

SUSTAINABILITY

Our Corporate Sustainability Policy commits us to a stewardship of our organisation that seeks to meet the needs of the present without compromising the needs of future generations. Sustainability is thus our overall goal, while corporate responsibility guides how we manage our businesses and achieve competitiveness. Our approach has made the Company a recognised leader in pioneering transit-oriented social development.

RAIL PLUS PROPERTY

The Company's integrated "Rail plus Property" model enables us to be a self-sustaining urban transport system. By owning land assets and air rights, we have advanced new land uses through high-density living centres linked by rail. This enables us to leverage the economic opportunity derived from enhanced residential and commercial properties around rail stations. From an environmental point of view, locating facilities in close proximity means that commuting trips can be made in a more environmentally friendly means through our rail network, reducing traffic and air pollution. The higher living density at rail stations acts to preserve valuable green zones and supports lower density living between stations.

Social aspirations and environmental excellence are incorporated into our property developments, an idea that LOHAS Park brings to life. Here, residents enjoy spacious, green community living supported by environmental initiatives such as road and pedestrian separation and energy efficient buildings. The multi-level rail station serves as the principal transport hub for the community, connecting to Hong Kong's commercial and entertainment centres, and providing interchange facilities to other public transport modes.

Over the next ten years, we will build and operate 56 kilometres of new rail lines in Hong Kong, including the Hong Kong section of the Express Rail Link that will run from West Kowloon to the Hong Kong/Shenzhen boundary. We are thus in a strategic position to shape regional development in the Pearl River Delta. We are also developing businesses overseas, striving to build new communities that increase the use and acceptance of public transport.

CREATING SUSTAINABLE COMPETITIVE ADVANTAGE

Our unique organisational footprint identifies us as a community asset operating on commercial principles. Combining risk management and stakeholder engagement with our corporate strategy creates a resilient sustainable competitive advantage that is unique.

Our enterprise risk management framework identifies, prioritises and manages risks from our existing and growth businesses as well as the external business environment. We focus on managing risks, reducing costs and adding value through taking advantage of opportunities identified.

Stakeholder engagement addresses stakeholder sensitivities and applies cost-effective measures to close the gaps between

stakeholder expectations and our delivery. In 2011, we formalised the engagement process to understand and reflect stakeholder's interests on our railway extension.

To ensure the resilience of assets and services we target the continual improvement of our services, assets and supply chain, taking into consideration society's changing aspirations and the need to protect the environment. We accommodate these aspects into our operations by engaging stakeholders and balancing their aspirations with commercial risks.

CARBON MANAGEMENT

The Hong Kong SAR (HKSAR) Government has signed onto the APEC agreement to reduce greenhouse gas (GHG) intensity by 20% by 2020. At the COP15 meeting in Copenhagen, China agreed to a 40-45% reduction in GHG intensity by 2020. The HKSAR Chief Executive has announced that Hong Kong will follow the target of the Mainland of China, which will have significant implications given the relatively low GDP growth Hong Kong is expected to experience in the next decade.

Discussions about climate change may imply future regulatory risk in relation to reducing, monitoring, reporting and verifying carbon emissions. As a proactive step, the Company has reported its carbon emissions since 2002, and continuously participated in the Carbon Disclosure Project since 2006. The Company also issued its Climate Change Policy in 2006, having established the international template with the International Association of Public Transport (UITP) that same year. The Community of Metros (CoMET), of which we are also a member, has also established a carbon emission methodology for benchmarking among its 14 member metropolitan metros.

A new section of our Design Standards Manual has recently been implemented focusing on energy efficient design. All new railway projects will consider carbon assessments and will facilitate carbon emissions reduction throughout the project cycle. Tools are being developed that will allow us to balance the embodied carbon in our railway infrastructure when compared to operations allowing a life cycle assessment of carbon, a first for a railway.

SUSTAINABILITY LEADERSHIP

Since 2000 we have published annual Sustainability Reports using recognised global standards or best practices, including the GRI G3 Sustainability Reporting Guidelines, CoMET benchmarking and the Carbon Disclosure Project.

Our achievements continue to attract international recognition. In September 2011, we were selected as a New Sustainability Champion by the World Economic Forum. The Company remains listed on the Dow Jones Sustainability Indexes, FTSE4Good Index and Hang Seng Corporate Sustainability Index. We are also included as the only Hong Kong company in the 2011 Corporate Knights Global 100 Most Sustainable Corporations in the World (the Global 100).