

Supplementary note to SR2013



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 information 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.

A handwritten signature in black ink, appearing to read "Jay H. Walder", followed by a horizontal line extending to the right.

Jay H Walder
Chief Executive Officer
MTR Corporation
1 June 2014

[Mr Jay Walder stepped down as CEO starting on 15 Aug 2014. Mr Lincoln Leong has been appointed as the Acting Chief Executive Officer effective 16 Aug 2014. Please refer to our [press release](#) for details.]