 	<ul style="list-style-type: none"> To have a minimum of 120 community engagement activities per year

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GOVERNANCE

As a regional healthcare provider with operations in Malaysia and Singapore, HMI is subject to various social and environmental rules and regulations set by Ministry of Health and other government bodies. It is imperative that HMI strictly adheres to these regulations in order to ensure the sustainability of its operations.

7. CORPORATE GOVERNANCE

The Board of Directors (the “Board”) together with the Management of HMI firmly believe that good corporate governance is essential to the success and the sustainability of the Group’s business and performance. The Group’s Corporate Governance policies are built upon the principles and guidelines set by:

- (1) Code of Corporate Governance 2012 (the “Code”)
- (2) Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”)

The group adheres to principles and guidelines from the Code to protect stakeholder interests and enhance long-term shareholder value and corporate transparency.

Please refer to the “Code of Corporate Governance Report” Page 37 of the Annual Report for more details on the below mentioned policies and practices.

- Risk Management
- Board responsibilities
- Conflict of Interest
- Remuneration policy
- Integrity and ethics

KEEP-IN-VIEW ESG FACTORS

Through the Group’s recent sustainability materiality assessment, HMI has identified a list of keep-in-view ESG factors:

- Customer Satisfaction
- Data Privacy
- Ethics & Integrity

HMI recognises the importance of these ESG issues, and has already implemented various policies and procedures to manage them. The Group will continuously invest necessary resources to achieve satisfactory performance levels in managing these factors. In the next financial year, HMI will continue to monitor ESG issues and improve upon the performance during FY2018.

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GRI INDEX

GRI STANDARDS (2016)	NOTES/PAGE NUMBER(S)
GENERAL DISCLOSURES	
ORGANISATIONAL PROFILE	
102-1 Name of the organisation	Health Management International Ltd
102-2 Activities, brands, products, and services	Annual Report, Corporate Structure, Page 2
102-3 Location of headquarter	Annual Report, Back cover
102-4 Location of operations	Annual Report, Notes to the Financial Statements 30 and 35, Page 113 and 121, respectively
102-5 Ownership and legal form	Public Limited Company listed on the Singapore Exchange
102-6 Markets served	Annual Report, Notes to the Financial Statements 30, Page 113
102-7 Scale of the organisation	Annual Report, Notes to the Financial Statements 30, Page 113
102-8 Information on employees and other workers	Annual Report, Page 12
102-9 Supply chain	Not applicable, supply chain is minimal and insignificant to report on.
102-10 Significant changes to organisation and its supply chain	Annual Report, Group CEO's Message – Review of Operations, Page 7 Annual Report, Notes to the Financial Statements 35, Page 121
102-11 Precautionary principle or approach	Annual Report, Code of Corporate Governance Report, Page 49
102-12 External initiatives	Annual Report, Community Engagement Programmes, Page 14
102-13 Membership of associations	HMI does not belong to any association
STRATEGY	
102-14 Statement from senior decision-maker	Annual Report, Chairman's Message, Page 4 Annual Report, Group CEO's Message – Review of Operations, Page 7 Board Statement, Page 25
ETHICS AND INTEGRITY	
102-16 Values, principles, standards, and norms of behaviour	Sustainability at HMI, Page 24
GOVERNANCE	
102-18 Governance structure	Annual Report, Code of Corporate Governance Report, Page 37
STAKEHOLDER ENGAGEMENT	
102-40 List of stakeholder groups	Stakeholder Engagement, Page 26
102-41 Collective bargaining agreements	Not applicable, no collective bargaining agreements are in place.
102-42 Identifying and selecting stakeholders	Stakeholder Engagement, Page 26
102-43 Approach to stakeholder engagement	Stakeholder Engagement, Page 26
102-44 Key topics and concerns raised	Materiality, Page 26

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REPORTING PRACTICE

102-45	Entities included in the consolidated financial statements	Annual Report, Notes to the Financial Statements 35, Page 121
102-46	Defining report content and topic Boundaries	About this Report, Page 24 Materiality, Page 26
102-47	List of material topics	Materiality, Page 26
102-48	Restatements of information	Not applicable as this is the inaugural sustainability report.
102-49	Changes in reporting	Not applicable as this is the inaugural sustainability report.
102-50	Reporting period	About this Report, Page 24
102-51	Date of most recent report	Not applicable as this is the inaugural sustainability report.
102-52	Reporting cycle	About this Report, Page 24
102-53	Contact point for questions regarding the report	About this Report, Page 24
102-54	Claims of reporting in accordance with GRI Standards	About this Report, Page 24
102-55	GRI content index	GRI Index, Page 34
102-56	External assurance	HMI has not sought external assurance on this report but may do so in the future.

MATERIAL TOPICS

ECONOMIC PERFORMANCE

201-1	Direct economic value generated and distributed	Annual Report, Financial Contents, Page 59
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MEDICAL EFFLUENTS AND WASTE MANAGEMENT

306-4	Transport of Hazardous Waste	Medical Effluents And Waste Management, Page 27
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ENERGY

302-1	Energy consumption within the organization	Energy, Page 28
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OCCUPATIONAL HEALTH & SAFETY

403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and work-related fatalities	Occupational Health & Safety, Page 29
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TRAINING AND EDUCATION

404-1	Average hours of training per year per employee by gender, and by employee category	Training and Education, Page 31
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LOCAL COMMUNITIES

413-1	Total value of community investment	Community Engagement, Page 32
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CORPORATE GOVERNANCE

102-4	Sufficient levels of rules, systems, practices and processes by which a company is directed and controlled	Annual Report, Code of Corporate Governance Report, Page 37
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