

CORPORATE RESPONSIBILITY

17% reduction from 2008 levels in the amount of electricity used for each passenger-km in our heavy rail network



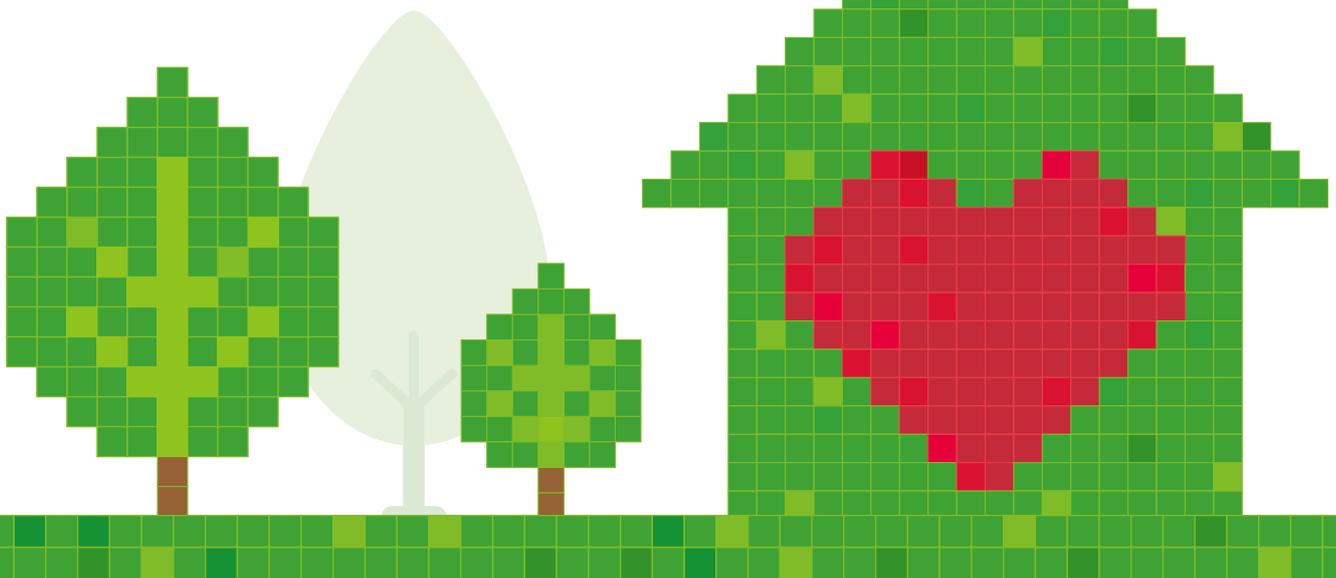
292 volunteering projects serving **61,014** individuals



HK\$26 million in-kind support for NGOs and community organisations



HK\$28 million community investment initiatives



MTR's success has been built on a set of clear vision, mission and values which serve as the guiding principles of our corporate behaviour for achieving business results. We recognise corporate responsibility as an integral element in maintaining our position as a responsible business that contributes to society.

Our rail and property services are closely linked to the lives of the people and communities we serve. 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.

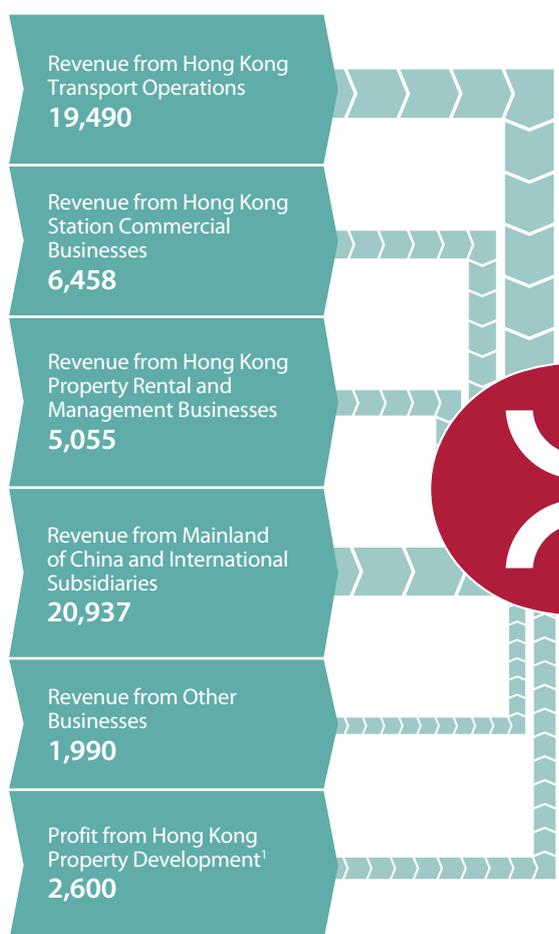
For nearly two decades, our annual Sustainability Report has provided a detailed account of our approach and performance in this area, in line with the disclosure requirements of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide. The details of this reporting are made available on our separate sustainability website, which in addition to the Sustainability Report itself, provides further information about the Company's efforts to act as a responsible corporate citizen to benefit the society.

The Sustainability Report 2018 will contain an Independent Assurance Report, which will be prepared by Ernst & Young, and will perform a limited assurance in relation to certain sustainability performance data. These include data for both the Hong Kong and Mainland of China and International

businesses covering Greenhouse Gas (“GHG”) emissions, staff indicators such as turnover and training days, safety performance for operations, staff and contractors and supply chain management numbers. The Sustainability Report 2018 will be published on our sustainability website in May 2019.

VALUE ADDED AND DISTRIBUTION STATEMENT IN 2018 (HK\$ MILLION)

Economic Value Generated



Economic Value Distributed



Total: 56,530

Total: 56,530

Notes:

- Before taking into account staff costs of HK\$26 million.
- Excludes staff costs related to Hong Kong railway system maintenance of HK\$2,169 million, capitalised for asset creation of HK\$1,178 million and recoverable of HK\$566 million.
- For simplicity reason, 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 related to Hong Kong railway system maintenance of HK\$1,893 million.
- Excludes interest expenses capitalised for asset creation of HK\$407 million.
- Represents current income tax and excludes deferred tax for the year.
- Includes donations, sponsorships and other community engagement contributions, and excludes ongoing fare concessions and promotions of HK\$2,769 million and in-kind donations of HK\$26 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.

GOVERNANCE AND POLICIES

All of our corporate responsibility initiatives are aligned with our business objectives and corporate values, and are supported by the corporate governance framework.

Our management approach to corporate responsibility comprises a number of policies, including our Corporate Responsibility Policy, which was updated in 2017, our Safety Policy, our Green Procurement Policy and our Climate Change Statement. These policies are overseen by the Board's Corporate Responsibility Committee, which provides strategic guidance and reviews our corporate responsibility practices and performance. Please also refer to the "Corporate Responsibility Committee" in "Corporate Governance Report" (pages 123 to 124) of this Annual Report for its principal responsibilities. Our Corporate Responsibility Steering Committee supports our corporate responsibility efforts by providing direction and inputs on fostering responsible business practices across all divisions.



HOW WE OPERATE AS A BUSINESS

Safety

The safety of our customers, employees and business partners remains our number-one priority. We ensure a safe and healthy environment by fostering a safety-first culture, driving continuous improvement, and engaging and educating our stakeholders to meet the requirements under our Safety Policy and its goals. Our Corporate Strategic Safety Plan, which is reviewed and formulated every four years, helps us to manage safety across all of our business areas, supporting our rapid growth and global expansion. Our well-established Corporate Safety Management Model provides an effective and robust framework for overseeing our safety performance across eight core elements of our business.

Our efforts to ensure continuous improvements in customer safety led to a reduction in reportable incidents on the Hong Kong heavy rail and light rail network in 2018, compared with the previous year. Further details on customer safety are set out in the section headed "Hong Kong Transport Operations" (page 43) of this Annual Report and the safety section of our

Sustainability Report 2018 and sustainability website. MTR's approach to the safety of staff, contractors and systems is also rigorous. To promote our safety-first culture to all colleagues, we hold a Corporate Safety Month each year, alongside ongoing initiatives to address specific safety issues. We invest heavily in the maintenance of our assets, and assess operational safety impacts throughout the lifecycles of our projects.

Environment and Natural Resources

We strive to be 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 large volumes of people in cities. Our biggest contribution to the environment, therefore, comes from avoiding pollution, such as roadside emissions. On top of this, we aim to reduce our direct emissions, use resources efficiently and minimise the environmental impact of our business. We set out detailed guidance on



key environmental areas in our Corporate Responsibility Policy. In Hong Kong, before any project commences, we conduct an Environmental Impact Assessment and ensure that mitigation measures are incorporated and implemented. During construction and operation, we implement Environmental Management Systems that are independently audited and certified to be ISO 14001-compliant.

In June 2018, we established a new Green Finance Framework, building on our previous Green Bond Framework to include more types of green financing, including green loans and green credit facilities. The new framework, which takes into account the recommendations of the Green Loan Principles issued by the Asia Pacific Loan Market Association in March 2018, enables the Company to foster further sustainable development of public transport infrastructure, while also demonstrating our support for green finance initiatives. More details of the relevant investments are provided in our annual Green Bond Report, which will be published on our sustainability website in May 2019.

Reducing our electricity consumption is an important goal for our Company. We have set ourselves a target of achieving a 21% reduction from 2008 levels in the amount of electricity used for each passenger-kilometre in our heavy rail network

by 2020. By the end of 2018, we had achieved a reduction of 17%. We have implemented a range of measures to make ourselves more energy efficient, including replacing station air chillers with more energy efficient models.

We have been reporting our GHG emissions since 2002. 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. Alongside this, we also follow guidelines published by the Environmental Protection Department and Electrical and Mechanical Services Department in Hong Kong, as well as other international sources.

In addition, we remain committed to preserving and creating a green environment as far as possible when building new railways. In line with this, we have planted more than 700 trees and shrubs at the new Hong Kong West Kowloon Station. We also demonstrate our commitment to biodiversity through our management of the Lok Ma Chau Wetland.

Our People

At MTR, people are our most valuable asset. We aim to create a work environment that is engaging, supportive, inclusive and welcomes innovative ideas. We provide a wide range of professional and personal development opportunities to ensure we have a skilled workforce to meet our current and future needs. Further details are set out in the section headed "Human Resources" (pages 112 to 115) of this Annual Report.

Our Customers

We are committed to providing a high-quality service and a positive customer experience. We strive to understand the needs of our customers through regular engagement and feedback, and we are constantly working to improve the services we offer them, including setting up the Opinion Zone in Hong Kong West Kowloon Station shortly after its opening to get customer feedback. On average, each weekday 5.88 million passengers use our service in Hong Kong, with a further around 6.83 million passengers carried by our trains in the Mainland of China and internationally. Further details are set out in sections headed "Hong Kong Transport Operations" (pages 40 to 53) and "Mainland of China and International Businesses" (pages 80 to 89) of this Annual Report.

Our Suppliers

All our suppliers and contractors are required to comply with our Supplier Code of Practice, which sets out a compulsory behavioural framework covering ethical standards, human

and labour rights and supply chain management. Our Green Procurement Policy promotes high standards for environmental protection and sustainability both internally and among our suppliers and contractors.

HOW WE CONTRIBUTE TO SOCIETY

“Community Connect” is our platform for launching initiatives to help the communities we serve. Our programmes and activities are carefully designed to support and engage communities across all 18 districts of Hong Kong. In addition, we aim to enhance customers’ travelling experience and provide a showcase for local and international artists through our “Art in MTR” programme.

Youth

We invest in young people who are our customers, future leaders and innovators. We aim to empower them with the skills, knowledge and opportunities they need to create a bright future for themselves and their communities. More than 12,000 young people participated in our youth programmes in 2018.

In 2017, the Company launched a new programme, STEM Challenge, to encourage secondary school students to apply their knowledge of science, technology, engineering and mathematics (“STEM”) subjects to real-world challenges.

Our colleagues shared with students how STEM knowledge is applied in transporting millions of passengers every day. At the MTR STEM Challenge Pitch Day on 28 April 2018, the finale of the year-long STEM Challenge programme, students presented their vision for “Inclusive and Sustainable Communities”. The three best performing teams won a study tour to see MTR’s operations in Sweden over the summer of 2018.

A new initiative launched in 2018 to foster the development of performing arts among tertiary students was “Uth Live Saturdays”. With the support of the Hong Kong Federation of Youth Groups, we hope to provide a regular platform at the Living Art Stage in Hong Kong Station for performances such as music bands, dance troupes and a cappella groups.

We also continued to run our Youth Forum, enabling young people to exchange views with MTR management, and our “Pathways to Employment” programme, which aims to make the transition from education to work less daunting.

2018 marked the 10th anniversary of our annual summer programme “Train’ for life’s journeys”, with over 200 secondary-school students taking part in the 8-day event. The programme aims to strengthen participants’ confidence through camps, workshops, community service and work experience, as well as enhance their communication and leadership skills, broaden their personal networks and give them a better understanding of their career options.



Community Outreach

A key part of our “Community Connect” programme is our “More Time Reaching Community” scheme, which encourages our employees to volunteer their own time to serve the community. In 2018, a total of 292 projects were organised by our staff and retirees, involving more than 5,600 participating volunteer headcount. Our projects mainly benefited the elderly, mentally and physically challenged people, children, youth and underprivileged families. MTR Volunteering Month was held in late 2018, with the theme of environmental protection. One of the unique activities was the donation of over-sized fish from Lok Ma Chau Wetland for our volunteers to prepare meals for the elderly.

Apart from our extensive volunteering activities, MTR also showed our support for communities through investing HK\$28 million in community projects, while our staff raised HK\$264,000 through donations for charities such as The Community Chest, Hong Kong Cancer Fund and Save the Children.

MTR continued to provide free advertising space to some 66 non-profit organisations to support their work in 2018. A total of 12 retail shops along the West Rail Line were also made available for social enterprises to lease at nominal rents.

In addition, MTR continued to run the 18 Districts x MTR Ngong Ping 360 Elderly Programme starting from October 2018. This year, the programme expects to invite over 12,000 elderly people, through 18 district councils, to enjoy free cable car rides and lunch in Ngong Ping Village, with interactive games designed to reinforce their awareness on railway safety.

Art and Culture

Our “Art in MTR” programme aims to enhance customers’ journeys and inspire their lives through high quality works of art and art events. A number of art exhibitions were held during the year, including “Cream of the Crop” exhibition, co-hosted with Hong Kong Design Institute, in Telford Plaza which showcased the work of students.

Three new station artworks were also unveiled. “Morning Dynamics” by British street artist Remi Rough has transformed one of the long underground walkways at Quarry Bay Station. At Sham Shui Po Station, “Urban Identity” and “Chairs of Sham Shui Po” was a collaborative project by MTR staff and students from the Savannah College of Art and Design, who brought their creative ideas to life through the “SCAD X MTR” project. The opening of Hong Kong West Kowloon Station brought six new artworks to the network, enhancing passengers’ journeys experience.

The second volume of “Art in MTR” was launched in July 2018 at the “The Rise of Public Art in Hong Kong” forum held at the Asia Society Hong Kong. The book features 29 new artworks added to the MTR network since 2012 and documents the creative process of commissioning art in MTR stations.



INDEX AND RECOGNITION

The Company continues to be a constituent member of relevant global investor indices, including the Dow Jones Sustainability Asia/Pacific Index and the FTSE4Good. We also once again achieved an “AAA” rating in the MSCI Sustainability Indexes, while we also achieved third place in the latest Hong Kong Business Sustainability Index, an

independent survey conducted by the Chinese University of Hong Kong.

We continued to receive extensive recognition for corporate responsibility in 2018, some of which are listed in the “Awards” section on page 39 of this annual report.