

# CORPORATE RESPONSIBILITY

295 volunteering projects serving  
94,238 individuals

HK\$31m  
in community investment initiatives



15.1%  
reduction  
from 2008 levels in the amount of  
electricity used for each passenger-  
kilometre in our heavy rail network

HK\$24m  
in in-kind support for  
NGOs and community  
organisations

Our rail and property services are closely linked to the lives of the people and communities we serve. Here at MTR, underpinned by our sustainable financial model, corporate responsibility is therefore about operating safely and responsibly in all aspects of our business and contributing positively to the development of the communities in which we operate.

The contributions we make goes beyond the profit we generate for our shareholders. We create economic value through the transport, property

and other services provided to customers. Revenue generated from these services is in turn distributed to stakeholders, including suppliers, employees, capital providers, shareholders, Government and the community at large.

For the past 18 years, we have provided a detailed account of our approach and performance in our annual Sustainability Report, in line with the disclosure requirements of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide.

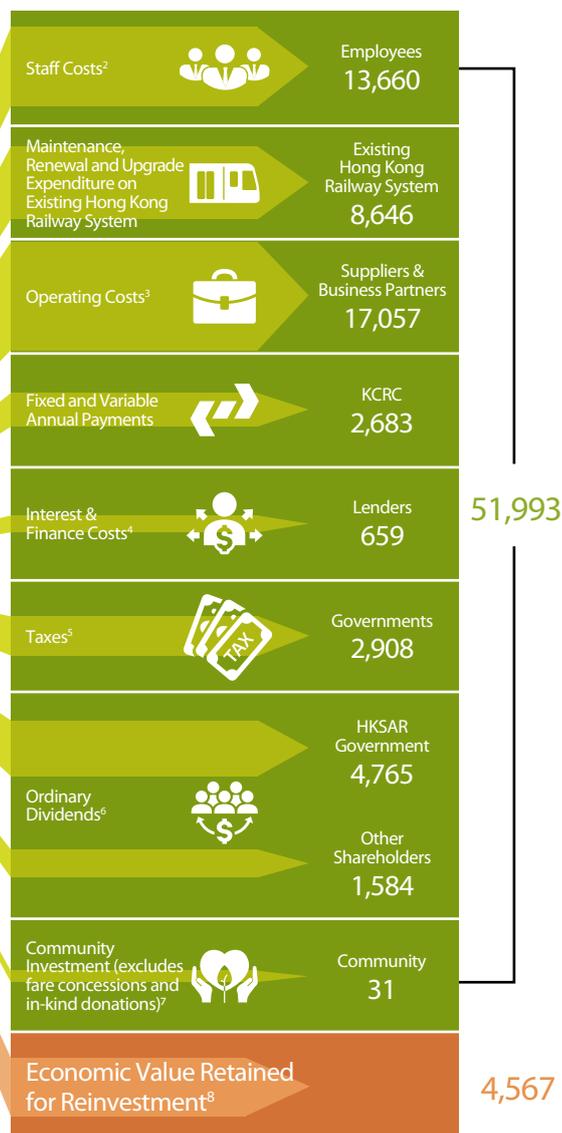
## VALUE ADDED AND DISTRIBUTION STATEMENT IN 2017 (HK\$ MILLION)

### Economic Value Generated



**Total: 56,560**

### Economic Value Distributed



#### Notes:

- Before taking into account staff costs of HK\$23 million.
- Excludes staff costs relating to Hong Kong railway system maintenance of HK\$2,104 million and capitalised for asset creation of HK\$1,191 million.
- For simplicity, operating costs include interest income and share of profit or loss of associates and joint venture, netted with profit attributable to non-controlling interests. Excludes operating costs relating to Hong Kong railway system maintenance of HK\$1,678 million.
- Excludes interest expenses capitalised for asset creation of HK\$373 million.
- Represents current income tax and excludes deferred tax for the year.
- Represents ordinary dividends payout during the year. Excludes the payment of the second and final tranche of special dividend under the XRL Agreement of HK\$13.0 billion (HK\$9,756 million to the Financial Secretary Incorporated of the HKSAR Government and HK\$3,253 million to other shareholders).
- Includes donations, sponsorships and other community engagement contributions (inclusive of HK\$6.8 million donation made to victims of the arson attack that took place on 10 February 2017), and excludes ongoing fare concessions and promotions of HK\$2,672 million and in-kind donations of HK\$24 million.
- Economic value retained for reinvestment to generate future economic values. This represents underlying business profit attributable to shareholders of the Company (before depreciation, amortisation and deferred tax) for the year retained, after the amounts distributed to our stakeholders and invested in asset maintenance, renewal and upgrade of our Hong Kong railway system, but before payment of the second and final tranche of special dividend under the XRL Agreement of HK\$13.0 billion.

# CORPORATE RESPONSIBILITY

## GOVERNANCE AND POLICIES

Our Vision, Mission and Values embody the commitment we make to acting responsibly. They are supported by a strong corporate governance framework.

We follow clear policies and management directives under the Corporation General Instructions and the Corporate Responsibility Policy, which was updated in July 2017. The Board's Corporate Responsibility Committee has strategic oversight of our corporate responsibility commitments and reports to the Board of Directors on these issues. Our Corporate Responsibility Steering Committee supports the Executive Directorate team in reviewing, monitoring and implementing responsible business practices across all divisions.

Issued in 2008, our Supplier Code of Practice provides a basic, compulsory behavioural framework for ethical standards, human and labour rights, and supply chain management. Full compliance with the code is a requirement of all MTR procurement contracts and suppliers are responsible for ensuring that their own suppliers comply with the code. We have updated the code to incorporate our Green Procurement Policy, which encourages sustainability practices among our suppliers.

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## HOW WE OPERATE AS A BUSINESS

### Safety

Providing customers with a safe and reliable railway service is at the very heart of our operations. Our "safety first" culture covers customers, staff, contractors and anyone else who legitimately enters our railway facilities. We invest heavily in maintenance to ensure our assets contribute to high levels of safety and carry out initiatives to address specific safety issues. Our efforts to ensure continuous improvement in customer safety led to a 5.5% reduction in reportable events on the Hong Kong heavy rail and light rail network in 2017 compared with the previous year. Further details on customer safety are set out in the section headed "Hong Kong Transport Operations".

MTR's approach to the safety of staff, contractors and systems is no less rigorous. Our safety assurance process involves assessing operational safety impacts throughout the project lifecycle, with consistent checks at each milestone. We integrate, verify and validate safety requirements through both a top-down and bottom-up approach, including contract requirements, safety integrity level assessments for safety-related and safety-critical systems and design, as well as onsite verification and validation activities. We also employ independent safety assessors to check the adequacy and effectiveness of the development processes for our safety critical systems. These assessors are involved at all stages of construction and installation projects.

### Environment and Natural Resources

Our aim is to become one of the most resource-efficient and ecologically sustainable railways and property services providers in the world. An electrically-powered mass transit railway is widely regarded as the most environmentally sustainable way to transport millions of people in large cities. Our biggest contribution to the environment therefore comes from avoiding pollution, such as through reducing roadside emissions and road congestion, and making better use of limited land resources as more people travel by rail. Our new lines in Hong Kong are increasing this contribution by adding to the number of journeys that can be made by train.

Our Corporate Responsibility Policy commits us to managing environmental issues. The independently audited ISO 14001 environmental management system certification process fosters accountability among employees and partners. We are also responding to climate change, guided by the recommendations from leading scientists. Initiatives in this area range from reviewing our design standards to preparing response procedures for extreme weather events.

Our approach to environmental issues begins with the Environmental Impact Assessments we make before starting all major construction and operations activities. We also implement comprehensive environmental management and monitoring plans for impacts relating to noise, air and water quality, waste, energy use, and biodiversity.



Improving environmental efficiency is an important goal and we continue to find ways to reduce our energy consumption. Our target is to achieve a 21% reduction from 2008 levels by 2020 in the amount of electricity used for each passenger-kilometre in our heavy rail network. By the end of 2017, we had achieved a reduction of 15.1%. MTR is currently investing in a large-scale chiller replacement programme that will improve energy efficiency by installing more advanced and environmentally-friendly equipment at stations and depots. We are also harnessing new technology, such as Artificial Intelligence, to increase efficiency.

Since 2002, we have been reporting on our Greenhouse Gas (“GHG”) emissions. We monitor Scope 1, 2 and 3 GHG emissions in accordance with the Greenhouse Gas Protocol established by the World Resources Institute and the World Business Council for Sustainable Development, and also make reference to guidelines published by the Environmental Protection Department and Electrical and Mechanical Services Department in Hong Kong, as well as other international sources.

### Our People

The dedication and commitment of our staff are the key to our success. To nurture talents and help them reach their full potential, we provide a wide variety of training and development opportunities. This also ensures that we have a skilled workforce to provide caring service to our customers. Further details are set out in the section headed “Human Resources”.

### Our Customers

On average, 5.76 million passengers use MTR in Hong Kong each weekday and our train services have a big impact on the daily lives of many people in our city. We constantly strive to understand the needs of our customers and improve the services we provide for them. Further details are set out in the section headed “Hong Kong Transport Operations”. Outside of Hong Kong, we further carry an average of around 6.49 million passengers per weekday in 2017 and our efforts to raise service levels are detailed in the section headed “Mainland of China and International Businesses”.



### HOW WE CONTRIBUTE TO SOCIETY

As a corporate citizen, we leverage our assets, skills and resources to connect, grow and support communities to help them thrive.

“Community Connect” is our platform for initiatives that aim to support the young and old, while enhancing the liveability of our city. All of our programmes are carefully developed to nurture the communities we serve across all 18 districts of Hong Kong. We invest in young people, who are our customers, future leaders, innovators and game changers. We contribute to making the city more connected and vibrant through staff volunteering, and collaborating with non-governmental organisations and social enterprises to address evolving community needs. We also enhance the travelling experience through integrating art into our station architecture and enabling artists to display their work in our stations and shopping malls.

#### Youth

Our vision for youth development is to empower young people so that they have the skills, knowledge and opportunities to create a bright future for themselves and their communities. In 2017, over 7,000 young people participated in our youth programmes.

A major initiative is our annual summer programme, “Train’ for life’s journeys” programme. In 2017, 160 secondary-school students from 93 schools completed this 10-day programme. Through workshops, camps and work experiences at MTR, the programme strengthened participants’ confidence, enhanced their communications and leadership skills, broadened students’ social networks, and their understanding of career options.

We also continued to seek feedback from young people on our initiatives. The Youth Forum, our young think tank, exchanges views with MTR management on a regular basis. Four of the five projects chosen by the public under our “Pathways to Employment” programme are running at full steam. Our implementation partners are working towards making the transition from education to work less daunting by teaching secondary-school girls how to code, enhancing the learning environment with fellows supporting teachers, developing young people to support children’s rights, and incubating artisans to be commercially viable.

Last but not least, in 2017 the Corporation launched a new programme – STEM Challenge – to encourage secondary-school students to explore science, technology, engineering

and mathematics (“STEM”) subjects. Designed with support from Junior Achievement Hong Kong and HKEdCity, the programme aims to enhance students’ understanding of how STEM skills are applied in practice. Students enrolled in Secondary 3 or above are invited to form teams to share their vision for “Inclusive and Sustainable Communities”. Three outstanding teams will be offered the opportunity to visit our overseas operations in the summer of 2018.

## Community Outreach

At the heart of our “Community Connect” programme is our “More Time Reaching Community” scheme. In 2017, a total of 295 projects were initiated and organised by our staff and retirees, a 12% increase from 2016, involving more than 6,800 participating volunteer headcount. The projects mainly benefited the elderly, mentally and physically challenged people, children, youth and underprivileged families. A new programme was launched in 2017 in which 10,000 elderly people from 18 districts were taken on excursions to the newly renovated Ngong Ping 360 through over 400 District Council members. We also held our first “MTR Volunteering Month” in November 2017, with around 100 volunteers participating in four volunteering activities with MTR elements.

Supplementing our extensive community support and volunteering activities, around HK\$31 million of community investment was made during the year. Including HK\$1.8 million donated to passengers injured in the Tsim Sha Tsui

arson incident in February 2017, with a further HK\$5 million donated by the Company in September 2017.

MTR is also providing free advertising space to more than 60 non-profit organisations to support their work in 2017. Starting in 2016, 12 retail shops along the West Rail Line have been made available at nominal rents for lease by social enterprises which are run by non-governmental organisations. Nine of these shops have opened for business in 2017.

## Art and Culture

Our “Art in MTR” programme enriches the MTR travelling environment through high quality works of art. A diverse range of activities was held in 2017, with 64 events in stations across Hong Kong. We also increased the number of permanent artworks by local and international artists to 73 across 45 stations during the year.

During the year, we collaborated with a team of 14 design students from Savannah College of Art and Design (“SCAD”) Hong Kong to develop concepts for an art installation in Sham Shui Po Station. Among the seven installation concepts presented by students, two were selected as final proposals for production: “Urban Identity” and “Chairs of Sham Shui Po”. The designs are being integrated into the station and will be completed in 2018.

In 2017, the Corporation has also collaborated with different art and design institutions to host four exhibitions on various art themes under the Community Connect platform.

## RECOGNITION FOR CORPORATE RESPONSIBILITY

We continued to receive global recognition for corporate responsibility in 2017.

Exceptional international recognition of our high quality, low-carbon transit services and sustainable Rail and Property business model came as MTR was named in the FORTUNE “Change the World” list in 2017. We were the only Hong Kong company among the top 50 global institutions recognised for corporate responsibility by FORTUNE, which praised MTR particularly for running train services on schedule 99.9% of the time and for our low train fares for commuters that do not rely on direct taxpayer subsidies.

We also received several awards during the year, including a Silver Prize in the “8<sup>th</sup> Hong Kong Corporate Citizenship

Award” organised by the Hong Kong Productivity Council, and the “Hong Kong Sustainability Award” from the Hong Kong Management Association. For the third consecutive year, MTR was awarded the “10 Years Plus Caring Company Logo” for our commitment to caring for the community, our employees and the environment.

The Company remains a constituent member of relevant investor indices, including the Dow Jones Sustainability Asia/Pacific Index, the FTSE4Good Index, and the Hang Seng Corporate Sustainability Index. We also achieved an “AAA” rating in the MSCI Sustainability Indexes, making MTR a leader among the world’s road and rail transport companies.