

# **Sustainability Report 2013**

www.mtr.com.hk/sustainability



# Supplementary Update to the Sustainability Report 2013



While this Sustainability Report covers our activities for the calendar year 2013, in the spirit of openness and transparency and in light of the recently announced revised programme for the Express Rail Link project ("XRL"), I wanted to take this opportunity to reiterate the Corporation's commitment to delivering XRL.

On 15 April 2014, we announced a delay in the commencement of passenger services on XRL to 2017, from the original date of 2015. Despite our best efforts, after a thorough review of the project and its timeline, we found that 2015 was no longer achievable.

We did not take this step lightly. XRL is one of our five major rail projects and is an essential addition to Hong Kong's transport network. The Hong Kong Government has entrusted the works to us and we fully appreciate the responsibility that we have for the management of the project and the completion of the works.

From the very beginning, XRL has presented serious challenges. Delayed site access, difficult ground conditions, deformed piles and bad weather have all cost us time – some had implications of well over a year. Instead of using these challenges as excuses to accept delays, we brought in additional resources, tried new methods, adjusted designs and re-sequenced work. While events leading to programme delays and cost impacts are not unusual in large and complex construction projects, we should have, as a Corporation, better communicated the challenges of this project and the mitigation measures used to address those challenges throughout the progress of the project. We made the mistake of not bringing the community along this journey with us.

Our belief is that all efforts should be made to address problems with a construction project before accepting that it will be delayed. It was in this spirit that we explored every possible solution and every possible alternative to achieve the 2015 completion date. Unfortunately, the obstacles were just too great and it became clear that 2015 was out of reach. Our imperative then was to tell our key stakeholders as soon as possible.

Going forward, we will adopt a more open and transparent reporting system to ensure our stakeholders are kept fully informed about project developments. There are three remaining works contracts that are critical to the successful completion of XRL and in relation to which we face particularly difficult challenges – a) West Kowloon Terminus station North; b) the Yuen Long tunnel section between Tsat Sing Kong and Tai Kong Po; and c) the cross-boundary tunnel section. For more information on the challenges faced in these three locations, please refer to the detailed information we have provided to the Legislative Council Panel on Transport - Subcommittee on Matters Relating to Railways, in the documents that can be found at this weblink. Regular updates on these three critical contracts will be provided to all of our stakeholders going forward.

We remain committed to serving the people of Hong Kong and will continue to address the critical challenges facing the XRL project, keep costs to a minimum and deliver this strategic rail corridor by the end of 2017.

In addition to our commitment to more open and transparent reporting going forward, we have taken a number of other improvement actions:

- In April 2014, the Corporation's Board of Directors resolved to establish an independent committee to conduct a thorough review into how XRL has been managed to date and to advise on how the project can be managed in a more timely and transparent manner going forward. This review will be assisted by independent external consultants and experts to provide an objective, third-party perspective.
- A central data room to access documentation relating to the XRL project will be set up and made available for Legislative Council Members in June 2014 and will be regularly updated until the completion of the project.
- A review of the Corporation's project management processes will be carried out to ensure that any delays, difficulties or challenges related to the revised construction programme and any impact on costs, are identified and highlighted in a timely manner and addressed accordingly.

As a Corporation that is committed to continuous improvement, we will learn from recent events and apply such learning to the delivery of our other four railway projects in Hong Kong and in our daily provision of railway services to the Hong Kong community. We will provide updated infomation on our website.

Our steadfast commitment to sustainable development and responsible business operations is not static, but is a continuing journey of learning and improvement. The recent XRL incident is an example of how we will overcome challenges through humility, openness, learning, engagement and transparency – actions that not only align with the Corporation's values, but are also crucial to operating as a responsible and sustainable business.

Jay H Walder

Chief Executive Officer MTR Corporation

1 June 2014

## Contents

About This Report

CEO Message

About the Company

Vision, Mission, Values

**Our Business** 

Corporate Governance

Corporate Sustainability Management Framework

Sustainability at MTR

**Determining Materiality** 

Risk Management Stakeholder Engagement Sustainability Priorities

14 Delivering

**Business Performance** 

Excellence in our Service Delivery Maintaining Reliability

Keeping our Colleagues, Customers and Partners Safe

Fostering and Continuously Improving a Safety-First Culture Passenger and Public Safety Safety on Construction Sites

**Environmental Leadership** 

Managing our Impact on the Environment Energy and Carbon Water and Natural Habitats Waste Disposal and Reduction

Responsibility in our Supply Chain

Doing our Part for the Community

Youth
"art in MTR"
Employee Volunteering

28 Growing

Hong Kong Rail Network

Reaching Out to Stakeholders Optimising our Railway Assets

**Property and Commercial Business** 

Maintaining a Workforce Fit for Growth

Attracting Talent
Developing our Talent
A Workforce Fit for the Future

Mainland of China and International Business

International Knowledge Transfer

40 Transforming

Transforming our Business

Excellence and Innovation
Working with our Partners

**Transforming Communities** 

Sustainable Development in Hong Kong

Looking to the Future

48 Performance Metrics

Metrics

**CoMET Benchmarking Results 2012** 

55 Independent Assurance Report

We value your feedback and comments about our sustainability report and overall sustainability journey. Questions or comments can be addressed directly to our Corporate Sustainability Department, sdmngr@mtr.com.hk, or through our sustainability microsite.

# **About This Report**



The theme of our 2013 Sustainability Report – *Delivering, Growing, Transforming* – reflects the way we are creating economic and social value as we serve our customers around the world and deliver on our corporate strategy, growing the organisation and in the process transforming ourselves and the communities we work in.

For the past twelve years, our sustainability report has served as an annual scorecard of our environmental, social and governance performance, supplementing the Annual Report which focuses on our financial performance. It is one of the tools that we use to provide a holistic view of our performance to our stakeholders, in particular to our investors and employees. This report highlights specific programmes that we have implemented in 2013 (1 January to 31 December) to address our eight sustainability priorities – the most material issues identified through an integrated risk management and stakeholder engagement process.

The report covers our core Hong Kong business and our wholly or majority-owned operations in Stockholm, Melbourne and Shenzhen. Our railway associates in the Mainland of China and the UK are referred to where relevant.

Complementing this printed report is an online sustainability microsite. The microsite provides greater detail about the systems, processes and actions that support us in delivering on our commitments.

This report is prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines core option. In line with GRI G4, we have increased our emphasis on stakeholder engagement and materiality this year. A GRI G4 Content Index located on the sustainability microsite details the extent to which each of the Guideline requirements have been covered in the report. We also include the relevant key performance indicators (KPIs) of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide and the International Association of Public Transport (UITP) Sustainability KPIs in the same chart.

PricewaterhouseCooper Limited (PwC) has provided independent assurance on selected quantitative data. Their report is provided on page 55 of this report.











The MTR Corporation has been included in the FTSE4Good Index Series and the Dow Jones Sustainability Indices since 2002, as well as the Hang Seng Corporate Sustainability Index since its launch in 2010.



As the MTR Corporation celebrates its 35th year of operations, it is an opportune time to reflect upon our important role in building sustainable communities based on an integrated approach to rail transport and property development. MTR started its first passenger service on 1 October 1979, with an eight-kilometre line serving nine stations. Since then, the network has grown hand-in-hand with Hong Kong to encompass 84 stations that link old-established communities, while also serving as the public transport backbone for the development of new, seamlessly integrated communities atop and around stations, as well as the international airport.

In 2013, we continued to deliver on our core promise of providing customers with safe, reliable and efficient transport services. We maintained a 99.9 percent on-time service record in Hong Kong and this was achieved despite an increase in train frequency on many lines and a record 1.8 billion passengers served last year. The performance of our services outside Hong Kong also reached new heights, with 1,354 million passengers being carried by our rail subsidiaries and associates outside of Hong Kong. Amongst other awards received during the year, Beijing MTR Corporation Limited was awarded "Outstanding Safety

Performer in Transport Sector 2012" and London Overground Rail Operations Limited was awarded the title of "European Commuter Operator of the Year" at the inaugural European Rail Congress Awards in London.

As Hong Kong grows, we are expanding our network to meet the city's needs. The West Island Line extension will come into service in 2014 as planned. Construction of our other rail projects, such as the high-speed rail link between Hong Kong and the Mainland of China and the new lines serving the Western, Southern, and Kowloon City districts - areas that have yet to enjoy the convenience of rail travel - are also on schedule and within budget. But our vision goes beyond our current works programme - we are working closely with Government on planning the next phase of railway expansion arising from the Review and Update of the Railway Development Strategy 2000. Internationally and in the Mainland of China, we will also continue to seek targeted opportunities where we can leverage our strengths to deliver sustainable rail and rail related property projects as they arise.

While we have accomplished a great deal within our relatively short history, our long term vision is to transform



'As a Corporation, we have always operated on the principle of being a competitive and profitable enterprise that contributes to the sustainable development of communities.'

**Jay H Walder**Chief Executive Officer
MTR Corporation

29 April 2013

ourselves to be a leading multinational company that connects and grows communities with caring service. We are aiming to raise recurrent earnings, expand our network to serve more people and commuters in Hong Kong and around the world and to be the undisputed leader in service quality. As a pioneer of the integrated transit and property model, we are well positioned to achieve this vision and to work in our home market of Hong Kong and with cities around the world to help them achieve their objectives of environmental sustainability, economic competitiveness, and socially inclusive development.

As a Corporation, we have always operated on the principle of being a competitive and profitable enterprise that contributes to the sustainable development of communities. We do so by generating economic growth in a manner which has regard to our stakeholders' interests and provides jobs and careers, whilst supporting the needs of the community and the environment.

As you will see from this report, we take pride in considering community needs and priorities when designing and building new rail and property projects. We also take the utmost care in managing the environmental impacts of

our projects and operations, looking for innovative ways to reduce energy consumption and waste among our colleagues, contractors, business partners, and customers. We have continued to strengthen our customer service by investing in improvements that our customers have suggested through the Listening • Responding programme. We have also continued to find innovative solutions to encourage the adoption of safe behaviour, by both our staff and our customers. And at the heart of all this is our continued investment in our staff, which is why we have renewed our emphasis on training and developing our people and on recruiting and nurturing the talent of the future. Through these efforts, and with the support of our stakeholders, we are building a business that will last for decades.

This Sustainability Report is a summary of MTR's performance as we deliver, grow, and transform our operations and the communities and cities in which we operate. Together with our Annual Report and our online sustainability microsite, our aim is to present shareholders and stakeholders with a comprehensive picture of our progress, as we strive to create sustainable shareholder value while improving the lives of the communities we serve. We look forward to continuing this journey as we celebrate our 35th anniversary in 2014.

# **About the Company**

The MTR Corporation is a publicly-listed company headquartered in the Hong Kong Special Administrative Region ('Hong Kong'). The Corporation engages in the construction and operation of mass transit railway systems in Hong Kong that carry an average of 5.25 million passengers every weekday. In conjunction with the railway business, the Corporation engages in the development and sales of residential and commercial properties above and adjacent to its stations and depots in partnership with property developers. The Corporation has a portfolio of investment properties for long-term investments and also provides property management services. This rail plus property model has enabled us to be self-sustaining; the rail lines have proper resources not just for construction, but also for long-term operation and maintenance of the assets, enabling us to establish affordable fares and ensure sustained patronage of the system.

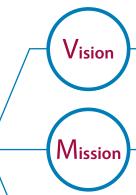
Within Hong Kong, we operate 11 lines, covering 218 kilometres and 84 railway stations, including the dedicated Airport Express and a light rail system in the New Territories. We manage over 760,000 square metres of commercial and office space, and over 90,000 residential units. In addition to our Hong Kong business, we continue to serve communities in the Mainland of China and internationally, through our multinational operations and joint ventures.

## Vision, Mission, Values

A sustainable business is one that is trusted by its stakeholders. MTR's success has been built on a clear vision and a set of values that has guided the Corporation and every employee on the way we conduct our business.

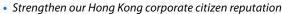
Our Vision, Mission and Values (VMV) articulates what we aspire to be (Vision), our strategy in achieving that vision (Mission), and how we will behave as a corporation (Values) to accomplish our vision and mission while remaining credible and accountable to the communities we serve.

The first three forward-looking objectives in our Mission Statement – strengthen, grow, accelerate – form the basis of our new **Corporate Strategy**, which was reviewed and re-launched in 2012 and directs the focus of our organisational development over the next decade. The discussion in this report is framed within the context of our realigned VMV and how we have been delivering on this strategy in 2013.



We aim to be a leading multinational company that connects and grows communities with caring service.

## We will:



- Grow and enhance our Hong Kong core businesses
- · Accelerate our success in the Mainland and internationally
- Inspire, engage and develop our staff



### **Excellent Service**

We anticipate, listen and respond to customer needs and provide a safe, effective and caring service

## **Mutual Respect**

We work internally and externally in a collaborative environment based on trust, joint commitment and respect

## **Value Creation**

We create profit and community goodwill through growth, effective execution, continuous improvement and innovation

## **Enterprising Spirit**

We question the status quo, proactively seek improvement and take ownership to overcome obstacles

## **Our Business**

## **Hong Kong Transport Operations**

We operate an urban mass transit railway system in Hong Kong, comprising Domestic and Cross-boundary services, a dedicated high-speed Airport Express railway and a light rail system. Our network is one of the most intensively used in the world, and its reliability, safety and efficiency are held in high regard. MTR's sustainable transport system underpins the Hong Kong economy. We also provide intercity services to and from the Mainland of China as well as a small bus operation in Hong Kong offering convenient feeder services.







## **Hong Kong Station Commercial Business**

Building on our Hong Kong railway assets, we operate other related businesses, including rental of station retail space, advertising in trains and stations, and telecommunications.





through

4G

access at all station



## **Hong Kong Property and Other Businesses**

In Hong Kong, we develop for sale mainly residential properties in conjunction with property developers. We hold investment properties, principally shopping malls and offices, managing these and other properties. We also engage in cable car operations, the Octopus card payments system, consulting and project management.



Investment portfolio
213,334 m<sup>2</sup> of Retail Properties
14,282 m<sup>2</sup> of Offices

**Tung Chung Line** West Rail Line

**Potential Future Extensions** 

## **Hong Kong Operating Network with Future Extensions**

#### Legend **Existing Network** Station Airport Express Disneyland Resort Line Interchange Station **Proposed Station** East Rail Line Island Line Proposed Interchange Station Kwun Tong Line Shenzhen Metro Light Rail Network Ma On Shan Line Racing days only Tseung Kwan O Line Tsuen Wan Line



**Projects in Progress** 

**Property Developments** 

LOHAS Park Package 3-10

Tin Wing Stop (Light Rail)

Wong Chuk Hang Station

Ho Man Tin Station

Tai Wai Station

42

43

46

48

49

**Under Construction / Planning** 

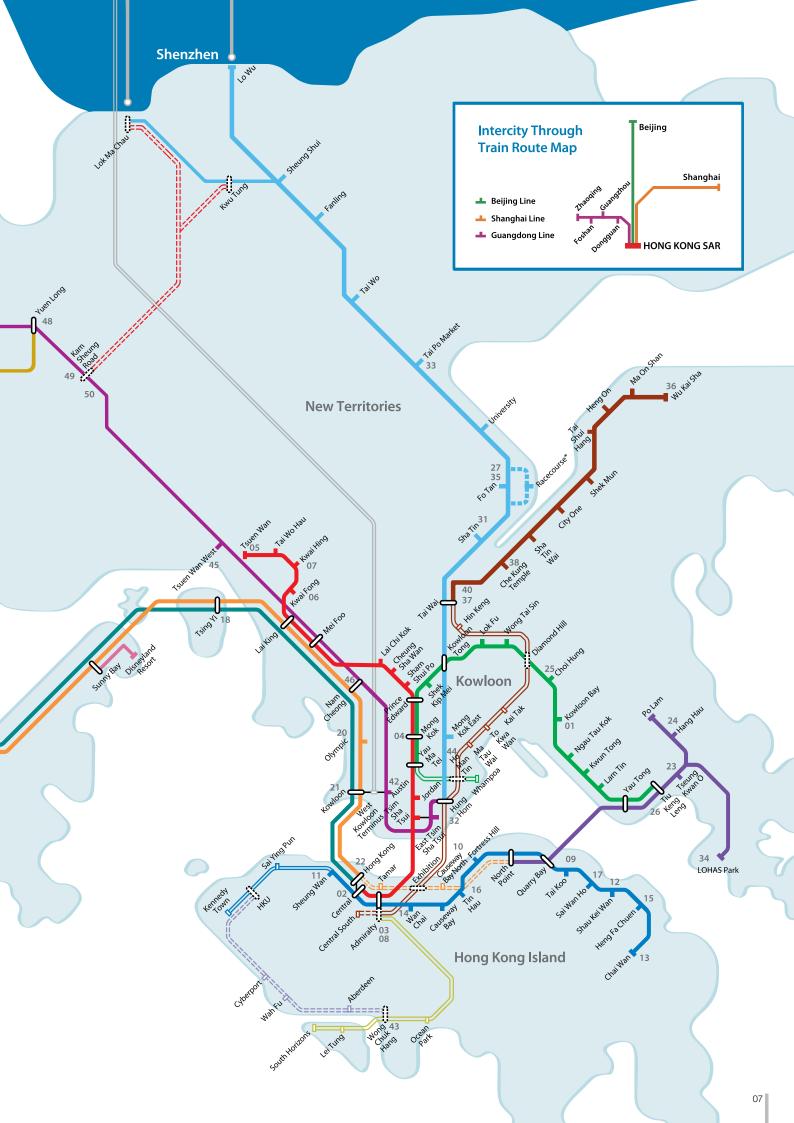
The Austin / Austin Station Site D



## Properties Owned / Developed / Managed by the Corporation

- 01 Telford Gardens / Telford Plaza I and II
- World-wide House 02
- 03 Admiralty Centre
- 04 Argyle Centre
- Luk Yeung Sun Chuen / Luk Yeung Galleria 05
- New Kwai Fong Gardens 06
- 07 Sun Kwai Hing Gardens
- Fairmont House 08
- Kornhill / Kornhill Gardens 09
- Fortress Metro Towers 10
- 11 Hongway Garden / Infinitus Plaza
- 12 Perfect Mount Gardens
- New Jade Garden 13
- 14 Southorn Garden
- 15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
- Park Towers 16
- 17 Felicity Garden
- 18 Tierra Verde / Maritime Square
- Tung Chung Crescent / Citygate / Novotel 19 Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
- Central Park / Island Harbourview / 20 Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
- The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
- One International Finance Centre / Two International Finance Centre IFC Mall / Four Seasons Hotel / Four Seasons Place
- Central Heights / The Grandiose / The Wings / PopCorn 1 / PopCorn 2 / Crowne Plaza Hong Kong Kowloon East / Holiday Inn Express Hong Kong Kowloon East / Vega Suites
- Residence Oasis / The Lane
- No.8 Clear Water Bay Road / 25 Choi Hung Park & Ride
- Metro Town 26
- Royal Ascot / Plaza Ascot
- Ocean Walk 28
- Sun Tuen Mun Centre / Sun Tuen Mun 29 Shopping Centre
- 30 Hanford Garden / Hanford Plaza
- Citylink Plaza 31
- 32 MTR Hung Hom Building / Hung Hom Station Carpark
- 33 Trackside Villas
- The Capitol / Le Prestige / Le Prime / La Splendeur 34
- The Palazzo 35
- Lake Silver
- 37 Festival City
- 38 The Riverpark
- Century Gateway







Sustainability at MTR

Delivering

Growing

## **Mainland of China and International Business**

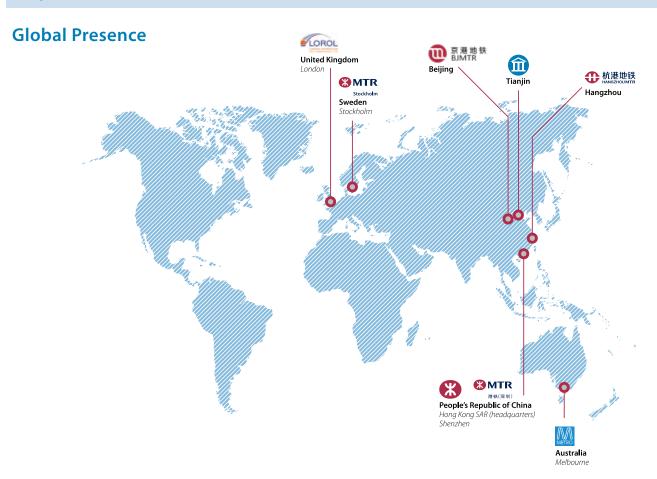
We operate and maintain mass transit railway systems including station commercial activities outside Hong Kong, namely Mainland of China, the UK, Sweden and Australia. In the Mainland of China, our business includes letting of retail spaces, provision of estate management service and development of properties.

# 1.36 billion passengers carried by our rail operations in 6 cities outside of Hong Kong

## **Mainland of China and International Railway Businesses in Operation**

	Mainland of China					International		
	Beijing Metro Line 4 (BJL4)	Daxing Line of BJL4 (DXL)	Beijing Metro Line 14 (BJL14)	Shenzhen Metro Longhua Line	Hangzhou Metro Line 1	London Overground, United Kingdom	Stockholm Metro, Sweden	Melbourne Metro, Australia
MTR Corporation shareholding	49%	49%	49%	100%	49%	50%	100%	60%
Business model	Public-Private- Partnership (PPP)	Operation and Maintenance (O&M) Concession	O&M Concession	Build-Operate- Transfer (BOT) <sup>(1)</sup>	PPP	O&M Concession	O&M Concession <sup>(3)</sup>	O&M Concession
Commencement of franchise	Sept 2009	Dec 2010	Phase 1: May 2013 Phase 2: 2014 Phase 3: 2015	Phase 1: Jul 2010 Phase 2: Jun 2011	Nov 2012	Nov 2007	Nov 2009	Nov 2009
Franchise/ concession period	30 years	10 years	30 years	30 years	25 years	9 years	8 years	8 years
Number of stations	24	11	Phase 1: 7 Phase 2 and 3: 30	Phase 1: 5 Phase 2: 10	31	57 <sup>(2)</sup>	100	218
Route length (km)	28	22	Phase 1: 12.4 Phase 2 and 3: 34.9	Phase 1: 4.5 Phase 2: 16	48	124	110	390
Average weekday patronage (2013)	1.28 mil(B	JL4+DXL)	-	380,300	239,500	427,700	1,200,000	790,200

- (1) Shenzhen Metro Longhua Line Phase 1 assets are owned by the Shenzhen Municipal Government. MTR Corporation (Shenzhen) Ltd took over the operation of Phase 1 in July 2010.
- (2) This represents the number of stations operated and managed by LOROL. The total number of stations served by London Overground is 83. (3) Rolling stock maintenance under an associate formed between MTR Stockholm and Mantena AS.



## **Corporate Governance**

Supporting our VMV is a strong corporate governance framework that aids in the articulation and incorporation of our values into our everyday operations. As the provider of a public service, stakeholders rightly expect us to demonstrate exemplary levels of corporate governance and business conduct. We recognise that good corporate governance enhances credibility and ensures that shareholders' and other stakeholders' interests are taken into account.

We have an established governance framework and assurance system for our subsidiaries and associate companies. All entities adhere to a series of management directives that provide the necessary practices, policies and procedures to ensure the integrity of business and operations. Governance in individual entities is implemented with respect to ownership levels and management agreements. For example, in our majority and wholly owned subsidiaries (e.g. Stockholm and Shenzhen), a set of directives that specify a robust approach to risk management, asset management, compliance, safety, brand, ethics and transparency that aligns with Hong Kong practices was suggested. In addition, each controlled entity is required to develop its own Corporate Governance Manual explaining how it will comply with the management directives and setting out its own internal control framework, relevant to its local regulation, culture and business nature. Where we do not control an entity, adoption of this governance framework is still encouraged.

We have a number of corporate policies in place to strengthen corporate governance and uphold a high standard of business ethics and integrity. Our Code of Conduct is applicable to all Hong Kong employees and staff members who have been seconded to other regions. This Code serves as a working model for our subsidiaries or associate companies that adopt their own codes of conduct, taking into account local laws and legislation. Consistent throughout all codes are our values of integrity and ethical behaviour.

In line with best practices in corporate governance, we continuously evaluate the effectiveness of our systems and make necessary adjustments or improvements. In 2012, the Whistle-blowing Policy was revised to further encourage and assist whistle-blowers in reporting any relevant information without fear of reprisal. The policy applies to all employees and those who deal with MTR Corporation including our business partners, suppliers, residents and tenants. We treat reports of misconduct seriously and the Whistle-

blowing Panel is convened upon receipt of complaints. A total of eight whistle-blowing cases were brought to our attention in 2013, three of which turned out to be unsubstantiated following thorough investigations. The cases that were substantiated related to the conduct of individual staff members; none of the whistle-blowers claimed that the practices of the Corporation were unfair or unlawful. For those substantiated cases, appropriate follow-up action has been taken against the employees involved, including disciplinary action where relevant

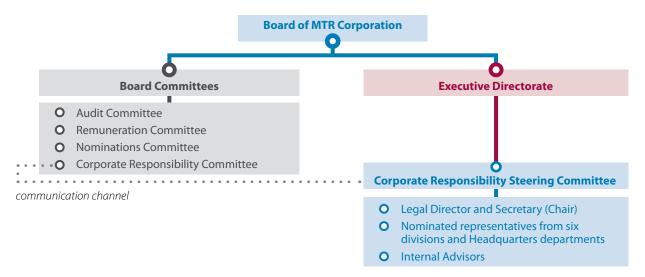
In 2013, we introduced a new Board Diversity Policy which recognises and embraces the benefits of diversity in the boardroom. The objective is to incorporate a broader management perspective that strengthens long-term environmental, social and governance stewardship. The policy is now taken into account when fielding candidates for Board positions, with merit continuing to be the basis of appointments.

Our 2013 Annual Report contains the Corporate Governance Report, which provides in-depth descriptions of our corporate governance framework, organisation and actions taken during the year.

## **Corporate Sustainability Management Framework**

Reflecting our commitment to operating and growing the business responsibly, our corporate governance framework includes a Corporate Sustainability Policy and a Corporate Responsibility Policy.

The Corporate Responsibility (CoR) Board Committee has the mandate to monitor and implement the Corporate Responsibility Policy, identify emerging issues and provide regular updates to the Board. The CoR Committee is supported by the Corporate Responsibility Steering Committee, which is chaired by the Legal Director and Secretary, a member of the Executive Directorate reporting directly to the CEO. Sustainability and corporate responsibility issues are discussed at the Steering Committee under the guidance of the Executive Directorate. The Steering Committee is also responsible for developing and implementing Corporate Responsibility initiatives for the Corporation and the respective divisions that members represent.



About the Company



Delivering

Growing

Transforming

Performance Metrics Independent Assurance Report

# Sustainability at MTR

MTR is committed to the principle of sustainable development - we operate on the basis that we must meet the needs of the present while not compromising the ability of future generations to meet their own needs. Delivering on this long-term commitment requires us to strike the right balance in meeting our stakeholders' interests today while looking ahead to meet the needs of stakeholders to come. Our goal is to deliver returns to shareholders and capital providers, while at the same time creating value for the community by operating our business in a way that society values.

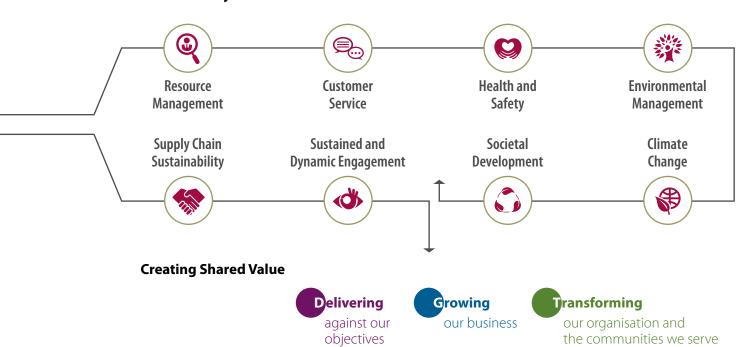
The three main sections of this report - Delivering, Growing, Transforming - describe how we are delivering on our objectives as we grow and transform ourselves and the communities we serve.

## **Determining Materiality**

## **Sustainable Competitive Advantage**



## **Sustainability Priorities**



Our Sustainable Competitive Advantage (SCA) model is a management decision-making process for materiality assessment, embedding the business case for sustainability in our operations. The model combines formalised risk management and stakeholder engagement processes with our corporate strategy to create competitive advantage. The dynamics of the SCA framework are central to our well-established culture of continuous improvement.

We identify, prioritise, own, manage and monitor issues that are material to the organisation through reviewing information and feedback that are identified through our Enterprise Risk Management (ERM) system and our stakeholder engagement processes. Issues are ranked by relevance, including both the impacts we have as a business and the impact those issues could have on us. Corporate strategy is central to our competitive advantage. It interacts with our risk management and stakeholder engagement systems and directs the focus of our decision making process.

Through this process we have identified eight sustainability priorities. These form the basis of our sustainability programmes and are the key areas on which we provide performance data. Over the past decade, we have observed that these priorities remain reasonably constant due to a direct correlation with the core issues of enterprise viability.

## **Risk Management**

The risk management process used in our SCA model is driven by the ERM framework, which enables business units across the organisation to identify and review risks and allocate the appropriate resources to deal with risks that arise. The ERM framework provides management with a clear view of the significant risks facing the company and is used to support decision-making and project execution.

The risk management process functions through a series of risk registers and a reporting system that together identify, prioritise and allocate ownership of risks. Appropriate actions are taken to treat risks or leverage management opportunity. All treatment actions are subsequently monitored for progress and effectiveness and reported to appropriate management committees for proper close out. The process, being iterative, identifies and addresses emerging risks as they become relevant to our business.

Sustainability issues which may impact our business operations are evaluated and included in our risk registers. Our approach is reviewed by the Enterprise Risk Committee quarterly, chaired by the Legal Director and Secretary, who also chairs the Corporate Responsibility Steering Committee. This dual role provides effective oversight and integration of risk management and corporate responsibility, to ensure that sustainability issues that could impact business operations are identified and addressed appropriately.

## **Stakeholder Engagement**

Stakeholder engagement is a dynamic and evolving process that provides essential input to the planning, design and long-term operation of our business. The engagement process identifies, prioritises and assigns ownership of stakeholder expectations. The gaps between corporate perception of issues and stakeholder expectations are then assessed and actions are taken to close the gaps. The outcomes of these actions are monitored and reported and subsequently fed back to the SCA business model for further action.

Divisional or individual departments establish their own particular engagement process to communicate with, understand and reflect stakeholders' interests, which are then communicated to senior management. Every year, the Corporate Responsibility Steering Committee conducts an analysis of our key stakeholders – who include employees, suppliers, investors, passengers, government, regulators and non-governmental organisations (NGOs) – to examine their expectations, priority issues and areas of concern. The analysis determines how different stakeholder groups interface with us and consequently indicates the level of resource that should be allocated across our business units to engage effectively with those groups. This helps us mitigate risks and provides valuable input for our materiality assessment.

A summary of our key stakeholders' expectations and engagement vehicles is included on our microsite. Throughout this report we detail how we are responding to those expectations.

We constantly engage with passengers to understand what they expect from us. We study individual needs of different customers and identify how we can respond to their expectations



About the Company

Sustainability at MTR

Deli

Delivering

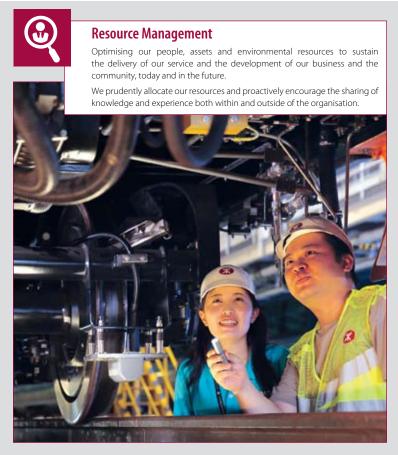
Growing

Transforming

Performance Metrics Independent Assurance Report

## **Sustainability Priorities**

Our eight sustainability priorities are those issues that are of the highest importance both to our business and our stakeholders. These priorities have been aligned with the sustainability aspects under GRI G4 as indicated in the GRI Content Index on our microsite. Key performance indicators (KPIs) are provided against each of the priority areas in the Performance Metrics section of this report.





We proactively listen and respond to customer feedback, anticipating their future needs and aspirations.



## **Health and Safety**

Ensuring high standards of safety across our business and improving safety performance as we move more passengers and build new infrastructure.

We adopt three strategic approaches: fostering a safetyfirst culture amongst our staff; driving continuous improvement; and engaging stakeholders.





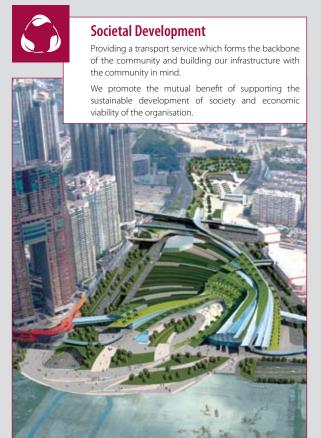
manage our environmental impacts.

Balancing the delivery of our service and the growth of our business with the protection and restoration of the environment for future generations.

We have an effective environmental management system to identify and









adaptation measures. We contribute to the global dialogue on climate change and provide a low-carbon mode of transport for the communities we serve.

About This Report CEO Message

About the Company Sustainability at MTR

Deliveri

Growing

Transforming

Performance Metrics Independent Assurance Report





# Delivering

We delivered at record scale in 2013. Our operations, whether inside or outside Hong Kong, are carrying more passengers than ever – and yet, are performing at even higher levels. Delivering a safe, reliable and customer-centric service is integral to fulfilling our role as the transport mode which forms the backbone of cities, and to generating financial returns for our shareholders.

## Operations Control Centre

The migration of the three Operations Control Centres (OCCs) to the Super OCC at Tsing Yi was successfully completed in June. Now functioning as the heart of MTR's entire heavy rail network, the Super OCC enabled us to streamline operations control with more spontaneous communication and coordinated action.

About the Company

Sustainability at MTR Delivering

Growing

Transforming

Performance Metrics Independent Assurance Report

## **Business Performance**

In 2013, total patronage from our rail and bus passenger services in Hong Kong rose by 3 percentage to 1.8 billion. We increased our overall share of the franchised public transport market in Hong Kong from 46.4 percentage in 2012 to 46.9 percentage in 2013. The increase was driven by continued economic growth, inbound tourism and our own service enhancements.

## **Excellence in our Service Delivery**

Communities depend on us for safe, reliable and efficient rail journeys. With this as our starting point, we formalised our Customer Service Vision - to be a global customer service leader. In the process, we are redefining the concept of mass transit towards an enhanced customer-centric service. As we serve over five million passengers every weekday, our aim is to serve, anticipate and best fit our customers' needs. We utilise the latest technology to provide commuters with all the information they want, when they want it. We bring together modern designs and the provision of enhanced facilities to make the everyday travel experience even more convenient and pleasant. We are doing so by strengthening the capabilities and commitment of our people to serving passengers effectively.

Our service performance in 2013 demonstrates our continued dedication to delivering services on which passengers can rely for their daily journeys. We maintained our 99.9 percentage on-time performance in Hong Kong that exceeds the targets set out in the Operating Agreement and our Customer Service Pledge.

Driven by our culture of continuous improvement, we use every opportunity, especially when incidents occur that mar our performance, to learn how we can do better. We have a dedicated Incident Management and Competence Development team to investigate any reliability or safety incident, see how our equipment and processes can be improved, and ensure that lessons learnt are shared with frontline staff.

Outside Hong Kong, we continue to deliver industry-leading customer service. Since MTR Stockholm began operating the Stockholm Metro in 2009, customer satisfaction has been and remains at a consistently high level, covering punctuality, cleanliness, safety and traffic information. A Mystery Shopper Survey is carried out daily to assess customer satisfaction and identify opportunities for improvement. In the UK, our joint venture, London Overground Rail Operations Ltd (LOROL) was awarded the "European Commuter Operator of the Year" at the inaugural European Rail Congress Award, in recognition of the high levels of punctuality and customer satisfaction achieved whilst recording a 23 percentage growth in passenger numbers.

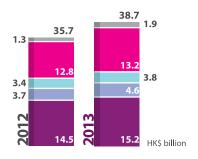
# 5.25 million

The MTR network serves 5.25 million passengers in Hong Kong every weekday

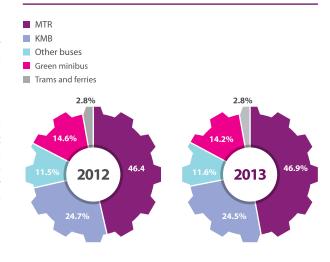
## Global Turnover



- Mainland of China and international subsidiaries
- Hong Kong property rental and management business
- Hong Kong station commercial business
- Hong Kong transport operations



## Market Share of Major Transport Operators in Hong Kong



## Operating Profit Contributions\*



Property development

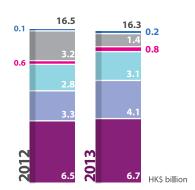
Mainland of China and international subsidiaries

Hong Kong property rental and management business

Hong Kong station commercial business

Hong Kong transport operations

\* Excluding project study and business development expenses



## **Fare Adjustment Mechanism**

The setting of MTR fares is a specific area of interest to our stakeholders. The Fare Adjustment Mechanism (FAM) was developed to strike the right balance between meeting the public's desire to spend less on fares and assuring our shareholders of the Company's long-term value creation. It is an open, objective and transparent formula for calculating MTR fare changes each year. The FAM takes into consideration the consumer price index and wage index as well as a pre-determined productivity factor.

In April 2013, we completed the first of a series of five yearly reviews of FAM with the Hong Kong Special Administrative Region Government ('the Government'). A revision was made to the productivity factor, now calculated as a function of revenue and expense from our Hong Kong transport operations, resulting in the overall annual fare adjustment rate in 2013 falling from 3.2 percentage to 2.7 percentage.

As part of the review, we also took into account stakeholders' comments on the affordability of our fares. Going forward, a discount will be introduced such that any fare increase will not be higher than the yearly percentage change in median monthly household Income, as published by the Government.

We also agreed to share our commercial success with the community through a profit-related fare concession scheme, redirecting a portion of profits towards time limited fare concessions. Our commitment to providing excellent service is reflected in the additional concession offered directly to passengers in cases of serious service disruptions, recognising the significant impact these could have on a large number of people. As part of the new promotional arrangements, three new monthly pass schemes were also introduced, benefiting 200,000 passengers.

The outcome of the review is a well-balanced package that takes into account the city's economic environment, addresses the comments and concerns of the community, and meets our shareholders' expectations.

We are redifining the concept of mass transit towards an enhanced customer-centric service





we maintained our 99.9 percentage on-time performance in Hong Kong

## **Maintaining Reliability**

As our network grows and the number of passengers and train frequency increases, we have also introduced initiatives to maintain excellent levels of service reliability and minimise delays for customers.

We established a new Rolling Stock Rapid Response Unit (RSRRU) in January 2013 to rectify train faults more quickly, building on the existing Infrastructure Maintenance Rapid Response Unit and Customer Service Rapid Response Unit. The RSRRU comprises around 100 employees who are deployed to the scene of a problem as soon as it is detected.

In March, a new Infrastructure Engineering Control Centre (IECC) was launched at Fo Tan Railway House to integrate the fault reporting centres in different depots across Hong Kong. With real-time control and monitoring systems, the IECC enables us to mobilise resources to identify and rectify system faults more effectively, minimising the probability of service disruptions.

We are confident that these initiatives will help us maintain service reliability as we strengthen our capabilities in monitoring and responding to incidents more effectively.

About the Company

Sustainability at MTR

## Keeping our Colleagues, Customers and Partners Safe

Safety is our top priority. No one should be injured as they perform their work. Thus, maintaining high standards of safety across our operations and developments continues to be the bedrock of our operations. Our obligations extend not only to our own employees but also to our customers, partners, contractors, and anyone who legitimately enters our facilities.

We reinvigorated our efforts to further embed a safety-first culture among our staff and stakeholders, recognising the new challenges we face as a result of the growth of our railway network and property business, workforce transition (involving the retirement of experienced staff as well as fresh intakes of new talent) and changing passenger demographics. In 2013, we implemented our new Corporate Strategic Safety Plan, which contains three strategic approaches: fostering a safety-first culture; driving continuous improvement; and engaging stakeholders. The plan enables us to meet our aspirations of being a world leader in safety performance as well as the safest public transportation option in every city where we operate.

# MATR ISPOTIT

In December 2012, we introduced a mobile app, iSPOTit, to enable staff to report any hazards and near misses so that appropriate and timely action can be taken

## Fostering and Continuously Improving a Safety-First Culture

We strive to create a safe and healthy working environment so that our colleagues could perform at their highest level. Ensuring safety in all areas of the business involves fostering a safety-first culture among our employees. In 2013, we rolled out a compulsory safety management training programme for all managers focusing on safety governance, risk management and instilling safety-first culture through safety leadership.

Putting in place appropriate systems and procedures and driving continuous improvement in safety management plays a key role in keeping our operations safe. We have business continuity plans in place and we carry out regular emergency drills and exercises involving relevant parties to ensure that we are fully prepared to handle emergency situations and contingency measures are adequate. For example, in April 2013, we carried out a planned drill in Kam Sheung Road Station to test the response capabilities and preparedness of staff and members of the emergency services in the event of a chemical gas attack on an MTR train. The planned drill was successfully handled with an effective response by all involved.

In the event of a crisis, we will activate the formation of the Crisis Management Team which comprises relevant Members of the Executive Directorate, Executive Managers and a support team. The operation of the Crisis Management Team is governed by a Corporate Crisis Management Plan which sets out the duties of respective members. The Plan is kept in line with world-class standards and up-to-date through regular reviews. The Crisis Management Team conducts regular exercises to validate the crisis management organisation and arrangements, and to provide practices for members.

In Melbourne, we continued to improve on health and safety by developing new processes and systems, bringing values to and mitigating risks of the operations. For example, we have put in place a systematic approach to noise monitoring, having staff working in noisy environments tested every two years for noise exposure. A complete overhaul of the safety management system was also performed, making the Metro Trains Melbourne (MTM) safety management system more effective and simpler, with better governance and oversight. MTM also rolled out a safety leadership training for all management and supervisory staff. Completed by 200 people, the two-day course clarified the roles and responsibilities for safety of staff in leadership positions.

The Safety-First Culture Mega Event promotes a safety-first culture to our operations staff and contractors



## **Passenger and Public Safety**

For us, ensuring our passengers' safety cannot be compromised. With total patronage from rail and bus passenger services in Hong Kong at 1.8 billion passenger trips in 2013, we have a responsibility to ensure that those travelling on our network arrive at their destinations both promptly and safely. Our emphasis on safety in all aspects of operations has resulted in a reduction in reportable passenger incidents on heavy rail in 2013. The improvement was particularly noticeable in relation to the number of reportable incidents on escalators, showing a 27 percentage reduction compared to 2012 performance.

# 27% Reduction

We achieved a 27 percentage reduction in the number of reportable passenger incidents on escalators compared to 2012 Escalator safety campaigns raised awareness

Escalator safety campaigns raised awareness about safe passenger behaviour

Escalator safety campaigns were carried out to raise our passengers' awareness. A humorous video about safe passenger behaviour across the network and a recorded audio message reminding passengers of the potential dangers of mobile phone usage while travelling on the escalators were also introduced. A range of additional works inside stations, including the installation of brightly coloured escalator handrails to encourage passengers to hold onto them, anti-slip strips on staircase edges and warning signs reminding passengers to mind the steps, were carried out to support the campaigns. In addition, over 200 additional station assistants were deployed in 2013 to help passengers and minimise incidents at escalators and on platforms. At light rail level crossings, and along tracks, signage has been fitted reminding road users and pedestrians to be aware of light rail vehicles.

Our safety performance was marred, however, by an incident in May, where the wheels of a couple-set of the light rail came off the tracks at a turn in Tin Shui Wai. Out of the some 150 passengers on board, 81 required medical treatment at hospital; fortunately, none were life-threatening. We took immediate action in the aftermath of the incident to assist the passengers on board and minimise disruption to our service by providing a free shuttle bus service, deploying staff for crowd control and broadcasting alerts for the public. We took the incident very seriously and launched a comprehensive in-depth investigation immediately to identify the cause. Consequently, new safety enhancement measures were implemented, including increasing the number of speed checks on light rail vehicles and providing more structured reminders to train captains to adhere to safe driving practices strictly. Furthermore, we have installed fixed speed cameras, specially designed for light rail operations.

There were two fatalities on heavy rail in 2013. One man was found unconscious in an emergency staircase at one of our stations and the second was hit by a train while trespassing on the tracks. To prevent such incidents in future, we are educating the public to avoid risky behaviour so that individuals understand how to use our railway network in the safest possible way.

In Shenzhen, we launched a public safety campaign in June to enhance passenger awareness of appropriate use of station facilities and equipment such as escalators, train doors and platform gates.

In Stockholm, where the Swedish Public Transport Association identified the perceived lack of security by passengers traveling on the subway as a potential obstacle to its plan to double the use of public transport by 2020, we entered into a partnership with Foundation Safer Sweden to enhance passenger security in stations and areas adjacent to stations. While statistics demonstrate the subway itself is safe and that most people who travel frequently and regularly feel safe in the subway, 60 percentage of city crimes occur within a radius of 500 metres outside the stations. Our project is currently examining factors such as illumination, station layout, communications and information systems. We will share the findings of this pilot study with relevant parties as collaborative efforts are required to enhance security.

In buildings that we manage, with support from the Labour Department, we distributed over 80,000 leaflets to tenants and property owners recommending best safety practices when carrying out renovation and maintenance work. We have also appointed a safety consultant to conduct fire safety audits for all our food and beverages tenants in our shopping malls twice a year and provide recommendations on improving fire safety in their operations.



## **Safety on Construction Sites**

New rail projects and property construction pose safety risks to contractors' workforces. It is with extreme regret that we must report two contractor staff fatalities on our new rail projects and two others in our property businesses. A worker was struck by an excavator during tunnelling in September, while another was killed after falling from metal scaffolding in July. Two workers on our property sites died after falling from height. These incidents are tragic, and in order to ensure that they do not happen again, we are conducting thorough investigations to identify the causes and draw lessons for the future.

A key contributor to the incidents was an increase in new joiners to the industry due to the large amount of construction projects being undertaken concurrently in Hong Kong. We continue to engage supervisors and workers through discussions, training and highly visible workplace behavioural campaigns and work with the Labour Department, construction industry, unions and other employers to improve safety standards. We are committed to full transparency in disclosing the details of serious incidents to families, workers, contractors, regulators and all other concerned parties.

We recently stepped up onsite safety management through the launch of a mobile app which provides senior management with accident and incident information since project commencement, and their accident frequency rate by project. A second app allows frontline staff to view safety standards and lessons learnt onsite, complementing the classroom safety training we provide.

### **Working with Contractors**

Our business partners' support is integral to maintaining safety in our business operations. We leverage our position as a major client in the construction industry to drive up safety standards in the sector. Our representatives are stationed on contractors' sites to monitor compliance with our standards, and contractors are independently audited, rated and rewarded for best practice. A simplified safety management system has been developed for sub-contractors to ensure their own safety competence.

In addition, we hold a quarterly safety conference to share information and best practice with our contractors. Regular contractor workshops and meetings are organised during projects to identify risks and explore safer working methods. Our web-based sharing platform, iShare, enables the sharing of information between contractors working to deliver the five new lines

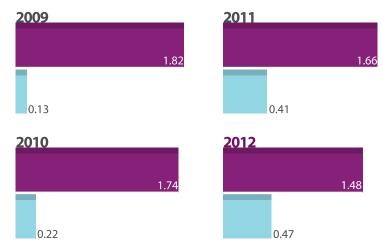
## **Auditing for Safety**

This year we became the first Hong Kong project client to achieve a Level 8 in the Det Norske Veritas (DNV) Safety Audit Protocol, improving on our previous achievement of Level 7. This internationally recognised standard covers safety on construction sites, and companies are awarded with a score from Level 1 to 10 (Level 10 being the highest).

A DNV safety audit has been adopted for contractors of all five new lines. This demonstrates our leadership in safety management and our commitment to continuous improvement. Looking ahead, we aim to achieve a higher level through further improvements.

## **Construction Industry Accidents**





Data for 2012 is the latest inductry figures available from the Occupational Safety and Health Branch, Labour Department of the HKSAR Government.

To incentivise contractors and their workers to adhere to good safety practice, we introduced the Safety Incentive Scheme and the Safety Hero Award in our property development projects. Under the Safety Incentive Scheme, a formal assessment is conducted every three months and contractors are required to provide safety records and actively participate in a safety programme. Contractors are rewarded for good safety management and performance with an incentive bonus. The Safety Hero Award provides incentives in the form of cash prizes directly to contractors' staff for exemplary safety behaviour.

Recognising that workers are the best guardians of their safety, our "Don't Walk By" initiative empowers them to report conditions or practices that they consider to be unsafe. In addition, we maintain a regular dialogue on health and safety between management and staff through the Joint Consultative Committee.

Committed to a safe working environment on all rail projects, MTM adopted the Rail Industry Worker programme, owned by the Australasian Railway Association, providing a single national competence management system for those working in rail. The aim of competency management is to minimise the risk of untrained personnel carrying out any work on the rail network. It requires contractors to comply with a systematic approach and understanding of risk, and managing safety before they are allowed access to work on the rail corridor.

To ensure all contractors comply, they are required to undergo a 100 point identity check and to provide evidence of their qualifications and certificates. A card is given to each worker to facilitate tracking on site.

A job well done is one where everyone goes home safely to their families. By embedding a safety-first culture within the organisation and across our value chain – partners, workers, passengers, tenants – we are building a company that is attractive to customers, employees and other stakeholders.

## Supporting Workers' Wellbeing

We launched an annual Worker Health and Well-being Month, which involved a mobile vehicle with qualified nurses visiting 29 construction sites, to conduct free health assessments and talks for our onsite workers. We also provide additional life insurance coverage of HK\$200,000 to each of our contractors' site workers.

During the hot summer months, when temperatures soar to 38°C, we provide electrolyte drinks to site workers to keep them hydrated. Workers are reminded to take a 15-minute break every 90 minutes during hot periods, and we have improved facilities by erecting out shades, fans and showers on all construction sites, in order to ensure our workers remain healthy and safe.



Our Mobile Incidents Command Centre plays an important role in enabling us to respond rapidly to serious incidents. Located in Tsim Sha Tsui East, the Centre has live feeds to project sites, allowing those at the Centre to effectively coordinate and guide colleagues and resources

About the Company

Sustainability at MTR

Growing

Transforming

Performance Metrics

Independent Assurance Report

## **Environmental Leadership**

The assets that we build today last in the community for decades. We understand the interdependency between our operations and the natural environment and it is our aim to become one of the most resource-efficient and ecologically sustainable railways and property service providers in the world.

In addition to the Corporate Sustainability Policy, our environmental principles are outlined in our Climate Change Policy and Corporate Biodiversity Policy. We are committed to reducing our carbon emissions, increasing energy efficiency, protecting important natural habitats and taking steps to mitigate any negative impacts of our operations.

## Managing our Impact on the Environment

We have a range of systems and checks in place to ensure that we are doing the utmost to manage our impact on the environment. In addition to conducting Environmental Impact Assessments (EIAs) before we embark on new projects, our group-wide Environmental Management System helps us identify and manage material environmental risks throughout the life cycle of our assets. The independently audited ISO 14001 certification process further enables us to identify opportunities for improvement and has helped foster an attitude of accountability among our employees and partners. We also commission third-party environmental audits and make the results available to relevant stakeholders.

In the property sector, adopting the internationally recognised BEAM Plus and LEED green building accreditation schemes demonstrates our commitment to keeping pace with the growing global demand for sustainable building design, construction, operations and maintenance. We have made it a mandatory requirement for all our new residential property developments to achieve BEAM Plus Gold certification as a minimum. For instance, the Riverpark in Shatin was our first residential project to obtain BEAM Platinum accreditation, and provisional BEAM Plus Gold was awarded to our Nam Cheong Station residential development. Two IFC became the first commercial building in Hong Kong to achieve the Gold Level of Certification of LEED for Existing Buildings: Operations and Maintenance.

Our staff and partners play an important role in helping us deliver our promise to be good stewards of the environment. In 2013, we further implemented the Continuous Environmental Improvement Programme, which was launched at the end of 2012. Under this programme, MTR Corporation and contractors on all five rail projects jointly signed a pledge to embed high standards of environmental performance and continuous improvement into their daily operations. A series of workshops were conducted, for project management teams and contractors to discuss challenges and share good practices. Topics discussed included tree management and compliance with noise and environmental permits. By the end of 2013, approximately 900 project staff and contractors have participated in the Programme. We plan to build on this strong start by re-running the existing modules for new joiners and developing further modules on additional topics.



A tailored LED lighting system is being installed on our urban line trains, achieving up to 50 percentage energy savings relative to conventional lighting systems



LOHAS Park residential development emphasises green and open community spaces, environmental efficiency, barrier-free access to amenities and the proximity of service facilities



Two IFC became the first commercial building in Hong Kong to achieve the Gold Level of Certification of LEED for Existing Buildings: Operations and Maintenance

## **Energy and Carbon**

Energy is integral to the operations of our trains - railways account for over 75 percentage of the Company's total energy use, and energy and utilities is our largest non-staff cost for our railway operations. We have set a target to reduce by 21 percentage the amount of electricity consumed per passenger-kilometre by 2020 compared to 2008 levels. As of 2012, a 14 percentage reduction has been achieved.

We are utilising advanced technologies to help us manage our consumption. For example, we have installed a regenerative braking system on trains that captures residual energy from braking. The energy captured is reused instantly by subsequent trains via overhead power lines. An energy storage solution is being deployed in the new South Island Line (East) so that we can store energy captured by the regenerative braking system for later consumption. These innovations play a dual role in helping us reduce energy use and the associated emissions of carbon dioxide while reducing the wear and tear in our braking systems.

In addition, we have invested in energy efficient technology to help us reduce operating costs. In Shenzhen, we invested RMB 1 million in a power supply supervisory control system to monitor, control and optimise our energy usage. The replacement of fluorescent lighting with LED lighting in the Hong Kong train fleet is ongoing, having completed the replacement for 93 trains on our urban line that led to a 52 percentage energy saving from lighting.

We are also working to reduce carbon emissions generated through the construction of new lines. As our projects progress, we continue our studies of embodied carbon through the life cycle of a railway project, encompassing emissions generated through extracting and processing raw materials, manufacturing building materials and transporting them to sites, in addition to construction and subsequent operational emissions. Our self-developed Life Cycle Carbon

# 21% Reduction

We have set a target to reduce our electricity use per passenger-kilometre by 21 percentage by 2020, compared to 2008 level

Assessment protocol, piloted on the Shatin to Central Link project, enables us to estimate a railway line's carbon emissions over its hundred-year lifetime at different project stages. This is helping us build a baseline and a better understanding of our current emissions, to allow us to identify opportunities for further progress on carbon reduction.

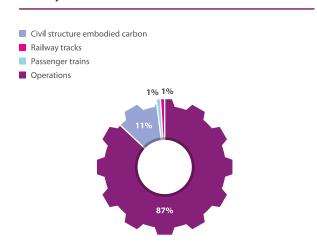
We continue to monitor the risks from climate change and review the effectiveness of our mitigation and adaptation measures to ensure our assets and our operations are resilient to climate change effects. Climate change risk reviews are conducted locally to ensure each operation is reviewed in the context of the specific local climate trends and regulations.

In the buildings that we developed and manage, we are also taking steps towards being more energy efficient. The Corporation signed up to the Hong Kong Energy Saving Charter in 2013. As part of the commitment, we are supporting the city's energy conservation efforts by maintaining an average indoor temperature of 24 to 26°C in the months of June through September at the MTR Headquarters Buildings and common areas of shopping malls and office buildings, including Two IFC, Admiralty Centre, World Wide House and Fairmont House. As a signatory to the World Business Council for Sustainable Development (WBCSD) Manifesto for Energy Efficiency in Buildings, we are working on setting an energy reduction target to be used to monitor progress in our property portfolio.

## **Engaging Employees in Energy Saving**

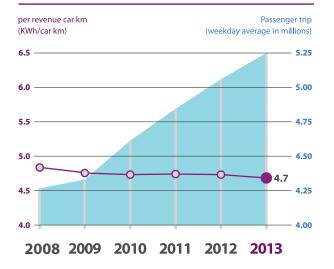
We asked our employees to help us identify areas in which we could save energy, and offered awards to those who gave us the most impactful ideas. Measures implemented include more efficient use of lights above railway maintenance tracks, turning off air conditioning when train shunting takes place, and switching off trackway and tunnel exhaust fans. The campaign generated a potential saving of more than HK\$4 million per annum.

## Life Cycle Carbon Emissions



The above portions are calculated from estimated emissions on the Shatin to Central Link life cycle. End of life is not considered due to 120-year asset life.

## Electricity Efficiency Ratio of Rail Assets (Hong Kong)



About the Company

Sustainability at MTR

Delivering

Growing

Transforming

Performance Metrics Independent Assurance Report

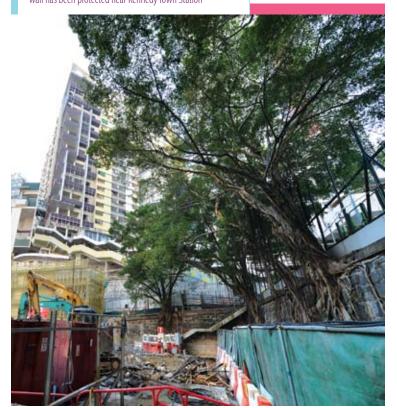
## **Water and Natural Habitats**

In light of growing water stress, stakeholders expect us to manage our consumption and mitigate any potential impacts of our activities on local water resources. A wastewater management system is in place across all our construction sites to monitor surface runoff control and site discharge. We also take the utmost care to prevent underground contamination in the vicinity of all our rail and construction projects.

We are mindful of the importance of preserving local habitats wherever possible. Our Lok Ma Chau (LMC) Spur Line and the West Rail run through ecologically sensitive wetlands, areas where we take utmost care in maintaining their biodiversity. We completed a study in collaboration with the Hong Kong Baptist University on the Biological Control of Apple Snail at West Rail. In the study Black Carp was used to control apple snail in marshland with success. We are applying this in our LMC wetland and closely monitoring the effects.

In developing the five new lines, we have retained thousands of trees and implemented measures to protect trees listed by the Government as Old and Valuable and retained thousands of them. These measures include carrying out a baseline study of the condition of trees prior to work commencement, continually monitoring their health and structural condition, and setting up robust and rigid protection zones. This approach has been adopted as best practice across all our projects and has helped protect a 140-year-old tree wall near Kennedy Town Station, as detailed in last year's report. The protective measures have come to be regarded as a benchmark for the protection of other tree walls in the city.

Trees growing on masonry stone walls are a special landscape in Hong Kong. Their conservation is a top priority for our project teams. On the West Island Line a 140-year-old tree wall has been protected near Kennedy Town Station



## **Waste Disposal and Reduction**

We recognise that new railway line construction generates large amounts of waste and excavation materials; thus we begin to manage our impact as early as the design stage of our projects. Our waste management plan is designed at the EIA stage and is implemented in all new railway construction projects. During construction, we strictly adhere to the Government-regulated Trip Ticket System, which keeps track of construction waste and ensures the proper waste disposal at designated reception grounds. We are currently reusing or recycling over two-thirds of our excavation waste, continuously exploring ways to reduce waste, with disposal being the last resort throughout construction. In our railway operations, we continue our established waste reduction and material recycling measures.

At our investment properties, which are home to many restaurants and food retailers, we have been encouraging our tenants to reduce food waste. In 2013, we led the malls industry by launching the MTR Malls Food Waste Reduction Pledge. Around half the tenants across our managed shopping malls have been participating in the scheme which incentivises tenants to reduce food waste at source. We also developed the Good Practices Guide with a view to inspire more shopping malls in Hong Kong to participate in food waste reduction. We are a member of the Steering Committee and a signatory of the Food Wise Hong Kong Campaign, set up by the Hong Kong Environment Bureau. Through leading by example, we are hoping more organisations will participate in this initiative.

In residential properties, to facilitate greater understanding of food waste composting and recycling, we collaborated with stakeholders to organise an educational visit and food waste recycling forum in April. In addition, our managed properties The Capitol, in LOHAS Park and Tierra Verde have begun recycling domestic food waste in 2013 as part of the government's Food Waste Recycling Project.



We launched the MTR Malls Food Waste Reduction Pledge in 2013, with around half our tenants participating to reduce food waste at source

## **Responsibility in our Supply Chain**

MTR Corporation contributes significantly to the Hong Kong economy through our diverse supply chain. Our procurement ranges from products and services for our new projects, through maintenance for our railways operation to cleaning and security services for our investment and management properties. Managing such a wide range of goods and services in a responsible manner requires focus and a strategic approach.

We have introduced a Supplier Code of Practice with which all suppliers must comply. We have also integrated corporate sustainability, safety and environmental requirements throughout our procurement and contracting process. Suppliers are surveyed periodically to monitor performance against the Code. To promote continuous improvement and the sharing of best practice, we invite our business partners to participate in supplier forums, seminars and site visits.

Among common key corporate responsibility issues, we identified in each of our three business divisions issues of strategic focus on which to engage suppliers in their key areas of spend. This allows us to embed a more tailored and strategic approach to supply chain responsibility across our business. The charts below show the divisions' spending by category as a proportion of their total spend, and the strategic focus area(s) in each category.

The divisions face a number of common focus issues, particularly around worker safety and health, human rights and labour practices. We work closely with our contractors to ensure high levels of safety and worker welfare on our project sites, for example through the provision of on-site health checks and free life insurance. For details please see pages 18 to 21 of this report.

We ensure that our contractors understand their role is not just to deliver, but to do so in a way that engages and meets the needs of the communities we serve. We encourage all contractors to engage and communicate with local stakeholders during project delivery. The MTR Projects Stakeholder Engagement Award recognises the achievements by our contractors and consultants on our five new lines. It also sets a benchmark for the local construction industry.

Across all our divisions, we also adopt a proactive approach to managing other key issues such as customer experience, environmental management and ethical business practices. The safety and quality of our trains play a key role in assuring quality customer experience for our passengers, so we work closely with our rolling stock suppliers to ensure that high standards are maintained. In our property division, we work closely with architects and contractors to build and foster high-quality environments which improve the everyday experience and quality of life of the end users and local communities.

An Environmental Management System is in place to drive improvement in the environmental performance of our suppliers. As one of the founding members of the Hong Kong Green Purchasing Charter, we collaborate with external purchasing professionals to promote eco-labelling and environmentally-conscious specifications in the local market.

In addition to our ethical and behavioural framework for suppliers, our internal Code of Conduct and Whistle-blowing Policy ensure high standards of business ethics of all staff in their dealings with our business partners.

## Percentage Spending by Category in 2013 and Strategic Focus Area

#### **Hong Kong Transport Operations** Hong Kong Property and **Railway Extension Projects Other Businesses** 19% 30% **41%** 38% data is not shown ature of spending 40% 32% Works & Maintenance Services Cleaning, Security & Clubhouse **Civil Works** Work safety and health Community engagement Human rights and labour practices Work safety and health Other Services & Spares Human rights and labour practices Human rights and labour practices **Works & Maintenance Services** Work safety and health **Engineering & Mechanical Works** General Goods & Services Work safety and health Other Goods & Services Human rights and labour practices Consultancies & Others

About the Company

Sustainability at MTR Delivering

Growing

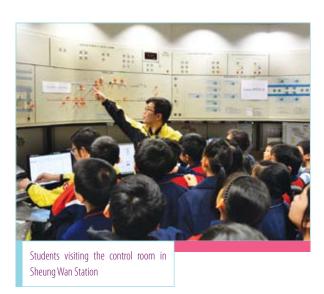
Transforming

Performance Metrics Independent Assurance Report

## **Doing our Part for the Community**

Going beyond the provisioning of a safe and reliable service and working with our partners and stakeholders to adopt responsible behaviour, we are leveraging our network, skills, and resources to contribute to the collective effort in addressing societal challenges. We do not take for granted the support that the people of Hong Kong have given us throughout the years and we recognise that we have a role in contributing to quality of life in the communities we serve.

As a company, we have continued to support various youth-related efforts as well as the arts. Our staff volunteers are also actively engaged in various community initiatives that provide assistance to those in need. Through this multi-pronged approach, we aim to secure a bright future for Hong Kong's future leaders as well as build trust with the community through our high levels of involvement.



#### Youth

Investing in young people is crucial to building and sustaining communities. We organise a range of programmes to support young people's development and inspire them.

For the fifth consecutive year, our "Train for Life's Journeys" programme offered 100 secondary school students a chance to broaden their horizons and learn valuable skills to help them pursue their goals and fulfil their potential. The course, operated in conjunction with the Methodist Centre, lasted ten days. Complementing this effort is our "Friend for Life's Journeys" programme, which includes an eight-month mentoring scheme where students are paired with a MTR staff with the goal of helping students cultivate a positive mind-set and develop leadership skills.

In 2013, we introduced the "MTR x Hong Kong Repertory Theatre: Master of Railway Safety School Tour" to enhance students' appreciation of drama, foster creativity and instil the importance of safe and courteous behaviour when travelling on the MTR. Created by the Hong Kong Repertory Theatre, the drama has been presented to over 47,000 students at 150 primary schools and kindergartens. Students are encouraged to produce a three-minute video on "Safety at MTR, Good Manners and Common Courtesy" and enter a territory-wide competition for a chance to win prizes.



The MTR x Hong Kong Repertory Theatre: Master of Railway Safety School Tour engages with children to instil the importance of safe and courteous behaviour when travelling on the MTR

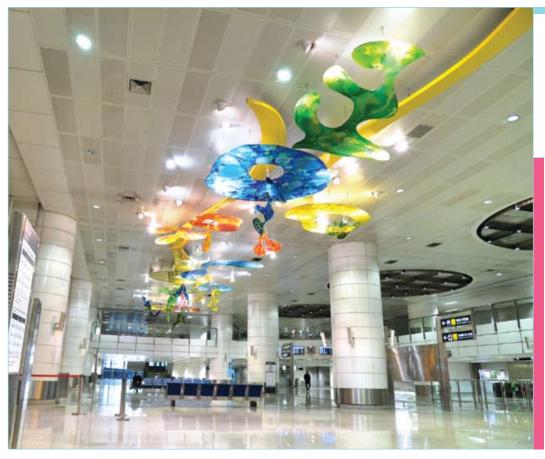
We funded the Youth Quality of Life Index, which was developed in partnership with the Chinese University of Hong Kong (CUHK) in 2013. The Index is designed to provide policy-makers and the community with a reference when they devise policies and programmes for the betterment of youth and society at large. It tracks 26 indicators grouped into eight aspects, including physical and psychological health, economics and the living environment. We also engage Hong Kong's secondary school students through the "MTR-CUHK Youth Quality of Life Champions Competition", inviting teams of students from Hong Kong's secondary schools to submit proposals for projects that will enhance the quality of life of young people, with winners receiving funding to implement their proposals.

#### "art in MTR"

Public transport is not only about connecting communities; it is also about building communities, improving people's quality of life and their life journeys. We have long supported art initiatives by showcasing high quality art in our stations. The art we display signifies our commitment to delivering a world-class environment as well as a world-class service.

Originally introduced in 1998 as part of the opening of the Airport Express and Tung Chung Line, eye-catching works ranging from sculptures to roof hangings and mosaics have been incorporated into the actual design of the station architecture. Since then, the programme has expanded to all MTR railway lines. As of end-2013, 44 works by established local and international artists are being displayed in various stations around Hong Kong. This is complemented by 53 'community art galleries' across the system, offering people a venue to display their artwork and creative talents to the community at large.

We also provide exhibition space, not only in our stations but across our property portfolio, for non-governmental organisations to raise awareness about important social and environmental issues and to carry out fundraising activities. These efforts were recognised internationally when we were invited to speak at the International Association of Public Transport (UITP) conference on art and architecture in metro systems.



"art in MTR" freshens up the station interior and enhances the traveling experience. It helps to promote the appreciation of art in Hong Kong and offer a channel for artists to exhibit their talent. The art piece shown is "Ocean Garden" by Taiwanese artist Jun Tsun Tsun Lai which is displayed at Tsing Yi Station

The development of the five new lines has given us an opportunity to further expand the "art in MTR" programme. Prominent display areas are identified in the preliminary stage of station design so that community artwork could be incorporated extensively; these new displays will make the "art in MTR" programme one of the largest public art collections in Hong Kong. At construction sites, the many hoardings that have been erected to protect the public from the nuisance and hazards associated have also been utilised for community art, many of which are created by students.

As part of our community engagement programme for the West Island Line we launched a photography competition named "Our Memories of the Western District". The winning entries are being collaged into large scale murals in the concourses of Sai Ying Pun Station, HKU Station and Kennedy Town Station.

We have also worked with the Hong Kong Youth Arts Foundation to conduct a series of workshops and tours for students as part of the "Our Impressions of Western District" programme, with the resulting unique images of Western District to be displayed in the lift lobbies, lifts and passenger areas of the new stations.

## **Employee Volunteering**

In addition to the work that we are engaged in as a company, our colleagues play an important role in reaching out to those in need. In 2005, the Company launched the "More Time Reaching Community" programme to further facilitate employee-initiated volunteering activities. The Company provides funding, logistics and training support to our staff for the volunteer initiatives they organise.

In 2013, 239 community projects were organised under the scheme, involving over 6,000 volunteers. Beneficiaries include the elderly, people with disabilities and underprivileged families and children. Our volunteering efforts and other socially responsible measures have enabled the Corporation to be awarded the "5 Years Plus Caring Company" logo accreditation by the Hong Kong Council of Social Service since 2011.

Delivering on our promises to stakeholders on the business, environmental and social dimensions constitute one aspect of building a sustainable business. The next section of the report focuses on how we are incorporating responsible business practices as we implement and seek growth opportunities.



Under the "More Time Reaching Community" scheme, 239 community projects were organised, involving over 6,000 volunteers in 2013

About This Report CEO Message

About the Company Sustainability at MTR

Delivering

Growing

Transforming

Performance Metrics Independent Assurance Report





# Growing

Central to our corporate strategy is to grow and enhance our core business in Hong Kong while accelerating our growth in the Mainland of China and internationally. While we aim to grow the number of places where we operate, we will always remain selective and go where we believe we can forge successful relationships and find suitable environments that draw on our strengths. No matter where we go, we will continue to apply the principles of sustainable development as we connect and grow the communities we serve.

## Popcorn

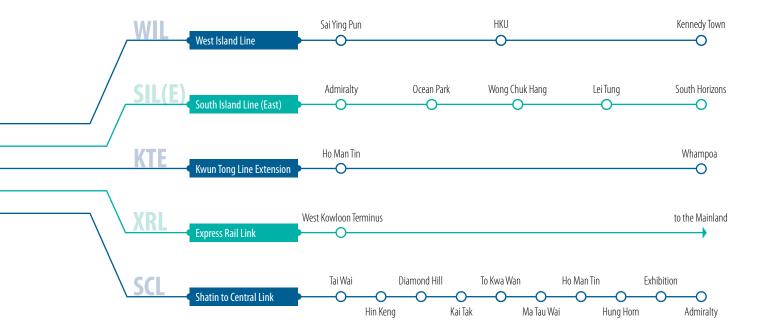
In growing our business we respond to the changing aspirations of the community. PopCorn, the newest addition to our investment property portfolio, provides enhanced connectivity and open space including an elevated park, a Civic Square, barrier free access and connected walkways to other neighbouring developments.

## **Hong Kong Rail Network**

Hong Kong remains our core focus. We are committed to contributing to the city's efforts in enhancing its position as Asia's World City – a vibrant, connected and sustainable society for generations to come. With the travelling population expected to increase by 10 percentage over the next five years, and MTR's patronage projected to increase by 20 percentage, the current expansion programme, covering five new railway lines, is designed to address the anticipated increase in demand. Upon completion, the new lines will increase the MTR network by 25 percentage and reach out to all 18 districts in Hong Kong, including communities that have yet to benefit from rail access.

Progress on all the projects we are currently undertaking is on track and we are confident they will be delivered to the satisfaction of our customers and stakeholders. The first line to open in 2014 is the West Island Line; so far approximately 80 percentage of the overall works for this project have been completed.

The five lines are unique in the innovation and forward-thinking adopted in their planning, design and construction. The following section highlights some of the initiatives that we have undertaken to help us build a high-quality infrastructure that supports the development of communities and is also supported by the community.



	WIL	SIL(E)	КТЕ	XRL	SCL	
					Tai Wai to Hung Hom	Hung Hom to Admiralty
No. of Stations	3	5	2	1	8	2
Route length (km)	3	7	2.6	26*	11	6
Construction start	Jul 2009	May 2011	May 2011	Jan 2010	Jul 2012	
Completion year	2014	2015	2015	2017	2018	2020
Project funding	Capital Grant	Rail plus Property	Rail plus Property	Service Concession	Service Concession	
Estimated journey time	8 (Kennedy Town to Sheung Wan) 14 (Kennedy Town to Tsim Sha Tsui)	11 (Tsim Sha Tsui to Ocean Park) 4 (Admiralty to Ocean Park)	5 (Yau Ma Tei to Whampoa)	14 (West Kowloon to Futian) 48 (West Kowloon to Guangzhou South)	17 (Tai Wai to Admiralty) 5 (Tai Wai to Diamond Hill)	

 $<sup>\</sup>hbox{$^*$ This represents the route length from West Kowloon in Hong Kong to the boundary of Hong Kong and Shenzhen.}\\$ 

## **Reaching Out to Stakeholders**

Our business is only sustainable if it is valued by the communities we serve. We proactively seek out a myriad of local stakeholders throughout the life cycle of our projects to ensure that we are creating value for communities.

Over the years, we have learnt that engaging stakeholders as early as the pre-feasibility stage and onwards through implementation is crucial to the successful delivery of our projects. Over 100 project liaison engineers and corporate relations personnel have been deployed to work with those potentially affected to explain construction methods, address any concerns regarding potential impacts or access issues and explain the mitigation measures put in place.

To facilitate two-way dialogue during project delivery, we have established Community Liaison Groups involving quarterly meetings of local residents, local District Council members and representatives from the Government. Stakeholders are also invited to attend public consultation forums and can access up-to-date information throughout project delivery using our project hotlines and information centres. Information about our projects is also made available to all stakeholders via our website, social media and project-specific brochures. The community's positive reception to the West Island Line is an example of how inclusive development is benefiting both the Corporation and the community.

Managing stakeholders' expectations is only one element of the works that we do to maintain our social licence to operate. Maintaining their trust requires that we minimise the disruption of our works to the communities' life as well as responding to unforeseen circumstances in a timely and effective way.

### **Minimising Disruption**

New railways bring significant economic and social benefits, yet their construction can cause disruption to local communities and businesses. To minimise this and speed up project delivery, we have put in place District Council Liaison Teams at the outset of our projects, providing clear channels of communication with relevant district council departments. Our project liaison engineers provide a single point of contact, acting as a bridge between community relations colleagues and construction management teams.

On the project implementation side, by enhancing our building techniques and making use of precast materials, we have shortened construction times, thereby reducing disruption and allowing new rail services to be introduced sooner. For example, an advanced bridge-building technique using 'Beam-and-Winch' viaduct erection equipment was introduced to Hong Kong for the first time on the South Island Line (East) project, allowing us to complete the viaduct section of the project faster. The project remains on track to be completed in 2015.

In addition, we developed the Automatic Noise Data Management E-system (ANDANTE) to limit the noise impacts of construction works. ANDANTE automatically collects and reviews data in real time so that timely mitigation measures can be taken to address any noise exceeding statutory limits. 35 monitoring stations have been set up along the 26 kilometres Express Rail Link.



Community Ambassadors helping pedestrians navigate a temporary traffic management arrangement on Ma Tau Wai Road for the SCL project

About the Company at MTR

Sustainability

Delivering

Transforming

Performance Metrics

Independent Assurance Report

## **Responding to Unforeseen Circumstances**

Building a new railway presents many challenges, including unforeseen circumstances. Our management of and responses to those challenges shape our relationships with communities and help build our reputation. Investing time and resources to build an open dialogue and to gain trust are key to responding effectively to the different situations we encounter.

## **Addressing Complaints**

In May 2013, we received complaints from residents in To Kwa Wan telling us that buildings near the construction site of the Shatin to Central Link (SCL) project were shaking. Following investigations showing that the vibration was not caused by our construction works, we went door to door to invite local residents to join 'yum cha' (tea gathering) sessions organised to explain the construction methods being used and the programme of works. Such communication proved to be effective in helping to clear up the misunderstanding, and we further reassured residents by setting up a realtime checking system to monitor vibration levels at nearby buildings.





## **Managing Water Pipe Burst**

In September and October 2013, an aged underground water pipe under Ma Tau Wai Road near the SCL project site burst. To mitigate the inconvenience caused by closing off traffic lanes to check the impact of the pipe burst to our foundation works, we worked together with the District Council and the site contractor to hire Community Ambassadors to guide pedestrians and drivers to navigate the temporary traffic arrangement. While the pipe fault was not caused by our works, to prevent any further impact on the project and the community we delivered a permanent water diversion work on behalf of the Water Supplies Department.

## **Uncovering Ancient Artifacts**

Since Hong Kong has been inhabited for over 3,000 years, it is not unusual to unearth ancient artefacts during our excavation work as we encounter historic buildings. Following recommendations in the EIA for the Shatin to Central Link, an excavation revealed artefacts dating back to the Sung Dynasty. The line also passed below historical structures at the site of the former Tai Hom Village, including the former Royal Airforce hangar. In both cases, close liaison was maintained with the Antiquities and Monuments Office to ensure the proper handling and documentation of the archaeological discoveries, and to determine the most appropriate restoration approach to conserve the hangar.



## **Optimising our Railway Assets**

In anticipation to operating an even larger network and undertaking an expanding scope of asset renewal and maintenance, we introduced the Railway Asset Management Strategy, to help us manage and maintain our assets.

## **Station**

Refurbishing the Mong Kok and Kowloon Tong stations as model stations to showcase the latest technologies and designs for our future railway stations.

#### Train

Carrying out a major make-over on the exterior and interior designs of trains.

A 'five wave' investment plan to upgrade major facilities from 2013 to 2026.

## **Customer communication**

Adopting digital technologies that deliver instant travel information, introducing value added services and delivering new travelling experiences to passengers.

### **Signal**

Replacing the technology for our signalling system used on the Airport Express Line, Tung Chung Lines and Disneyland Resort Line, relieving crowding and reducing waiting time for passengers.

### **Technology**

The Automatic Fare Collection system has been upgraded to more durable single journey smart tickets. More user-friendly equipment will be introduced through asset replacement.

As we build and operate assets that have a 50-year plus lifespan that serve several generations of users, we adopted a life cycle approach in asset management, always looking for ways to optimise the use of existing assets.

A substantial part of the expansion of the Hong Kong railway network is the design and supply of the next generation of trains. We have implemented a life cycle approach in the tendering process for new rolling stock, which allows us to assess not only the upfront capital cost, but also future energy use and maintenance costs over an average lifespan of 40 years. This helps us to produce a better assessment of an assets' real value and a more efficient use of resources.

An enhanced partnership with one of our new rolling stock suppliers is having a positive impact on the quality of new trains. A joint project office was set up at the manufacturer's base in the Mainland of China and our Quality Steering Committee was established to engage the supplier's senior management in committing to key performance measures. Our engineers are involved in examining the trains carefully during production to ensure that they meet our high standards. We ensure that major components of the rolling stock are identified to ensure traceability in our supply chain. The experience gained from this procurement exercise has helped us establish a model practice for supply chain management that will be carried through to the suppliers for our other new rolling stock contracts.

For our existing fleet, our regular investments in train maintenance, such as train shell reinforcement, have successfully lengthened the life of our rolling stock from 30 to 50 years, which over the life cycle of the asset reduces considerably the use of energy and raw materials, reducing significantly our carbon footprint.

Modernisation of trains as they pass the mid-point of their operating life minimises the cost of replacement while meeting customers' expectations for upgraded facilities. The upgrading of 68 light rail vehicles was completed in 2013, providing greater comfort and convenience to our passengers and enhancing train operability. In the process, we incorporated suggestions provided by our stakeholders such as equipping wheelchair space with backrests and seat belts.

We are investing HK\$3 billion in replacing the existing signalling system and another HK\$3 billion in refurbishing and renewing the urban fleet. The largest rolling stock procurement in MTR history was announced in 2013, providing 37 sets of nine-car trains that will ultimately replace the entire fleet currently running on the East Rail Line. All the trains are equipped with fully automatic operation capability.

Our attention to the life cycle and maintenance costs of all our new trains means that they will be more customer focused, environmentally-friendly and cost-effective, all of which contributes to our goal of building a more sustainable future.

We have a systematic approach to plan, design, operate, maintain and enhance our railway assets

# нк\$3 billion

We are investing HK\$3 billion in refurbishing and renewing the urban fleet, extending their service life by 20 years



## **Property and Commercial Business**

As part of our corporate strategy to enhance value in our property business, we are working with the Government to identify property development opportunities under the rail-plus-property model both in connection with the new lines and along the existing railway alignment. The Wong Chuk Hang master layout plan was approved in 2013, including a shopping centre and a residential development on the South Island Line (East) to serve as a catalyst for urban regeneration. With investment property being a key driver for recurring income, organic growth in the existing MTR Malls portfolio is an important part of our strategy for asset optimisation, having set up an internal team to look at untapped opportunities.

In all our property development initiatives, we strive to meet the expectations of our stakeholders and aim to create shared value for our business and the community. For instance, in the development of the second phase of Maritime Square shopping mall, next to Tsing Yi Station, we have obtained all statutory approvals and paid the land premium to convert the lorry park site on Tsing Tsuen Road into a commercial development. Years of consultation with the local residents and District Council have been carried out to make the project possible.

To address concerns raised by residents about the potential high density of the project, we opted for a smaller-scale retail project. It will provide enhanced public facilities for the community in Tsing Yi, including improved pedestrian connections and public transport facilities such as a new minibus terminus. Similarly, our PopCorn mall at Tseung Kwan O Station was designed to cater to the changing aspirations of the community for more connectivity and open space. Design features included public space provision such as a Civic Square, an elevated park, barrier-free access and connected walkways to other neighbouring developments.

In our stations, we look to maximise commercial opportunities with enhanced service through the optimisation of space use, both within the station and on our external structures adjacent to stations. Evaluations were carried out in Hong Kong station to integrate an unused future platform area through a new entrance with shops provisions, and in East Tsim Sha Tsui station to redevelop the rarely used emergency bus stop area into a mixed complex to enhance traffic flow and provide new shopping facilities. In the process, we look to strike an optimal balance between the need to provide services to the travelling public and to cater for increased patronage.



Consultation with the community in Tsing Yi has made possible the development of the second stage of Maritime Square, conveniently linked to the existing Maritime Square and Tsing Yi Station

The Wong Chuk Hang master layout plan was approved in 2013



## **Maintaining a Workforce Fit for Growth**

Delivering on our business objectives and sustaining our growth plans would not be possible without talented and committed employees. Our colleagues are our most valuable asset and one of our most important stakeholder groups.

To maintain a workforce well equipped to support our operations and expansion, we are continuing in our efforts to attract the right calibre of employees, develop and nurture talent, and put in place the appropriate recruitment and progression policies.

## **Attracting Talent**

With a number of ongoing infrastructure projects in Hong Kong and an ageing workforce, the labour market is becoming highly competitive, particularly for technical staff and professional engineers. Looking ahead, the opening of new lines will progressively increase our staffing needs for operating the railway.

# **24,500** new jobs

Construction of the five new lines is set to create an additional 24,500 jobs before the completion of the projects. The operation of the lines once the railways are open will create an additional 1,500 jobs.

In 2013, we recruited over 2,200 new staff and promoted 1,300 existing colleagues, taking the total number of employees up to 16,158. Staff turnover remained low at 4.2 percentage. However, we need to retain, recruit and develop many more talented people in order to meet the demands of our expansion in Hong Kong. Construction of the five new lines is set to create an additional 24,500 jobs before the completion of projects. The operation of the lines once the railways are commissioned will create an additional 1,500 jobs.

To make the Corporation a great place to work, we adopt competitive, equitable and performance-motivating compensation strategies and best practices to enhance staff motivation and retention. We are an equal opportunity employer committed to promoting fairness and equity in the workplace. Our Human Resources Policy clearly states that all employment is based on the competencies, experience, skills and qualifications required for a specific post. We do not tolerate any form of discrimination on the grounds of gender, sexual orientation, disability, age, race, national or ethnic origin, family status or other characteristics lawfully protected. This applies to all employment activities and human resources-related matters including recruitment, promotion, transfer, reward provisions and training.

Underscoring our commitment to equal opportunities for the disabled, we signed the Talent-wise Employment Charter in September 2013 and participated in the Inclusive Organisations Recognition Scheme organised by the Labour and Welfare Bureau.

To better understand our employees' needs, aspirations and perceptions of the company, we conducted a Staff Attitude Survey in October 2012. The results showed that 88 percentage of our staff in Hong Kong are proud to work for us, and 81 percentage consider us to be a good employer. While 88 percentage felt we conduct our business in a socially responsible manner, 95 percentage agreed that safety is the number one priority in everything we do. The survey will be conducted on a regular basis with the upcoming one planned for 2014/15.

This reinforces findings from an independent survey conducted by the Randstad Group, one of the world's largest human resources services firms, in which we were named Hong Kong's 'Most Attractive Employer'. Over half of the 4,000 interviewees said they would like to work for us, citing factors such as career progression opportunities, long-term job security, high-quality training and strong management.

Building on the insights gained through our Staff Attitude Survey, over 40 working groups have been established to formulate action plans at the corporate and divisional or departmental levels. Three main improvement areas were identified at corporate level: people management; recognition and rewards; and engagement of midcareer staff. A corporate action plan was developed and communicated to staff in August, with actions progressively being implemented. Outcomes include a new change management training programme for managerial staff, a video entitled 'WE@MTR' featuring various initiatives adopted to promote colleagues' well-being, and a fund to promote team spirit and cross-team networking.

## **Developing our Talent**

In order to adapt to the evolving needs of our business and remain a leader in our field, it is essential that we provide appropriate learning and development opportunities for our staff. We are leveraging a wide range of innovative methodologies and technologies, including mobile learning and experiential learning, to accelerate the growth of our people. Our efforts in human resource development have earned us international and local awards, including China's Best Corporate University Award, the Manpower Developer Award and various awards in the HKMA Award for Excellence in Training and Development 2013.

Our Operations Division launched its 'Leading for Excellence, Actions for Pride' (LEAP) programme in 2011 to transform the mindsets and working cultures of our operational staff, with six focus areas: Leadership, Innovation, Customer Services, Stakeholder Management, Efficiency, and Competitiveness. An Operations Transformation Team was formed to champion the programme with the support of senior management. Over the year, more than 2,000 of our staff participated in events organised through the LEAP programme and contributed to various improvement initiatives.

About the Company

Sustainability at MTR Delivering

Grov

Transforming

Performance Metrics Independent Assurance Report

Our Projects Division introduced the 'New Lines New Minds' initiative to enhance development opportunities for their staff. With high levels of communication and interpersonal skills required for effective stakeholder engagement, project managers, sub-contractors and site workers have been specifically trained to manage not just the physical aspects of the projects but also the relationships that contribute to their effective delivery. Project engineers have been trained to be empathetic in managing community expectations, build constructive dialogue with pressure groups and handle media enquiries.

A new competency-based management training plan has been developed for construction engineers. Demonstrating our staff commitment to continuous learning, a Signalling Specialist Development Programme has been organised by signalling engineers themselves, pairing novices on each topic with more experienced experts. In addition to enhancing technical training, we have introduced crossfunctional working groups to stimulate collaboration as we develop new approaches to project delivery. We also started a mentoring programme that matches our senior management's desire for sharing their experiences with our younger talent's eagerness to learn.

Both LEAP and New Lines New Minds are leading to improvements across our Hong Kong railway business. For example, efficiency studies identified a cost saving potential of HK\$95 million on our new lines and extensions as a result of the LEAP programme.

The comprehensive curriculum of the Academy of Excellent Service was designed to further embed a customer-centric culture amongst our staff and build their skills and capabilities to deliver excellent customer service. The Academy collaborates with renowned service sector companies and institutions to continuously enhance service standards and performance. In addition, we have formed a new Customer Service Mobile Team to proactively offer assistance to passengers in transit.

The New Lines New Minds intiative is helping our project staff rethink some traditional practices



Our LEAP programme aims to transform the mindsets and working cultures of our operational staff



## A Workforce Fit for the Future

Faced with a workforce transition within the next decade due to the retirement of experienced staff, we are proactively managing the retention, transfer and succession of knowledge and expertise between generations. We engage both existing and retired employees to share their experience and to enable new and less experienced personnel to learn.

Initiatives to facilitate the transfer of knowledge include the early-on-board succession planning arrangement and the intake of Graduate Trainees, Graduate Engineers, Railway Officer Trainees, Functional Associates, Supervisor Associates, Apprentices and Technician Associates. Digital platforms have been created to facilitate the exchange of knowledge.

We value the experience and contribution of our retired employees and engage some of our long-serving retirees to work for our operations overseas to help manage processes and to transfer their valuable knowledge to overseas counterparts. 2013 saw the launch of the 'We Are MTR' community of retirees,

an initiative that enables them to keep abreast of our latest developments and maintain ties with each other through regular gatherings and other initiatives.

At the same time, we are working hard to inspire the next generation of young people to enter the construction sector. We have engaged in construction sector collaborations to organise Job Fairs and Career Expos in partnership with suppliers, business and professional associations for specialist disciplines to showcase career prospects in the industry.

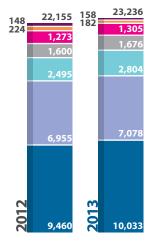
2013 marked the 35th anniversary of our Apprentice Training Scheme. When it was established, it opened up new opportunities for Hong Kong youngsters who want to pursue vocational training, whilst helping us to train up a professional team of maintenance personnel for the new railway. In the past three decades, this scheme has continuously provided us with outstanding railway maintenance professionals with more than 1,200 young people having completed the training.



New captains learn to drive and handle incidents with the help of an experienced mentor

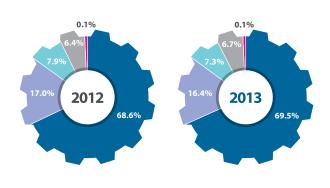
## Total Global Staff Strength\*

- Station commercial business
- Mainland of China and international business
- Property and other business
- Corporate management and support departments
- Projects
- Offshore emplyees
- Operations
- \* Full-time employes only



## Global Staff Distribution\*

- Hong Kong
- Australia
- Sweden
- Mainland of China
- Others
- \* Full-time employes only



## **Mainland of China and International Business**

Outside Hong Kong, we are seeking targeted growth opportunities and are strengthening our presence in the Mainland of China and internationally through deepening our understanding of new markets.

Engaging with stakeholders is intrinsically linked to developing trust and strategic partnerships - it enables us to better understand the local market and continuously enhance our performance. For example, engagement with the Hangzhou Transport Bureau led to the realignment of some of the bus routes closer to the train stations of Hangzhou Metro Line 1, improving connectivity for commuters.

In May 2013, Phase 1 of the Beijing Metro Line 14 (BJL14) commenced operation. The 12.4 kilometres section of the BJL14 has seven stations, running from Zhangguozhuang Station to Xiju Station in the south western part of Beijing. The line will eventually comprise 37 stations and will serve as the backbone of public transport between the southern and eastern areas of Beijing.

We were successful in our bid for the Tianjin property development. While we will not be involved in construction of the associated rail line, we will bring our expertise in integrating property with rail development to the project, aiming to bring seamless travel to residents.

Building on the success we have achieved in bringing improved rail services to the Stockholm Metro since the commencement of our franchise in 2009, we are expanding beyond the metro system and launching a new intercity rail service, MTR Express. The service will connect Sweden's capital city of Stockholm on the east coast with the country's second largest city Gothenburg in the west. We are purchasing new trains to deliver a fast and premium service on this strategic 455 kilometres route.

Phase 1 of the Beijing Metro Line 14 commenced operation in May 2013. We contribute our expertise and commitment to serve commuters in Beijing by providing safe, convenient and quality metro service



## Pursuing targeted opportunities by building on existing hubs

Mainland of China	Sweden	Australia	United Kingdom
Beijing Line 16  Bid submitted in February 2014  Shenzhen Metro Line 6  Terms of agreements are being negotiated	MTR Express  New train service between Stockholm and Gothenburg targeted to be launched by early 2015	North West Rail Link, Sidney  • Bid submitted in December 2013  Dandenong Rail Corridor, Melbourne  • Subject to finalisation of project procurement and financing; construction expected to start in 2015	Essex Thameside, Thameslink Southern and Great Northern  • Bids submitted in December 2013  Crossrail  • Bid submitted in February 2014  ScotRail  • Shortlisted for tender in November 2013

## **International Knowledge Transfer**

We are accelerating and deepening our international presence by leveraging the success, competence and knowledge established in Hong Kong and matching this with the capacity of our staff and business partners in our new operations.

New strategies and enhanced human resources policies have been drawn up to facilitate our business growth in the Mainland of China and internationally. New structures were set up including the permanent establishment of China and International Business (C&IB) core team and its Mobile Resources group. People development initiatives were also implemented to oversee capacity building in hubs and identify a talent pool.

Knowledge and skills exchange between our international and local teams is essential in delivering our vision to be a leading multinational company. From Hong Kong, we share the long-established expertise in railway operations, while bringing back knowledge from abroad of niche technology, such as how to manage operations under extreme temperatures of -20°C in Stockholm and +40°C in Melbourne. Successful initiatives that arise from the local context of our franchises are an inspiration and source of innovation for the Hong Kong team. This includes the animated safety message developed by our Melbourne colleagues that uses music and humour to warn people against behaving recklessly around trains. The clip 'Dumb Ways to Die' has been viewed by 70 million users on YouTube and the free game app has been downloaded 12 million times.

We are creating more opportunities for the C&IB core team to gain experience and exposure to the Mainland of China and international markets. We have arranged secondments to the Mainland of China and international operations to leverage expertise on operations and build capacity among local staff. With a focus on leadership development in all hubs,

the first MTR Advanced Management Programme (MMP) was launched in 2013 for senior managers from our Hong Kong headquarter and subsidiaries, as well as from our joint ventures and subsidiaries in the Mainland of China and overseas.

Specifically in the Mainland of China, our people management and development strategy involves addressing a whole spectrum of skills needed for our railway operation, including the transfer of technical knowledge, building organisational culture, establishing human resource systems and nurturing a leadership pipeline. As a result of various training and development initiatives launched in the Mainland of China, our human resources capability in China has improved. In Europe and Australia, where we took over an existing workforce, we focus on establishing or improving procedures leading to increased reliability and customer service.

We play an active role in facilitating the sharing of knowledge and expertise across operations. In May, the C&lB Operating and Maintenance Safety Peer Review was organised in Stockholm to enable staff from Hong Kong, London, Stockholm, Melbourne and Shenzhen to share good safety practices and knowledge. The second Review was organised in November 2013 in Melbourne. We invited our operations team in London to join the Enterprise Risk Management Roundtable to share knowledge and experience on risk management with industry leaders in their region. Internal webinar sessions were organised in 2013 to share the experience and knowledge gained at the roundtable for other risk managers working in our subsidiaries and affiliates.

While we have undertaken a number of initiatives to help us deliver and grow the business, we also realise that we must transform ourselves in order to achieve our vision of becoming a leading multinational corporation that connects and grows communities with caring service. The next section discusses our experiences so far on our transformation journey.

## Rolling out Supply Chain Responsibility in our Mainland of China Subsidiary

In November, an experience-sharing session on corporate responsibility in the supply chain was held to introduce the corporate Supplier Code of Practice to our procurement and contracts colleagues in Shenzhen. Gammon Construction Ltd, a key supplier, was invited to exchange ideas and provide a benchmark in their corporate vision and best practices in responsible supply chain management. The event was a key milestone in the development of sustainable procurement for our Shenzhen subsidiary.

## **Promoting WIT at an International Level**

The Work Improvement Team (WIT) is a Corporation-wide scheme that has been established in MTR for over 25 years. The mission of the WIT is to empower and engage staff to improve their work processes, create value for the Corporation and nurture a continuous learning and innovation culture. It has been further promoted from Hong Kong to all other Mainland of China and international hubs; for instance, a WIT was established in Shenzhen in 2009, while in 2013, WITs were started in Beijing, Hangzhou and Stockholm. Our Stockholm and Beijing teams organised their first WIT Annual Presentations in August and December 2013, respectively. With the successful development of our WIT hubs to date, we expect to convene a Global WIT Event during the first half of 2015.

## **Building a Global MTR Culture**

Reflecting the multinational nature of the Company, the annual MTR Grand Awards for Outstanding Contribution scheme in 2013 received 86 submissions, including quite a few first time entries from MTR subsidiaries and associate companies. In order to share MTR's culture and strengthen the ties with our subsidiaries and associate companies, overseas winning teams were invited to attend the presentation ceremony held in Hong Kong. Business visits and sharing sessions with respective business units had also been arranged. A video with interviews from the winning teams was also produced to share their achievements with staff around the globe.

About the Company at MTR

Sustainability

Delivering

Growing

Transforming

Performance Metrics

Independent Assurance Report





# **Transforming**

Our vision reflects our desire to transform our reputation as a builder and operator of railways into a globally recognised, leading multinational company that connects and grows communities. Achieving that goal requires us to transform and equip ourselves for long-term success. We see railways as central to low-carbon, integrated transport systems for fast growing cities of the 21st century and we aim to become the partner of choice in creating a future consistent with the principles of sustainable development for the cities we operate in.

We are transforming our levels of service to better meet the needs and expectations of our evergrowing customer base, now and in the future. In operations and project delivery, we collaborate internally and externally to reach new heights of efficiency and innovation.

## My Environmental Friendly Community

The opening of the West Island Line in 2014 will transform the Hong Kong Western District. During the construction process we have used arts to engage the community and used our construction structures as a permanent open-air art display. To nurture a sense of environmental awareness among students, we organised a drawing competition for students of the Bonham Road Government Primary School. Featuring the theme of "My Environmental Friendly Community", nine winning pieces showcasing students' green ideas were selected from 40 entries to be displayed on the ex-David Trench Rehabilitation Centre worksite hoardings adjacent to the school.

## **Transforming our Business**

Our transformation is designed to touch all aspects of our business, including the way we are organised, the way we develop and engage our people, the way we embed innovation into the organisation and the way we engage with our stakeholders.

### **Excellence and Innovation**

Our consistently high standards of customer service and delivery have been internationally recognised, but we are determined to go further to serve our customers in new and exciting ways. We are transforming the way we look at our customers and how to personalise the service that we provide to each of them with a visionary idea to take the 'mass' out of mass transit.

## Listening • Responding

Listening • Responding has been an instrumental programme to help us transform our service and anticipate customers' changing needs. It is leading to improvements in customer convenience, comfort and accessibility, as well as innovation in our communications with customers. We have continued to implement measures that our customers suggested and they are noticing the difference. In the latest customer survey, 96 percentage of those surveyed had an enhanced opinion of MTR Corporation since the launch of the programme, 95 percentage felt that we are improving service standards, and 93 percentage agreed that we are investing resources for railway development and future services and facilities.

Reducing waiting times and easing crowding remains a focus area of the Listening • Responding programme. Three phases of train service enhancements were implemented in 2013. Train frequencies and capacity on the Island, Tsuen Wan, Kwun Tong, East Rail and West Rail lines, as well as on the light rail were enhanced in various periods during weekdays and weekends. In addition, extra train trips were provided over festive periods to make holiday travel more convenient and flexible. In total, more than 6,800 train trips were added in 2013, including 131 additional regular weekly journeys.

Passenger comfort is another area where Listening • Responding has helped identify improvement opportunities. We are installing inflatable door seals to reduce noise levels on trains, and public toilet facilities at major interchange stations. An additional 52 wide gates have been installed across 30 of our stations to assist people with disabilities and those with bulky luggage or baby prams. We are also mindful of the changing needs of an ageing customer base. Provisions for the growing number of elderly customers include more seats for resting, and larger font sizes in our signage. A new external lift was installed at our Shek Kip Mei station to help us move towards our aim of providing step-free access to all but three of our 83 MTR stations by 2015.

Shek Kip Mei external lift was completed in 2013 making the MTR system more accessible and convenient for passengers, especially those with limited mobility



## **Keeping Passengers Connected**

We recognise the growing expectations of customers, particularly younger passengers and business visitors to stay connected on the go. Free Wi-Fi in stations was highlighted as something that would benefit many passengers and we responded by launching Wi-Fi hotspots (up to five 15-minute sessions per day per passenger) at all 84 MTR stations in July 2013. In addition, 4G mobile is now available across all our stations and trains.



## **Anticipating Customers' Needs**

Transporting passengers between stations is only part of our job. We also strive to help them get to their destinations in an efficient manner. We have invested in getting information to our customers in new and more convenient ways in 2013. Signboards, complete with pictures of local attractions, have been installed in ten major stations to help passengers navigate their way to the correct exits and onwards to their destinations. A new Passenger Information Display System was launched at Olympic Station in November; this will be rolled out to other stations across our network gradually over the next two years.

We deliver service updates directly to passengers through our website and smartphone applications including our flagship app, MTR Mobile, which today has over 1.8 million users. Through the app's Traffic News function, we provide real-time information regarding special train service arrangements during festive seasons, typhoons, and service disruptions lasting more than 20 minutes. The enhanced Next Train app, launched in September, provides next train information for travellers on the Airport Express, Tung Chung and West Rail lines. Passengers choose their departing station and the system will provide a real-time train schedule for up to the next four trains. In addition, we have established a growing presence on Facebook to keep passengers involved.

## **Harnessing Innovation**

Transformation requires us to think about the role of new technology to further enhance service standards and improve our efficiency, safety and sustainability.

We have been exploring ways to apply new technologies to our operations. For instance, a chemical powder used by the marine and aerospace industry to remove oxygen in the case of fire that is safe for people has been adapted for use in our equipment room in Lam Tin. A new laser scan detection system has been deployed to alert station staff about trespassers on tracks. In our railway extension projects, a new smartphone-enabled materials-testing system is being used by workers at our five new lines construction sites. Our innovation achievements have been officially recognised with a Gold Award from the Hong Kong Institution of Engineers.

Fundamentally, our employees are the source of innovation. We have appointed innovation ambassadors who encourage colleagues to come up with ideas (products or services) relating to ways to improve our operations or to identify challenges that require solutions. We are also actively exploring new ways to use technology to capture and utilise the creativity and ideas of our colleagues. Our Innovation Management Group reviews ideas proposed by employees and allocates funding for trials. If a trial is successful, we will then seek to implement the idea across the organisation.

Staff are encouraged to put forth innovative ideas through various channels available, one of which is the well-established Staff Suggestion Scheme. Thanks to these suggestions, valuable improvements have been made in areas such as safety, working efficiency, service quality and technology enhancement. In strengthening a culture of innovation across the Corporation, the Scheme has been revamped to motivate submission and nurture innovative ideas.

## **Working with our Partners**

Our transformation does not end with ourselves. We are dependent on our business ecosystem to support us in this endeavour. Across the value chain, we rely on a range of partners whose dedication to the same standards of excellence is vital for our success. As such, we have adopted a proactive approach to working with and influencing our peers in the public transport sector, both locally and internationally, taking a leading role in initiatives to build common standards and share best practices and innovation.

## Contractors

Securing our contractors' buy-in is integral to our ability in meeting our sustainability goals. Our efforts begin with establishing non-contractual partnering relationships at the outset of every contract. This involves setting up open channels of communication and agreeing common objectives, leading to joint efforts to improve delivery plans.

'War Rooms' are set up for all major contracts, with project team members from both companies working together to meet the high standards of safety, quality and environmental best practice that we and our stakeholders expect



In our railway extension projects, a new smartphoneenabled materials-testing system is being used by workers at our five new lines construction sites



About the Company

Sustainability at MTR

Delivering

Growing

Performance Metrics

Independent Report

Another way of aligning objectives among our partners is through a new recognition system. The semi-annual Quality, Safety, Environment and Stakeholder Engagement (QSESE) Awards Scheme gives us a platform to communicate objectives consistent with the 'New Lines New Minds' approach described earlier in this report, and gives our partners opportunities to be recognised for their own initiatives in improving their performance. The excellent practices by our contractors are openly communicated and shared with all contractors. A Stakeholder Engagement category was subsequently added to the awards programme to recognise the efforts invested by contractors in maintaining and enhancing our positive relations with communities, supporting our endeavours to become better corporate citizens.

#### Government

We support a number of Government sustainability initiatives on issues ranging from energy efficiency to equal opportunities, as mentioned throughout this report. In addition, we are engaging with Government departments to enhance our working relationships through a Government Interface Initiative that was launched in 2013. The goal is to improve communications, help all parties better understand each other's objectives, enhance workflow efficiency and reduce the time required for statutory submissions to be reviewed and approved. With different objectives set to produce tangible positive results, the effort provides a platform for professionals to challenge the status quo and encourage a change in mindset and behaviours so as to improve the efficiency of Hong Kong's infrastructure construction and competitiveness. Both ourselves and the Government are enthusiastic and dedicated to enhancing the initiatives and exploring potential opportunities for continual improvements - thereby benefitting all customers, communities and other stakeholders who have an interest in the timely delivery of our projects.

#### Utilities

Mirroring our collaboration with contractors, proactive utilities management has been adopted across our project portfolio. Through the Government's Joint Utility Policy Group we are forming more effective relationships with utilities providers and relevant Government departments to coordinate approaches and review progress, thereby helping Government to ensure more efficient project delivery.

## **Best Practice Sharing**

We are a signatory member of the International Association of Public Transport (UITP) Charter on Sustainable Development. UITP is internationally recognised for its work to advance the development of sustainable urban mobility which brings together all public transport stakeholders and all sustainable transport modes. We play a significant role in leading the discussions on policy as well as contributing to a set of Key Performance Indicators (KPIs) for operators when reporting under the UITP initiatives.

In addition, we participate in the Community of Metros (CoMET) programme that collects data from large metro system operators around the world to compare performance in a number of common areas. The annual benchmarking process uses 36 Key Performance Indicators (KPIs), which measure the performance through six categories: growth and learning, customer, internal processes, safety and security, financial performance, and environmental performance.

The Corporation's involvement in CoMET enables us to learn and share best practices, innovation and new technologies used in our operation and in other metros around the world. We continue to demonstrate leadership in profitability (total commercial revenue per operating cost), customer service (delivering passenger journeys on time) and trouble-free travel (delivering train journeys on time). Results of selected KPIs are presented on page 54.

The expansion of Admiralty Station will transform a busy interchange station into a modern transportation hub within the heart of Hong Kong's financial district



## **Transforming Communities**

Within the context of rapid global population growth and urbanisation, a high quality and efficient transport system is increasingly essential for major cities to remain competitive whilst maintaining a high quality of life for their citizens and for visitors.

## **Sustainable Development in Hong Kong**

For many years, our approach of transit-oriented development (TOD) has enabled Hong Kong to maintain and enhance its status as Asia's World City by moving people efficiently and reliably. TOD maximises land use efficiency by focusing high-density living and commercial spaces around network stations. Widely-spaced transport hubs are connected through a high-speed rail network, with open spaces between stations allowing for the provision of green space and other community amenities.

The integration of transport and urban planning significantly reduces citizens' dependence on cars: in Hong Kong, 90 percentage of commuters use public transport, with MTR playing a major role, claiming a 46.9 percentage market share. This helps to reduce car accidents and injuries, household spending on transport, traffic congestion, and transport-related carbon emissions, whilst encouraging walking and healthier lifestyles, and increasing footfall for local businesses.

By integrating rail and property developments, we build sustainable community hubs along the MTR network.

New residential areas have a chance to grow, as with LOHAS Park and Tung Chung in Hong Kong, while older communities are revitalised when the MTR reaches their neighbourhood. Communities benefit from the new facilities that come with the expanded MTR network. We also make significant efforts to preserve heritage spaces and natural habitats and work towards offering the Hong Kong community a greener, more liveable urban environment.

Our recent and current projects across Hong Kong help to illustrate the significant benefit that railway expansion can have for local economic development and regeneration.

## **Enhancing Local Environments and Amenities**

We recognise the direct impact of our developments on local environments and amenities, and actively seek to maximise the benefits. For example, as part of the transformation of Admiralty Station into a major transport hub, a new landscaped deck will accommodate a reprovisioned Harcourt Garden. Additional landscaping and recreation areas will be added in and around the new West Island Line stations, and a new state-of-the-art public swimming pool has already been delivered as part of the reprovisioning works at Kennedy Town. In Wong Chuk Hang, we will create new open spaces and gardens for people to congregate and relax, and have set aside space for social enterprises and social welfare facilities.

A new open space with extensive greening and recreational facilities was provided to the public as part of the SIL(E) railway project at Kellett Bay Waterfront. The site also serves as a temporary nursery for the trees transplanted due to the construction of the new line



## **Regeneration of Wong Chuk Hang**

Our large-scale development at Wong Chuk Hang is acting as a catalyst to enhance the transformation of the Southern District. It will create a district focal point providing convenience and vitality to the community while promoting tourism in the area. Our master plan for the former public housing estate accommodates a station, a rail depot, a 47,000m² shopping mall and around 4,700 residential units. This development will help to attract offices and hotels which will bring professional service companies and banks into the area. According to an initial estimate, approximately 1,500 jobs will be created during construction, followed by an additional 2,500 jobs when the property becomes operational.





## **Developments in the Western District**

On Hong Kong Island, even before the new West Island Line is completed, regeneration within the Western District is clearly visible, creating more diverse, vibrant and exciting communities. New shops, bars and restaurants, supplemented by new recreational opportunities, are improving quality of life for residents. With the opening of our new stations in 2014, connectivity with other parts of Hong Kong will be significantly improved, bringing further economic opportunities to local people.

## **Expanding the Central Business District**

The International Finance Centre above Hong Kong Station has expanded Hong Kong's Central Business District by adding 254,190 square metres of Grade A office space. On the other side of the harbour, the International Commerce Centre in west Kowloon – previously an inconvenient area to travel to – is now only a ten-minute journey from Central via the Tung Chung and Airport Express lines. This is helping to support the continuing economic development and growth of Hong Kong.





## Connecting Communities from East to West and North to South

Our expansion in Hong Kong is bringing efficient transport access to nearly every corner of the territory, connecting communities that until now have relied on less sustainable forms of transportation. A new corridor will provide the first ever direct railway link between the eastern and western New Territories. Meanwhile, Hong Kong's oldest railway line, the century-old East Rail Line, will be extended to Hong Kong Island via the city's fourth harbour rail crossing. The development of the Shatin to Central Link will provide a direct service between the south of the Hong Kong Island and the northern boundary with Shenzhen.

## **Looking to the Future**

Many parts of Hong Kong remain underserved by an efficient mass transportation system and we believe there are opportunities for new lines beyond the completion of the current expansion plans in 2020. We are actively engaging the Government to create a blueprint for the next era of Hong Kong's railways beyond 2020. As part of this, we have provided extensive input into the Review and Update of the Railway Development Strategy 2000.

As demand for space continues to grow in Hong Kong, the Government has indicated that it will increase the supply of land in the short, medium and long term, both for the development of new towns on greenfield sites and for the regeneration of previously developed land. Our experience makes us extremely well-equipped to facilitate and support both. We will do so in a way that meets those communities' needs through the delivery of high quality, integrated rail and property developments that act as focal points of urban growth.

In Hong Kong, the economic, political and regulatory environment has made the innovative rail-plus-property model possible. Appreciation in land values after a railway has been constructed, together with revenues generated from rental and management of properties and stations, provides a sustainable funding model for infrastructure. It ensures that the railway has sufficient resources not just for construction, but also for the long-term operation and maintenance of our assets, enabling us to establish affordable fares and ensure sustained patronage of the system. Furthermore, the integration of transit and land use through rail-plus-property has contributed to a more environmentally sustainable mode of urban development.

We believe there are significant opportunities for us to bring our expertise in rail-plus-property to the Mainland of China and international markets. In the Mainland of China, the Government is accelerating railway construction to support the rapid growth of its cities, and in the process, private operators are being encouraged to integrate the development of rail and land. In December, construction started on our first rail-plus-property project in Shenzhen, Mainland of China. The mixed residential and commercial development, on top of the rail depot for the Shenzhen Metro Longhua Line, follows the rail-plus-property model pioneered for 35 years in Hong Kong.

Stockholm, as one of the fastest growing cities in Europe, is facing the challenge of building new transit and housing to meet its rapid population growth. At the same time, climate change impacts pose further threats to the city. MTR Stockholm, in partnership with Sweco and Skanska AB, two Swedish construction and development companies, published the 'Stockholm 2070' study in 2013, painting a vision for the city's sustainable development in light of demographic changes and climate change impacts. The integration of public transport and residential development is an important aspect of this study. There is potential to adapt Hong Kong's rail-plus-property model to create the kind of sustainable communities the city needs.

We will continue to look for opportunities where our integrated rail-plus-property model could contribute to the sustainable development of communities, and to focus our C&IB expansion on cities that face similar challenges and opportunities to those we understand so well from our experience in Hong Kong. Through this, more cities will benefit from the safe, reliable, customer-centric, sustainable metropolitan railway service that Hong Kong already enjoys. By staying focused on our vision to be a leading multinational company that connects and grows communities with caring service, we will continue to support development, growth and prosperity both in and outside of Hong Kong.

Lo Wu

Kwu

## Schemes Proposed in the Stage 1 and 2 Public Engagement of the Review and Update of the Railway Development Strategy 2000\*



Hung Kong Shui Kiu

Shenzhen

Lok Ma Chau

<sup>\*</sup> Stage 1 and 2 Public Engagement Consultation Document of the Review and Update of the Railway Development Strategy 2000 (RDS-2U), undertaken by the Hong Kong SAR Government

# **Performance Metrics**

## **Metrics**

In the following pages, we provide sustainability performance data covering the reporting period 1 January to 31 December 2013. Recognised global and industry standards and best practices are used to measure and present performance data, including the new Global Reporting Initiative G4 Sustainability Reporting Guidelines, the Hong Kong Stock Exchange Environmental, Social and Governance (ESG) Reporting Guide, and the UITP Charter on Sustainable Development. We are also guided by the CoMET benchmarking programme and the World Business Council for Sustainable Development/World Resources Institute's GHG Protocol: A Corporate Accounting and Reporting Standard.

This is our 13<sup>th</sup> year of sustainability reporting. During that time we have expanded the scope of our sustainability strategy and disclosure to include new areas of focus as we strive for continuous improvement. As in previous years, we provide financial and economic contribution data extracted from our most recent Annual Report, prepared according to and in alignment with the accounting policies of our financial statements. Whenever financial data is provided in this report, we follow our 2013 fiscal year unless otherwise stated.

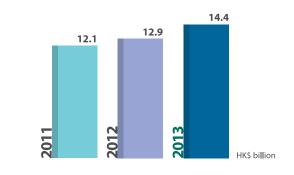
The data provided covers our Hong Kong business, as well as our subsidiaries in Shenzhen, Melbourne and Stockholm. We include selected environmental, social and safety data to provide visibility of our performance across those areas. A number of the indicators have been independently assured for additional transparency and robustness, as detailed in the assurance report provided later in this section. We will continue to broaden and strengthen the scope of our sustainability reporting and disclosure in subsequent years.

This year we have chosen not to publish the maturity matrices based on the BS 8900:2006 Guidance for Managing Sustainable Development. For several years, MTR Corporation has been performing at the 'best practice' level in Hong Kong and, whilst we still see improvement opportunities for our Mainland of China and international operations, we believe that GRI G4 and the CoMET benchmarking programme described later in this section both provide robust frameworks to manage that improvement in a more streamlined way. We will continue to develop new management systems and approaches as we continue to strive for best-in-class sustainability performance.

## Selected Consolidated Financial and Economic Performance

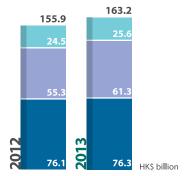
## **EBITDA**

(including Mainland of China and international subsidiaries)



## **Fixed Assets Growth**

- Service concession assets
- Investment properties
- Other property, plant and equipment



## **Debt Servicing Capability**

- O Net debt-to-equity ratio (left scale)
- Interest cover (right scale)



## **Economic, Environmental, Social and Safety Performance** (Hong Kong)

The following charts report our key economic, environmental, social and safety performance trends for three years for Hong Kong and our key environmental, social and safety performance for 2013 for our wholly and majority owned subsidiaries. The selected performance indicators reflect key business activities of interest to stakeholders and give a snapshot of how we are performing in terms of our businesses and peer industries, as well as how we are performing as a corporate citizen.

In the following charts, we identify the links between indicators and the eight sustainability priorities (detailed on page 12-13 of this report).



Resource Management



Customer Service



Health and Safety



Environmental Management



Supply Chain Sustainability



Sustained and Dynamic Engagement



Societal Development



Climate Change

Consolidated Financial and Economic Performance	Measure	Sustainability Priority	2011	<b>2012</b> <sup>(1)</sup>	2013
Turnover	(HK\$ million)	Q	33,423	35,739	38,707
Total EBITDA	(HK\$ million)		12,124	12,895	14,399
Profit on Hong Kong property developments	(HK\$ million)		4,934	3,238	1,396
Profit for the year attributable to equity shareholders of the company arising from underlying businesses before property developments (recurrent business)	(HK\$ million)		6,243	6,914	7,437
Reported net profit attributable to equity shareholders	(HK\$ million)		15,556	13,375	13,025
Dividends per share	(HK\$)		0.76	0.79	0.92
Total assets	(HK\$ million)		197,684	206,687	215,823
Loans, other obligations and bank overdrafts	(HK\$ million)		23,168	23,577	24,511
Total equity attributable to equity shareholders of the company	(HK\$ million)		131,907	142,904	152,557
EBITDA margin (including Mainland of China and international subsidiaries)	(%)		36.3	36.1	37.2
EBITDA margin (excluding Mainland of China and international subsidiaries)	(%)		55.6	53.6	53.4
Return on average equity attributable to equity shareholders arising from underlying businesses	(%)		8.2	7.0	5.8
Net debt-to-equity ratio	(%)		11.6	11.0	11.8
Interest cover	(times)		14.5	13.0	11.5
Hong Kong tax paid	(HK\$ million)	<b>Q</b> 💍	(1,949)	(1,699)	(1,183)
Overseas tax paid	(HK\$ million)		(154)	(100)	(160)
Expenses relating to Hong Kong Transport Operations					
Energy and utilities	(HK\$ million)	<b>Q</b> 🔍 🦘	(1,110)	(1,200)	(1,293)
Maintenance and related works	(HK\$ million)		(1,048)	(1,112)	(1,177)
Staff costs and related expenses	(HK\$ million)		(3,673)	(4,067)	(4,198)
Stores and spares consumed	(HK\$ million)		(466)	(477)	(514)

<sup>(1)</sup> Restated due to retrospective adoption of Revised HKAS19, Employee Benefits.

## Economic, Environmental, Social and Safety Performance (Hong Kong)(cont'd)

<b>Environmental Performance</b>	Measure		Sustainability Priority	2011	2012	2013
Energy Use for Railway Operations			<b>Q</b> 🍿			
Total electricity purchased	MWh			1,375,813	1,423,108	1,424,953
Heavy rail Light rail and bus	MWh MWh			1,323,795 52,019	1,369,518 53,590	1,371,918 53,035
Electricity consumption per revenue car-km	kWh per revenue car-	km		4.84	4.83	4.70
Heavy rail Light rail and bus	kWh per revenue car- kWh per revenue car-			4.83 5.12	4.82 5.13	4.69 5.03
Water Consumption						
Water consumption from railway operations Water consumption from managed and investment properties	$m^3$ $m^3$			887,378 1,095,937	841,671 994,540	846,709 1,214,050
Waste Management						
Metals recycled from railway operations  Spent oil recycled from railway operations - Amount  - % total	tonnes litres %			3,020 106,980 100	3,990 90,306 100	2,843 98,340 100
General wastes from railway extension projects	tonnes			15,855	26,267	58,967
Climate Change Management						
Annual review of climate change – risk assessment and continuous risk management action			<b>Q</b>	Review completed	Review completed	Review completed
Total GHG Emissions (2)	tonnes CO <sub>2</sub> e		Q 💸 🟶	1,218,291	1,255,123	1,359,996
Corporate Functions and Main Office Buildings	Sc	ope				
Fuel consumption Refrigerants <sup>(3)</sup> Electricity purchased <sup>(4)</sup> Water consumption and sewage treatment <sup>(4)</sup> Paper consumption <sup>(5)</sup> Staff business travel	tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e	1 1 2 3 3 3		2,717 398 15,139 14 381 1,327	2,692 148 14,750 14 326 1,302	2,723 220 16,268 12 44 1,792
Transport Operations (6)						
Fuel consumption supporting railway operations Fuel for feeder bus services Refrigerant Electricity purchased <sup>(7)</sup> Water consumption and sewage treatment <sup>(8)</sup>	tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e	1 1 1 2 3		2,195 18,518 12,336 892,023 503	2,301 19,223 19,185 903,177 475	2,132 19,645 19,407 949,969 476
Network Expansion						
Fuel consumption (9) (10) Electricity purchased (9) Water consumption and sewage treatment (9) General wastes disposed to landfill from site offices and construction sites (11)	tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e tonnes CO <sub>2</sub> e	1 2 3 3		332 3,093 71 16,331	421 3,097 28 27,055	433 4,143 32 62,505
Properties and other Businesses (12)						
Fuel consumption Refrigerants Electricity purchased Water consumption and sewage treatment	tonnes $CO_2e$ tonnes $CO_2e$ tonnes $CO_2e$ tonnes $CO_2e$	1 1 2 3		225 5,759 246,275 653	226 9,372 250,740 593	227 7,177 272,069 <sup>(13)</sup> 724 <sup>(13)</sup>

- (2) Includes MTR Corporation and all its subsidiaries in Hong Kong, except Octopus and Ngong Ping 360. Categories and scopes align with 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard', jointly published by the World Business Council for Sustainable Development and World Resources Institutes. Reference for reporting is also drawn from 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong', published by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department.
- (3) Includes only Kowloon Bay Headquarters.
- (4) Includes Kowloon Bay Headquarter, Fo Tan Railway House and Kam Tin Building. 2013 data includes 33/F IFC Two.
- (5) Includes paper consumption by transport operations, properties and other business.
- (6) Includes all stations, traction energy for heavy rail and light rail, all depots and other railway-supporting services.
- (7) Excludes electricity consumption by advertising kiosks, station kiosks, station car parks, Tseung Kwan O Laboratory, Traxcomm and telecommunication.
- (8) Excludes tunnel cleansing and water consumption by kiosks.
- (9) Includes consumption at site offices for projects, but excludes that for construction activities.
- (10) Includes Ngong Ping 360 Cable Car.
- (11) Includes consumption for construction activities.
- (12) Includes all properties owned/developed/managed by the Corporation (refer to page 6).
- (13) Includes staff clubhouse at Trackside Villas in 2013.

## **Economic, Environmental, Social and Safety Performance** (Hong Kong)(cont'd)

Social Performance	Measure	Sustainability Priority	2011	2012	2013
Total number of passenger trips	Weekday average in million		4.85	5.07	5.25
Total number of passenger trips - Hong Kong passenger services	million		1,688	1,767	1,819
Share of franchised public transport in Hong Kong	%		45.4	46.4	46.9
Total employees	number	@ 🐠 💍	14,444	15,200	16,158
Persons with disabilities employed (14)	number		201	199	223
Persons with disabilities employed (%) (14)	%		1.4	1.3	1.4
Women employees	%		19.3	19.7	20.3
Women on the Board	%		17	17	27
Voluntary staff turnover rate	%		3.3	4.2	4.2
Vacant posts filled internally either by promotion or transfer	%		49	48	49
Training days per employee	days		6.0	6.3	6.5
Total staff training days - Management Training	man-day		21,578	23,211	22,133
Charitable Contributions					
Cash donations	HK\$ '000	Q 🐠 🖒	2,700	3,800	6,700
Gifts in kind	HK\$ '000		25,600	17,300	27,520
Employee fundraising	HK\$ '000		355	399	398
Employee volunteering (no. of projects)	number		206	239	239
Employee volunteering (no. of volunteers)	number		5,600	5,800	6,000
Legal Compliance					
Convicted cases of corruption	number	<b>₩</b>	0	0	0
Number of Environmental Non-compliance Cases					
MTR Corporation	number		1	0	0
Main contractors	number		1	4	4 <sup>(15</sup>
Environmental Fines	Паттрег		1	4	4
	Luzč		15.000	0	0
MTR Corporation Main contractors	HK\$ HK\$		15,000 2,000	0 232,000	0 278,000 <sup>(15</sup>
Operations Performance (16)					
(A) Train Service Delivery					
Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung	%		99.9	99.9	99.9
and Disney Resort lines and Airport Express					
East Rail Line (including Ma On Shan Line)	%		99.9	99.9	99.9
West Rail Line	%		99.9	99.9	99.9
Light Rail	%		99.9	99.9	99.9
(B) Passenger Journeys on Time					
Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung					
and Disney Resort lines	%		99.9	99.9	99.9
Airport Express	%		99.9	99.9	99.9
East Rail Line (including Ma On Shan Line)	%		99.9	99.9	99.9
West Rail Line	%		99.9	99.9	99.9
(C) Train Punctuality					
Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung					
and Disney Resort lines	%		99.7	99.8	99.8
Airport Express	%		99.9	99.9	99.9
East Rail Line (including Ma On Shan Line)	%		99.8	99.9	99.9
West Rail Line	%		99.8	99.9	99.9
Light Rail	%		99.9	99.9	99.9
(D) Train Reliability					
Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung	revenue car-km/incident		1,841,882	4,203,807	3,474,269
and Disney Resort lines and Airport Express East Rail Line (including Ma On Shan Line) and West Rail line	revenue car-km/incident		3,292,956	7,113,301	4,412,228

<sup>(14)</sup> The figures in 2011 and 2012 revised to include only people with physical or mental disabilities, and exclude those who have chronic illnesses.

<sup>(15)</sup> Four incidents occurred involving two cases of non-compliance with the Noise Control Ordinance and two cases of non-compliance with the Water Pollution Control Ordinance. Total fines: HK\$278,000.

<sup>(16)</sup> Refer to Annual Report page 40-41 for full operations performance. All service performance items have been assured by Bureau Veritas.

About the Company Sustainability at MTR

Delivering

Growing

Transforming

Performance Independent Metrics Assurance Report

## Economic, Environmental, Social and Safety Performance (Hong Kong)(cont'd)

Safety Targets an	d Performance	<b>8</b> 4	2011	2012	2013
Passenger and Public	Safety				
Fatality	• Heavy rail	Target Performance	0	0	0 2 <sup>(1</sup>
	• Light rail	Target Performance	0	0	0
	• Bus	Target Performance	0	0	0
No. of injuries requiring hospitalisation	• Heavy rail	Target Performance	7.65 9.38	9.72 9.72	9.72 10.25
per 100 million passenger journeys	• Light rail	Target Performance	13.78 7.44	8.59 13.76 <sup>(18)</sup>	11.50 15.73{
	• Bus	Target Performance	10.07 7.05	9.60 5.07	9.12 4.91
Staff Safety					
Fatality	Corporate support functions	Target Performance	0	0 0	0
	Operations Division	Target Performance	0	0 0	0
	Projects Division	Target Performance	0	0	0
	Property Division	Target Performance	0	0	0
	China and International Business Division (19)	Target Performance	0	0	0
Lost time injuries per	Corporate support functions	Target Performance	0.10 0.26	0.10 0.19	0.14 0.23
Too,ooo marriidara	O,000 man hours  Operations Division  Operations Division  Projects Division  Targe Perfor  Perfor	Target Performance	0.49 0.42	0.49 0.54	0.49 0.67
	Projects Division	Target Performance	0.10 0.05	0.10 0.07	0.10
	Property Division	Target Performance	0.41 0.15	0.33 0.24	0.30
	China and International Business Division (19)	Target Performance	0.94 0.55	0.00	0.00
Contractor Safety					
Fatality	Corporate support functions	Target Performance	-	0	0
	Operations railway	Target Performance	0	0	0
	Hong Kong project construction - railway extension projects	Target Performance	0 2	0	0
	Hong Kong property development and investment projects	Target Performance	0	0	0
	Hong Kong property investment and management (up to 2011)	Target Performance	0	-	-
	Hong Kong investment property (2012 onward)	Target Performance	-	0	0
	Hong Kong management property (2012 onward)	Target Performance	-	0	0
	China and International Business Division (19)	Target Performance	0	0	0
Reportable accidents per 100,000	Corporate support functions	Target Performance	-	0.16 0.18	0.18 0.17
man-hours	Operations railway	Target Performance	0.25 0.21	0.21 0.21	0.21 0.24
	Hong Kong project construction - railway extension projects	Target Performance	0.30 0.41	0.30 0.47	0.24 0.30 0.56
	Hong Kong property development and investment projects	Target Performance	0.47	0.38 0.17	0.38 0.04
	Hong Kong property investment and management (up to 2011)	Target Performance	0.25 0.17		-
	Hong Kong investment property (2012 onward)	Target Performance	-	0.20 0.15	0.22 0.16
	Hong Kong management property (2012 onward)	Target Performance	-	0.20 0.17	0.10 0.22 0.13
	China and International Business Division (19)	Target	0.50	0.00	0.00

<sup>(17)</sup> Refer to page 20 for details.

<sup>(18)</sup> Light rail safety indicators were revised from 2012 onwards to exclude unforeseeable accidents due to external factors over which MTR has a low degree of control. This includes train collision not caused by staff error or MTR equipment fault; trespassing onto tracks due to individual's unsafe behavior; and, intrusion of external objects into light rail reserve.

<sup>(19)</sup> From 2012 onward, safety targets and performance of China and International Business Division and those of subsidiaries are reported separately. Refer to page 53 for the latter.

## **Environmental, Social and Safety Performance** (Mainland of China and International)

	Measure	Sustainability Priority		Shenzhen R(SZ))		ourne TM)		cholm TRS)
			2012	2013	2012	2013	2012	2013
Environmental Performance								
Energy Use for Railway Operations		<b>Q</b> 🕸						
Total electricity consumption - Heavy rail	MWh		66,740	65,166	433,983	439,903	184,308	181,116
Total Water Consumption	cu. M		233,108	222,071	141,835	123,943	-	-
Waste Recycling from Railway Operations								
Metals recycled	tonnes		3.8	3.5	40.2	44.3	-	-
Spent oil recycled - Amount	litres		3,000	4,265	-	-	-	-
Total GHG Emissions	tonnes CO <sub>2</sub> e	<b>Q</b>	52,343	54,032	464,386	462,107	42	31
Fuel consumptions (Scope 1)	tonnes CO <sub>2</sub> e		285	259	694	670	38	27
Electricity purchased (Scope 2)	tonnes CO <sub>2</sub> e		52,057	53,773	463,692	461,437	4	4
Social Performance								
Total number of passenger trips	million	₽ 💸 💍	117	140	227	227	322	328
Total employees <sup>(20)</sup>	number	Q 🛷 👶	1,245	1,289 <sup>(21)</sup>	4,283	4,297	2,714	2,663
Women employees	%	·	34.9	32.0	16.6	21.0	29.9	29.9
Voluntary staff turnover rate	%		11.2	12.9	0.4	4.0	6.0	5.0
Training days per employee	days		11.3 (22)	12.0	10.2	11.7	3.1	3.0
Charitable Contributions	LUZÁ		422.042		20.504	245.570	250740	400007
Cash donations	HK\$		132,012	0	20,501	215,579	259,710	120,927
Legal Compliance		<b>9 %</b>						
Convicted cases of corruption	number		0	0	0	0	0	0
Number of Environmental Non-Compliance C	ases	<b>₩</b>						
MTR subsidiary	number		0	0	0	0	0	0
Main contractors	number		0	0	0	0	0	0
Environmental Fines								
MTR subsidiary	HK\$		0	0	0	0	0	0
Main contractors	HK\$		0	0	0	0	0	0
	,			-				
Safety Targets and Performance		<b>9</b> &						
Passenger and Public Safety								
Fatality		Target	0	0	0	0	0	0
		Performance	0	0	10	1 <sup>(23)</sup>	5	1 '
No. of injuries per million passenger journeys		Target	1.47	1.47	3.60	3.60	1.00	0.99
		Performance	1.46	1.36	2.76	2.04	1.33	1.25
Staff Safety								
Fatality		Target	0	0	0	0	0	0
		Performance	0	0	0	0	0	0
Locat time injuries per 100 ccc have								0.63
Lost time injuries per 100,000 man-hour		Target Performance	0.29	0.28	1.00	0.60	0.63	0.63
		renormance	0.15	0.14	0.80	1.04	0.47	0.39
Contractor Safety								
Fatality		Target	0	0	0	0	0	0
		Performance	0	0	0	0	0	0
Lost time injuries per 100,000 man-hour		Target	0.48	0.47	0.45	0.40	-	-
		Performance	0.33	0.16	0.11	0.16		

<sup>(20)</sup> Includes both full-time and part-time employees.

<sup>(21)</sup> Includes property management /property projects.

<sup>(22)</sup> The number has been restated.

<sup>(23)</sup> Both cases at MTM and MTRS involved trespassers with unauthorized entry into track area and are suspected of under the influence of alcohol.

<sup>(24)</sup> Includes both MTRS and Tunnelbanan Teknik Stockholm (TBT).

About the Company

Sustainability at MTR

Delivering

Growing

Transforming

Metrics

Independent Assurance Report

## **CoMET Benchmarking Results 2012**

MTR Corporation participates in the Community of Metros (CoMET) programme, which collects data annually from large metro system operators around the world in order to compare performance and drive up standards across the industry. The data covers a number of important areas including profitability, customer service and safety. The 2013 (data for 2012) benchmarking exercise included metro systems from 14 cities: Beijing, Berlin, Guangzhou, Hong Kong, London, Mexico City, Madrid, Moscow, New York, Paris, Santiago, Shanghai, Sao Paolo and Taipei.

Performance is measured across six categories: growth and learning, customers, internal processes, safety and security, financial performance and environmental performance. Being conducted over several years, trends and best practices can be reliably tracked. This helps identify which members are changing their practices and demonstrates the level of improvement that is relatively achievable.

Participation in the programme is a valuable industry activity. We learn and share with colleagues the best practices, innovation and new technologies that are raising performance bars. Through the many case studies, we understand how approaches are

developed, the tools that are employed and how different metro operators are working towards optimal performance.

Our profitability in 2012 remained top-ranking, with the cost per journey improving significantly relative to our peers after three years of declining results. Similarly, our service costs leaped in performance from 54.4 percent to 60 percent this year. We recognise that we still have significant work to do in this area to continue delivering value and profitability, but we are proud to be delivering these improvements in the context of a sustained 99.9 percent reliability ratio.

As we look to the future, there remain opportunities for us to improve our safety performance and staff efficiency, both of which declined relative to the performance of our peers this year. On page 18 of this report we describe the measures we are taking to foster and continuously enhance our safety-first culture. Despite a slight improvement in our relative energy consumption performance for the second year running, as well as the significant reduction in energy use at our headquarters mentioned earlier in this report, we will continue to explore opportunities for energy reduction in our railway operations and rail and property development projects.

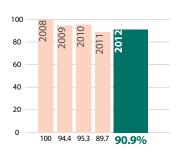
### **Profitability**

Total commercial revenue



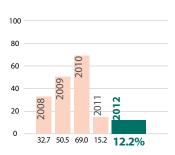
### **Asset Utilisation**

Capacity km per route km



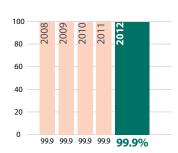
## **Safety Ratio**

Fatality per billion passenger journey



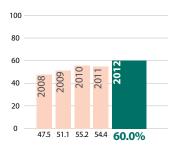
#### **Customer Service**

% passenger journeys on time



### **Service Costs**

Operating costs per car km (US\$ PPP)



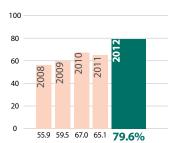
## **Energy Consumption**

Total energy consumed per passenger km



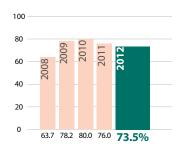
### **Cost per Journey**

Operating costs per passenger journeys (US\$ PPP)



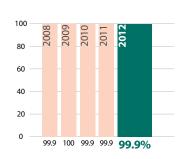
### **Staff Efficiency**

Car km per total labour hours



## **Trouble-Free Journey**

% trains trips on time





## **Independent Assurance Report**



## What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the selected subject matter for the year ended 31 December 2013 has not been prepared, in all material respects, in accordance with the reporting criteria.

To the board of Directors of MTR Corporation Limited

### What we did

MTR Corporation Limited engaged us to perform a limited assurance engagement on the selected subject matter within the MTR Corporation Limited Sustainability Report 2013 ("the report") for the year ended 31 December 2013.

## Selected subject matter

The selected subject matter is the 2013 performance data below in the report:

- Total EBITDA as per annual report in table "Economic, Environmental, Social and Safety Performance (Hong Kong)" on page 49
- GHG emissions of corporate functions and main office buildings, transport operations, network expansion, properties and other businesses in table "Economic, Environmental, Social and Safety Performance (Hong Kong)" on page 50
- Total number of passenger trips (weekday average in million), voluntary staff turnover rate (%), vacant posts filled internally either by promotion or transfer (%), women employees (%), women in the Board (%), number of environmental non-compliance cases, and environmental fines (HK\$) on page 51, performance data in table "Safety Targets and Performance" on page 52
- Passenger fatality, staff fatality, contractor fatality, number of passenger injuries per million passenger journeys, staff lost time injuries per 100,000 man-hours and contractor lost time injuries per 100,000 man-hours of MTRS, SZ MTR and MTM in section "Safety Performance" of table "Environmental, Social and Safety Performance (Mainland of China and International)" on page 53

## **Reporting criteria**

The selected subject matter above have been assessed against the definitions presented on page 56 in the report (the "reporting criteria").

## Responsibilities

### PricewaterhouseCooper Limited

Our responsibility is to express a conclusion on the selected subject matter for the year ended 31 December 2013 based on the work we performed.

## **MTR Corporation Limited**

MTR Corporation Limited's management is responsible for the preparation and presentation of the selected subject matter in accordance with the reporting criteria. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the subject matter and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

## What our work involved

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with independence and ethical requirements and plan and perform the assurance engagement to obtain limited assurance as to whether any matters come to our attention that causes us to believe that the selected subject matter is not prepared, in all material respects, in accordance with the reporting criteria.

## Main procedures performed

The procedures selected depend on the independent accountant's judgement. Within the scope of our work we performed amongst others the following procedures:

- Interviews with management and personnel in Operations, Property, Projects, China & International Business, Finance, Legal & Procurement, Human Resources & Administration divisions and Corporate Sustainability Department involved in providing information for inclusion in the SR in relation to the subject matter
- Examination on a test basis of documentary evidence relating to the subject matter on which we report
- Assessment of the relevant sections of the report relating to the subject matter to check for consistency with the findings of our work.

# Pricewater house Coopers

PricewaterhouseCooper Limited Certified Public Accountants Hong Kong 29 April 2014

### **Inherent limitations**

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

### Restriction on use

Our report has been prepared for and only for the board of Directors of MTR Corporation Limited to assist them in reporting on MTR Corporation Limited's sustainability performance and activities and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

## **Definitions**

Contractor Staff Reportable Accidents	Work-related injuries of primary contractor staff that resulted in more than three days' sick leave.
Corporate Support Functions	Corporate Support Functions include the Finance Division, Human Resources and Administration Division, Legal and Procurement Division, Commercial and Marketing Division, Corporate Relationships Department and Internal Audit Department.
Legal Environmental Compliance (Contractors)	The number of successful environmental prosecutions in Hong Kong incurred by all contractors directly appointed by the corporation for the reporting year.
Passenger Fatality	Number of passenger fatalities that have occurred in the MTR network in Hong Kong. Figure excludes suicides, attempted suicides, brawls between passengers and injuries due to passengers' own medical conditions.
Passenger Injuries Requiring Hospitalisation	Injuries that require admission to hospital for observation or treatment immediately after an accident. Figure excludes suicides, attempted suicides, brawls between passengers and injuries due to passengers' own medical conditions.
Passenger Journeys on Time	Calculated as percentage applying formula: [(Incoming patronage in a month) – (passengers in a month delayed by at least 5 minutes)]/[Incoming patronage in a month] x 100%. Calculated monthly over operating period and then calculating the mean thereof. [Kwun Tong Line (KTL), Tsuen Wan Line (TWL), Island Line (ISL), Tseung Kwan O Line (TKL), Tung Chung Line (TCL), Disneyland Resort Line (DRL)], Airport Express (AEL), East Rail Line (ERL) and West Rail Line (WRL) passenger journeys on time calculated separately using same formula.
Passenger Trips	Fare-paying passengers entering the railway network and boarding the bus. A passenger transiting between Tsim Sha Tsui station and Tsim Sha Tsui East station within 30 minutes using the same Octopus card is treated as an interchanging passenger whereby these two separate entries to the railway network are counted as one fare-paying passenger. The number of annual average passenger trips per weekday is reported.
Property Development and Investment Projects	Property development and investment projects include the foundation, building, alteration and addition works for the property developments at Austin, Che Kung Temple, LOHAS Park, Tai Wai, Tseung Kwan O, Tsuen Wan West, Long Ping, Tuen Mun, Nam Cheong and the Cullinan II.
Railway Extension Projects	Railway extension projects include all civil and electrical and mechanical works for Kwun Tong Line Extension, Shatin to Central Link, South Island Line (East), West Island Line and Express Rail Link (Hong Kong Section).
Staff Lost Time Injuries	Any work-related injuries of staff that resulted in one or more days' sick leave being granted.
Staff Turnover Rate	Sum of 12-monthly turnovers calculated as number of voluntary staff resignations/total staff strength by month-end. Figure excludes temporary and part-time staff, staff of UK offices and MTR Corporation subsidiaries.
Train Punctuality	Calculated as percentage applying formula: [(Actual train trips in a month) – (train trips in a month delayed by at least "y" minutes)]/[actual train trips in a month] x 100%, where "y" = 2 for (KTL, TWL, ISL, TKL, TCL & DRL), 3 for ERL and WRL, and 5 for AEL and Light Rail. Calculated monthly over operating period and then calculating the mean thereof. Punctuality of different train systems calculated separately using respective formulae.
Train Reliability	Calculated as revenue car-km per incident applying formula: (Actual revenue car-km run in a month/total number of train failure incidents with trains delayed by at least 5 minutes in a month). Calculated monthly over operating period and then calculating the mean thereof. (KTL, TWL, ISL, TKL, TCL & DRL & AEL) and (ERL and WRL) train reliabilities calculated separately using same formula.
Train Service Delivery	Calculated as percentage applying formula: [(Actual train trips in a month)/(scheduled train trips in a month)] x 100%. Calculated monthly over operating period and then calculating the mean thereof. (KTL, TWL, ISL, TKL, TCL, DRL & AEL), ERL, WRL and Light Rail train service delivery calculated separately using the same formula.
Train Trip	Journeys run by a train from one end of a line or an intermediate point on a line to the point on a line that is scheduled by the corporation to be the destination for that train. In the event of a train being withdrawn from service before reaching its destination point, train trip shall be determined by the corporation on a pro-rata basis based on the distance run by that train between its starting point and the point at which it is withdrawn from service and the distance between its starting point and its destination point.
Vacant Posts Filled Internally	Number of job vacancies filled by internal candidates through job promotion or cross-departmental/ sectional transfer or redeployment. Figure excludes temporary and part-time staff, staff of UK offices and MTR Corporation subsidiaries.
Waste Disposed to Landfill	Waste generated from railway extension projects, excluding waste from railway operations, property development projects and managed properties owned by the corporation.

## MTR Corporation Limited

MTR Headquarters Building Telford Plaza, Kowloon Bay Hong Kong

Tel (852) 2993 2111 Fax (852) 2798 8822 www.mtr.com.hk www.mtr.com.hk/sustainability