

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

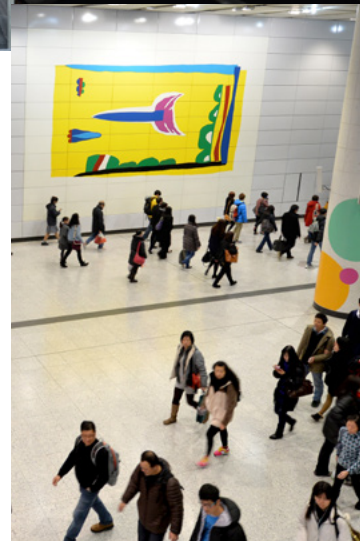
Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics



INTRODUCTION

Our vision is to be a leading multinational company that connects and grows communities with caring service. We do more than just transporting people. As a corporate citizen, we leverage our assets, skills, and resources to connect, grow and support communities to help them thrive.



230.9 km

Total Route length
in Hong Kong.



1979

The year when
the first MTR
line opened in
Hong Kong.

MENU

Introduction

▶ The City Unlimited: Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

THE CITY UNLIMITED: SUSTAINABILITY REPORT 2016

Our cities are full of possibilities.

Possibilities of unexpected meetings that turn into life-long friendships, social meetings that strengthen our communities, educational opportunities that lead to successful careers.

But the possibilities our cities have to offer only matter if people are connected to them. For the first time, MTR is connecting all of Hong Kong's 18 districts. We enable our customers to seize the city's unlimited possibilities and unleash their potential, one smooth ride at a time.

In this year's report, we explore what it takes to connect the entire city to all the possibilities it has to offer.

Stories from subsidiaries outside of Hong Kong



[Melbourne](#)



[Stockholm](#)



[Shenzhen](#)



[London](#)

Emily's Journey to Tsing Yi
[Read the story](#)

Hayes's Journey to Shek Kip Mei
[Read the story](#)

Isaac's Journey to HKU
[Read the story](#)

Annie's Journey to Jordan
[Read the story](#)

Keith's Journey to Lei Tung
[Read the story](#)

Lonetta's Journey to Whampoa
[Read the story](#)

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

ABOUT THIS REPORT

How to Read This Report

This year we continue to report in two different but complementary ways to provide information to our stakeholders:

1. Our **printed pamphlet** features journeys of our customers to their favourite places – places that they are connected to by the MTR. There are highlights from behind-the-scenes to show how we make these connections possible. To us, this is our mission to connect and grow communities with caring services, in a responsible and sustainable manner.
2. The **dedicated report microsite and interactive PDF** provide full details regarding our management approaches, programmes and key performance indicators (KPIs) across a wide range of issues. You can also find additional topics, such as information about our future plans. While the report website mainly focuses on our businesses in Hong Kong, information on our overseas subsidiaries can be found in the [Mainland of China and International Business](#) section.

External Review Panel

We convened our third External Review Panel to provide both independent advice on our plans for sustainability reporting and also feedback on a draft of this report and our 2016 materiality matrix. The panel members, all based in Hong Kong, were chosen for their extensive experience across different aspects of sustainability reporting. We are grateful for the comments received, all of which have been carefully considered during the preparation of the final report.

This year's panel are:



Shirlee Algire

Executive Manager –
Sustainability, Hong
Kong Jockey Club



Mike Kilburn

Acting General Manager,
Sustainability, Hong Kong
Airport Authority



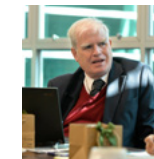
Jane Lau

CEO,
UNICEF Hong Kong



Jessica Robinson

Senior Advisor at Principles
for Responsible Investment
(UN PRI)



Robert Gibson

Fellow, Civic Exchange
and Adjunct Professor,
Hong Kong University of
Science and Technology



Calvin Lee Kwan

General Manager,
Sustainability, Link REIT



Simon Ng

Independent Consultant



Agnes Tai

Director, Great Glory
Investment Corporation



SK Wu

Risk Manager, Alliance
Construction Materials
Limited

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

► Scope of this report

About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Sustainability Reporting Guidelines

Since we started our sustainability reporting journey in 2001, our report has made reference to the recognised reporting guideline. The current report has been prepared in accordance with the Global Reporting Initiative G4 Sustainability Reporting Guidelines (GRI-G4) Core option. We have provided a [GRI Content Index](#), which includes cross-references to the International Association of Public Transport (UITP) Sustainability Charter Reporting Guide 1.0 and ISO26000 Guidance on Social Responsibility. Please click [here](#) for a list of Identified Material Aspects and Boundaries.

We have also provided a [HKEx ESG Content Index](#) in order to demonstrate our current level of compliance with the 2015 Revision of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide (HKEx ESG Guide).

Independent Assurance

Deloitte Touche Tohmatsu has provided an [independent assurance report](#) for selected quantitative data.

SCOPE OF THIS REPORT

This report covers material issues arising from the Company's principal activities in Hong Kong during 2016 (1 January to 31 December) with reference to our Materiality Matrix and with particular focus on impacts arising from our railway operations, which are the core of our business and account for the major share of our revenues.

About Our Subsidiaries

We refer to subsidiaries as wholly or majority owned entities over which the Company has management control, and associates as entities over which the Company has significant influence but not control or joint control. Discussion of their sustainability management and achievements are included in the [Mainland of China and International Business](#) section, and quantitative KPIs are included in the [Performance Metrics](#) section.

In general, other chapters in this report do not address sustainability impacts arising from activities of our subsidiaries and associates outside of Hong Kong. The exception is when there is direct relevance for our businesses or stakeholders in Hong Kong. We are committed to working with our subsidiaries to promote disclosure of environmental, social and governance impacts.

We are also including KPIs from material aspects for Ngong Ping 360, a wholly-owned subsidiary in Hong Kong that operates the Tung Chung to Ngong Ping cable car system and Theme Village in Ngong Ping.

LEARN MORE...

Please refer to the [Annual Report](#) for data on the contribution from different businesses to total revenues ([Consolidated Profit and Loss Account](#)) and details of the Company's interest in subsidiaries and major associates ([Notes to the Accounts](#), (Note 27 and 28)).

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

ABOUT MTR CORPORATION

MTR Corporation Limited ("the Company") is a publicly-listed company (SEHK: 0066) headquartered in the Hong Kong Special Administrative Region ("Hong Kong").

In June 2000, the Hong Kong Government ("the Government") sold a portion of its issued share capital to private investors in an Initial Public Offering. Today, the Hong Kong Government holds a majority (76.5 %) of the shareholding while private investors, including institutional and retail investors, hold the remainder.

Our primary business is the construction and operation of mass transit railway systems in Hong Kong, which carried an average of more than 5.6 million passengers every weekday as at the end of 2016. While we are recognised as one of the best passenger railway transport providers in the world, we also engage in the development and sale of residential and commercial properties in partnership with property developers, and operate a property management service.

In addition to our Hong Kong rail operations, we also have a presence in the Mainland of China, Europe and Australia, where we provide operational and maintenance services directly or through joint ventures.

In 2016, we carried as many passengers on networks outside of Hong Kong as we did at home. In total, the Company and its subsidiaries and associates employ more than 37,700 people around the world, of which majority are locally-employed staff.

LIST OF AWARDS

Please click [here](#) for a list of awards received by the Company during 2016.



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Vision, Mission and Values

This concise statement of our Vision, Mission and Values (VMV) is integral to our management approach in all areas of our business. Our success of providing passenger rail transport reflects our consistent and conscientious pursuit of our Vision to be a leading multinational company that connects and grows communities with caring service.



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

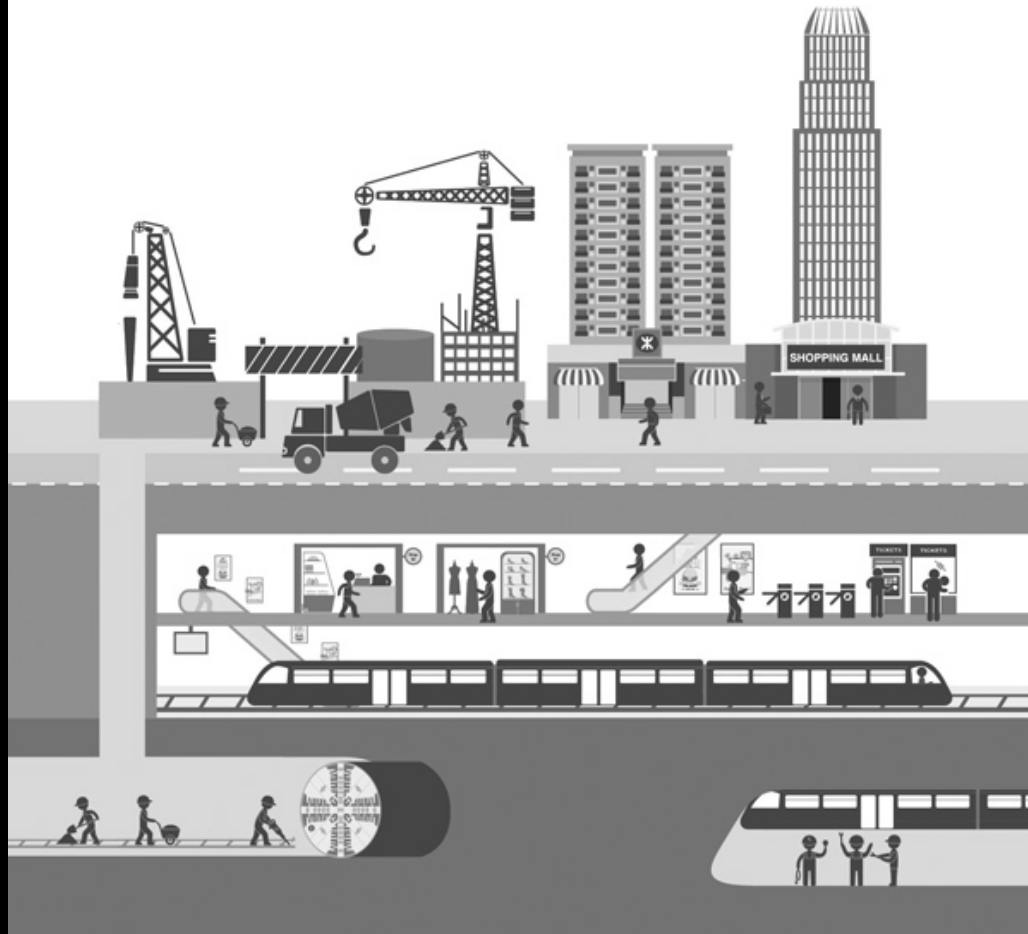
Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Our Businesses



Hong Kong Transport Operations



Hong Kong Network Expansion



Hong Kong Station Commercial Business



Property and other Businesses



Mainland and International Business



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

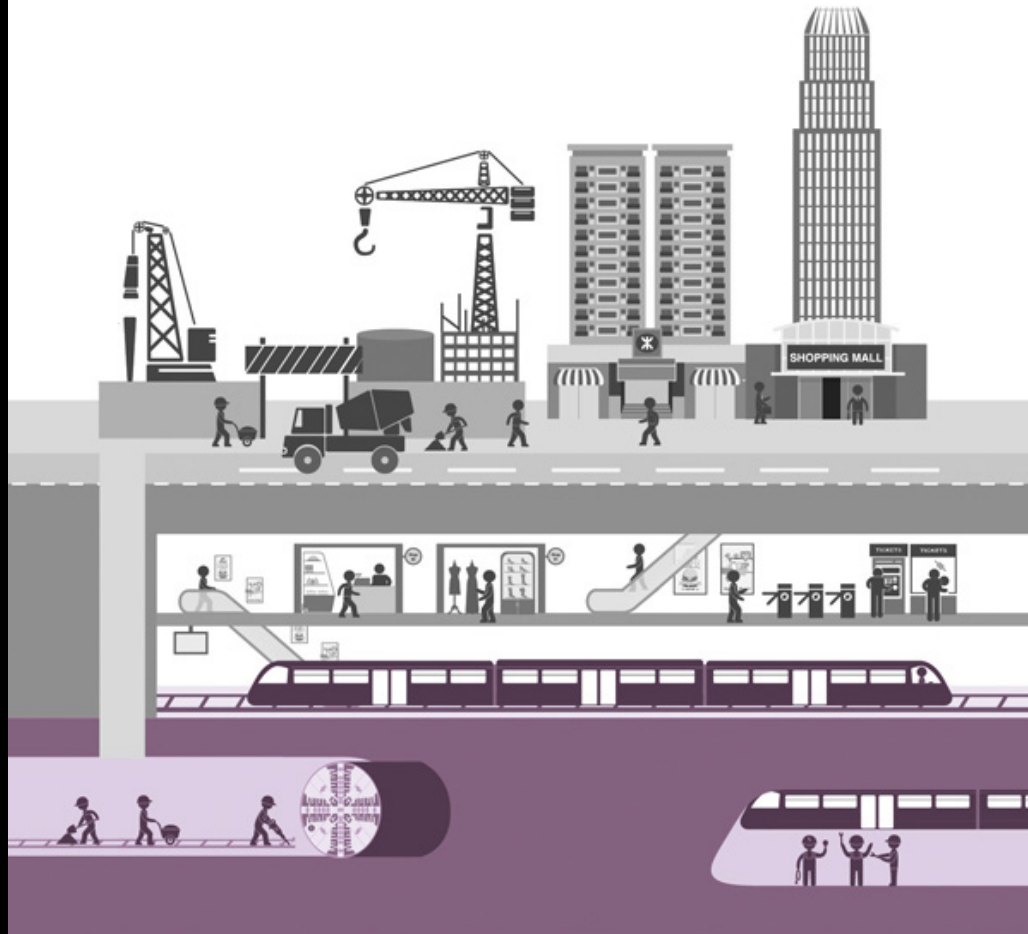
Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Our Businesses



Hong Kong Transport Operations



We operate an urban mass transit railway system with 11 heavy rail lines and a Light Rail system. The heavy rail network comprises domestic and cross-boundary services and a dedicated Airport Express link. We also provide intercity services to and from the Mainland of China as well as a small feeder bus service in Hong Kong.

Hong Kong Network Expansion



Hong Kong Station Commercial Business



Property and other Businesses



Mainland and International Business



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

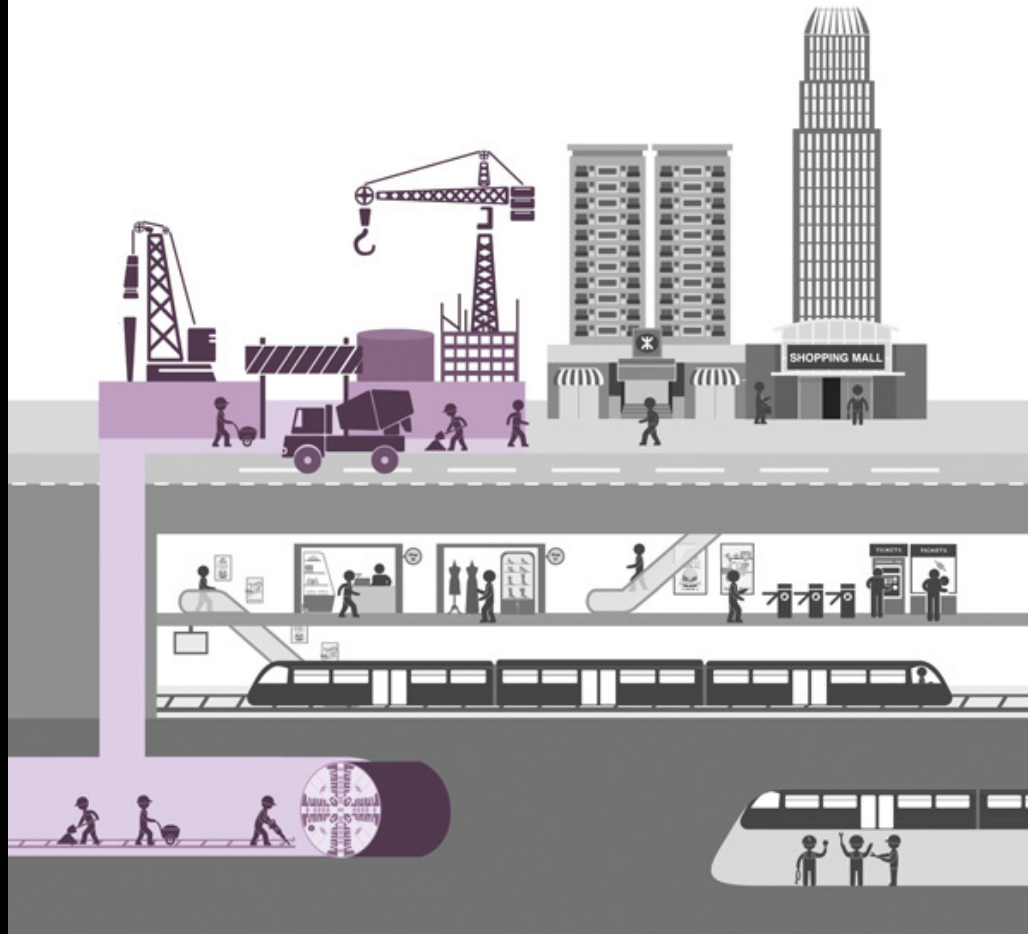
Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Our Businesses



Hong Kong Transport Operations



Hong Kong Network Expansion



We manage the design and construction of new railway extensions along with a multitude of other projects each year to upgrade and improve the operating railway network. The Kwun Tong Line Extension and South Island Line (East) were completed in 2016 and the Island Line Extension to Western District was completed in 2014. Two other projects, the Shatin to Central Link and the Express Rail Link, are still under construction. Together these five projects will increase the route length of our network in Hong Kong by 25 per cent.

Hong Kong Station Commercial Business



Property and other Businesses



Mainland and International Business



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

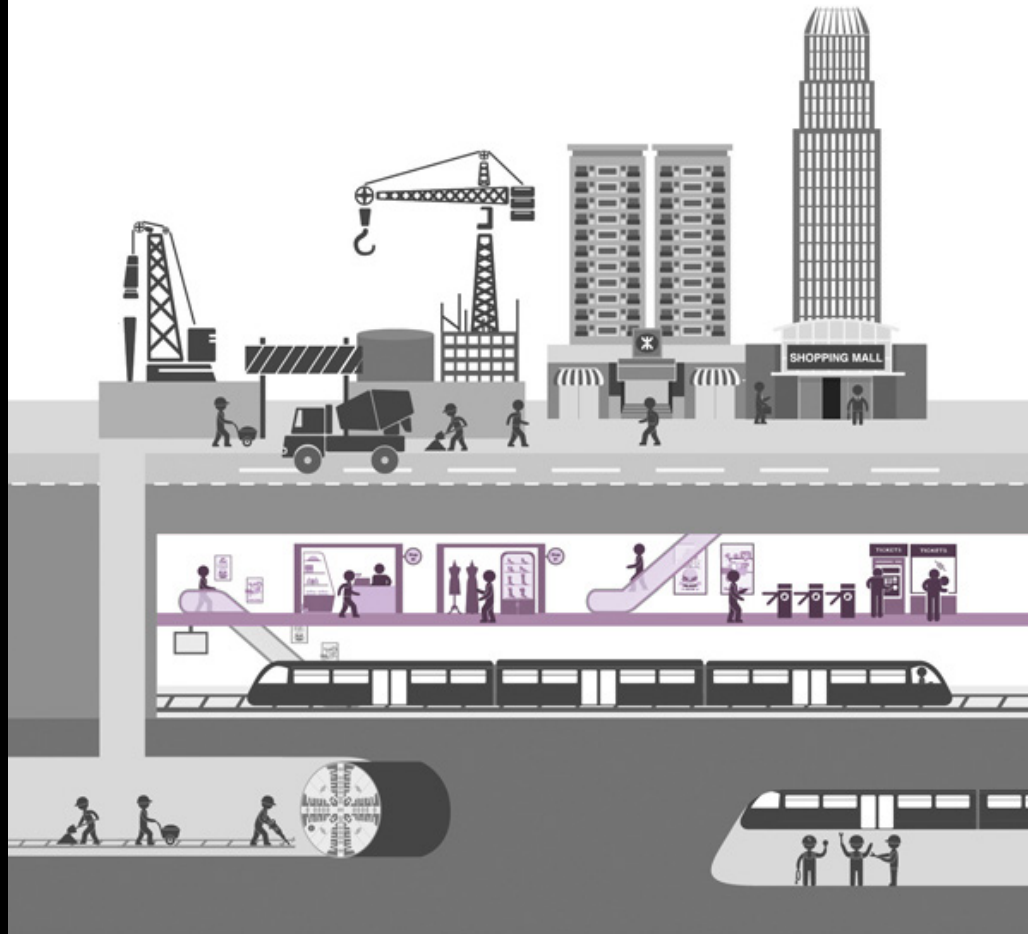
Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Our Businesses



Hong Kong Transport Operations



Hong Kong Network Expansion



Hong Kong Station Commercial Business



To make the most of our railway assets, we operate related businesses such as the leasing of station retail space, advertising in trains and stations, and fixed and mobile telecommunications systems.

Property and other Businesses



Mainland and International Business



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

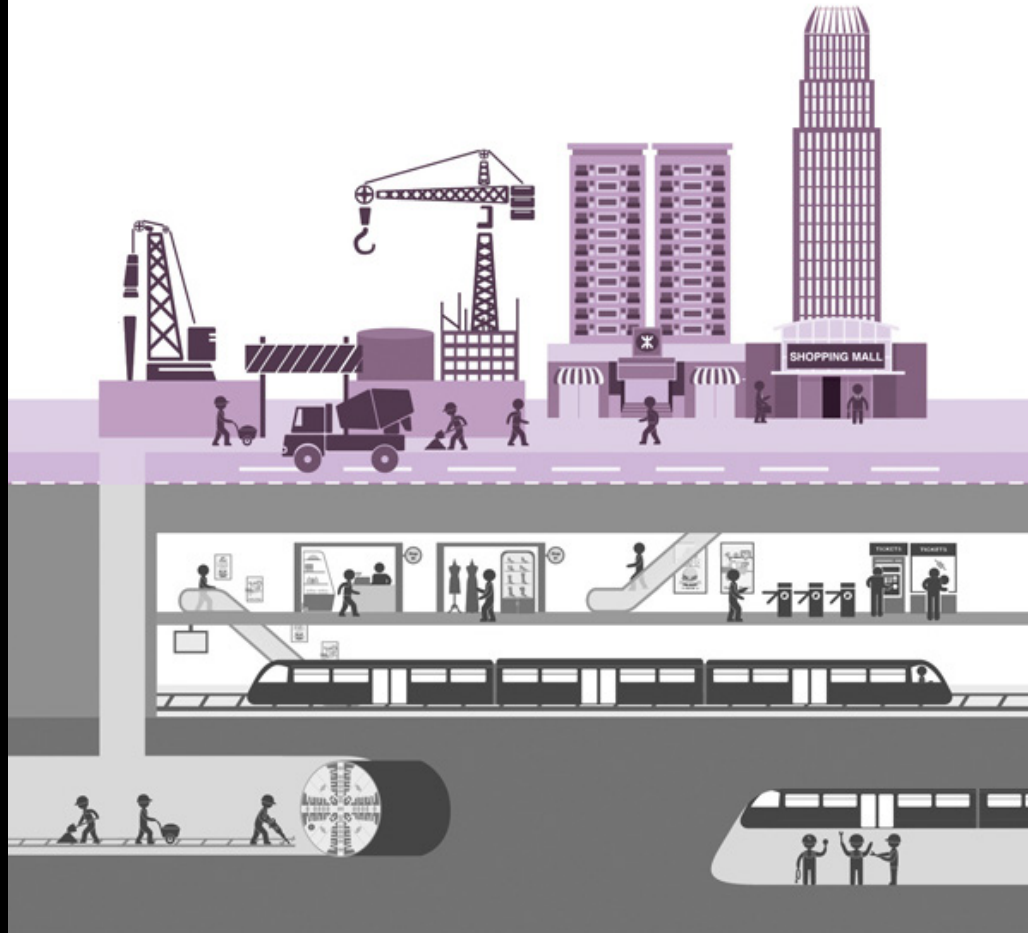
Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Our Businesses



Hong Kong Transport Operations



Hong Kong Network Expansion



Hong Kong Station Commercial Business



Property and other Businesses



We work with leading property developers to build properties above or near our stations. We also manage a portfolio of residential properties, office space and commercial space. Other businesses include rail-related consultancy, the Ngong Ping 360 cable car and associated theme village, and the Octopus card payments system.

Mainland and International Business



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

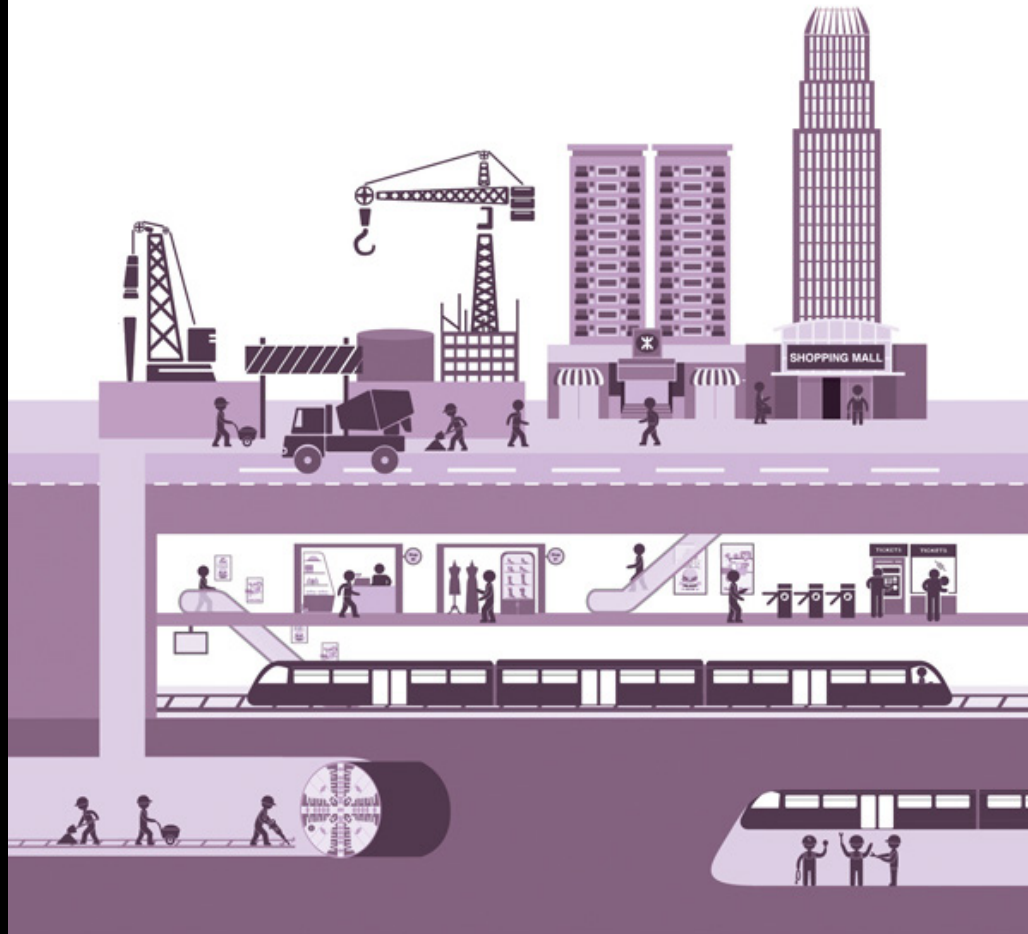
Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Our Businesses



Hong Kong Transport Operations



Hong Kong Network Expansion



Hong Kong Station Commercial Business



Property and other Businesses



Mainland and International Business



Our subsidiaries and associates build, operate and maintain railway systems and provide related services in the Mainland of China, the United Kingdom, Sweden and Australia. In the Mainland of China, we are also involved in leasing retail space, providing estate management services and developing properties.

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

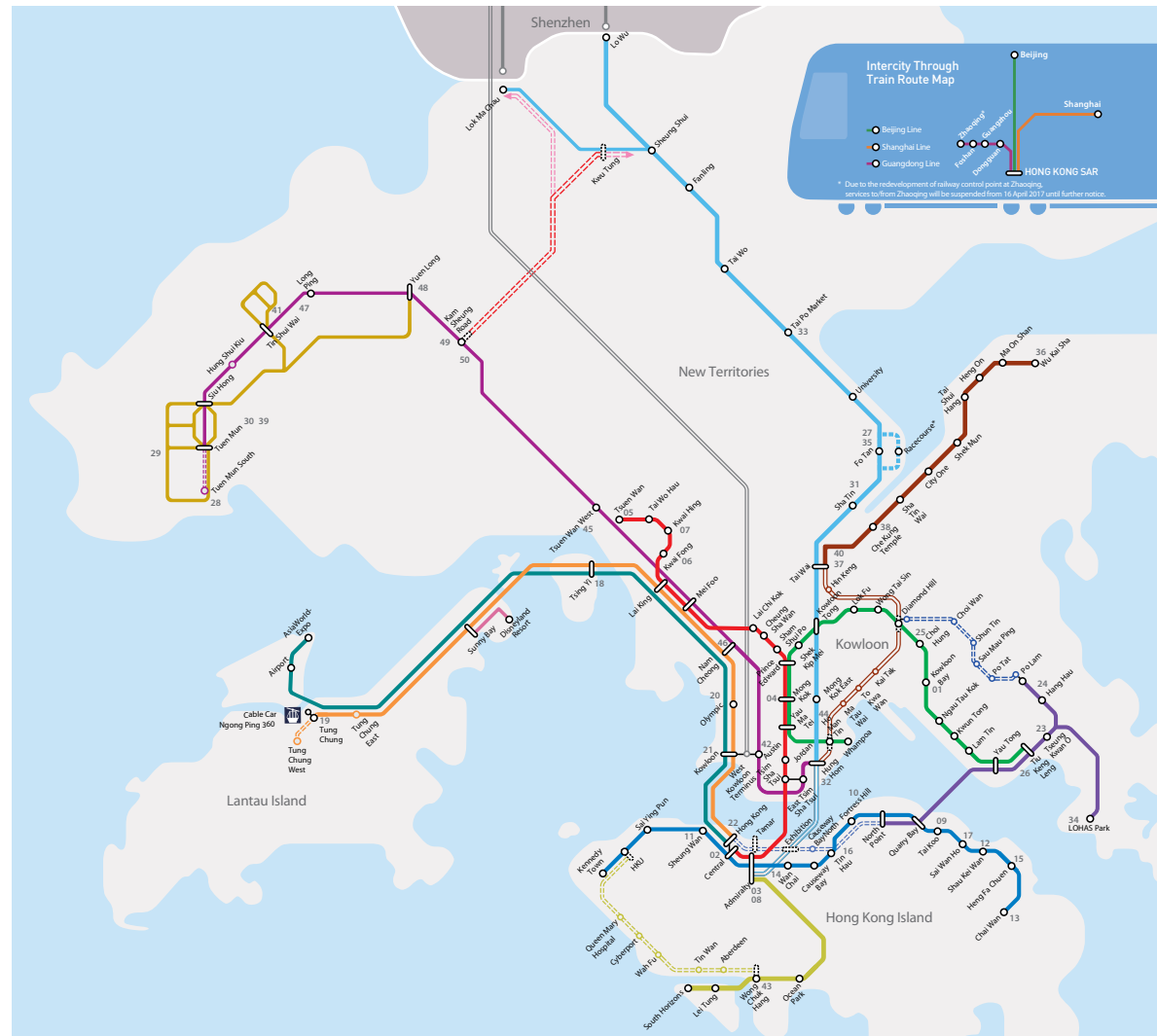
Mainland of China and International Business

Performance Metrics

Hong Kong Transport Operations and Network Expansion

- 11 heavy rail lines, total route length of 230.9km
- 93 stations and 68 Light Rail stops
- Average of around 5.6 million passengers per weekday
- Total patronage of more than 1.95 billion
- 2 rail projects completed in 2016; MTR is now present in all 18 districts in Hong Kong for the first time
- 2 rail projects totally 43 km under construction

MTR system and properties



Properties Owned / Developed / Managed by the Corporation

- 1 Telford Gardens / Telford Plaza I and II
- 2 World-wide House
- 3 Admiralty Centre
- 4 Argyle Centre
- 5 Luk Yeung Sun Chuen / Luk Yeung Galleria
- 6 New Kwai Fong Gardens
- 7 Sun Kwai Hing Gardens
- 8 Fairmont House
- 9 Kornhill / Kornhill Gardens
- 10 Fortress Metro Tower
- 11 Hongway Garden / Infinitus Plaza
- 12 Perfect Mount Gardens
- 13 New Jade Garden
- 14 Southern Garden
- 15 Heng Fa Chuen / Heng Fa Villa / Paradise Mall
- 16 Park Towers
- 17 Felicity Garden
- 18 Tierra Verde / Maritime Square
- 19 Tung Chung Crescent / Citygate / Novotel Citygate / Seaview Crescent / Coastal Skyline / Caribbean Coast
- 20 Central Park / Island Harbourview / Park Avenue / Harbour Green / Bank of China Centre / HSBC Centre / Olympian City One / Olympian City Two
- 21 The Waterfront / Sorrento / The Harbourside / The Arch / Elements / The Cullinan / The Harbourview Place / W Hong Kong / International Commerce Centre / The Ritz-Carlton, Hong Kong
- 22 One International Finance Centre / Two International Finance Centre / IFC Mall / Four Seasons Hotel / Four Seasons Place
- 23 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
- 24 Residence Oasis / The Lane
- 25 No.8 Clear Water Bay Road / Choi Hung Park & Ride
- 26 Metro Town
- 27 Royal Ascot / Plaza Ascot
- 28 Ocean Walk
- 29 Sun Tuen Mun Centre / Sun Tuen Mun Shopping Centre
- 30 Hanford Garden / Hanford Plaza
- 31 Citylink Plaza
- 32 MTR Hung Hom Building / Hung Hom Station Carpark
- 33 Trackside Villas
- 34 The Capitol / Le Prestige / Hemera
- 35 The Palazzo
- 36 Lake Silver
- 37 Festival City
- 38 The Riverpark
- 39 Century Gateway
- 40 The Austin / Grand Austin
- 41 City Point

Property Developments Under Construction / Planning

- 42 LOHAS Park Packages
- 43 Tai Wai Station
- 44 Tin Wing Stop
- 45 Wong Chuk Hang Station Packages
- 46 Ho Man Tin Station Packages

West Rail Line Property Developments (As Agent for the Relevant Subsidiaries of KCRC)

- 47 Century Gateway
- 48 Tsuen Wan West Station (TW5) Bayside / Tsuen Wan West Station (TW5) Cityside / THE PAVILIA BAY / City Point
- 49 Cullinan West
- 50 The Spectra / Long Ping Station (South)
- 51 Yuen Long Station
- 52 Kam Sheung Road Station Packages
- 53 Pat Heung Maintenance Centre

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Hong Kong Rail Network

Domestic Services refer to ten main commuter lines: Kwun Tong, Tsuen Wan, Island, South Island (East), Tung Chung, Tseung Kwan O, East Rail, West Rail, Ma On Shan and Disneyland Resort lines.

Cross-boundary Service refers to our service running to/from Hong Kong and Shenzhen via Lo Wu or Lok Ma Chau on the East Rail Line.

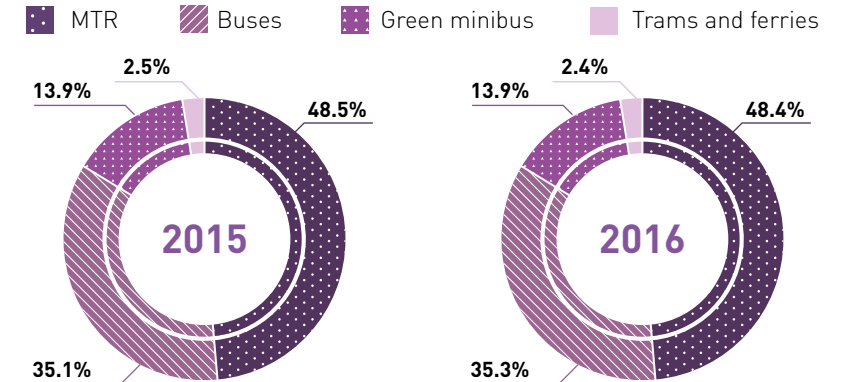
Airport Express refers to the direct service linking Hong Kong International Airport and Hong Kong Station in the Central business hub.

Light Rail and Bus refers to the Light Rail network in the northwestern New Territories and feeder bus services to/from many MTR stations in the New Territories.

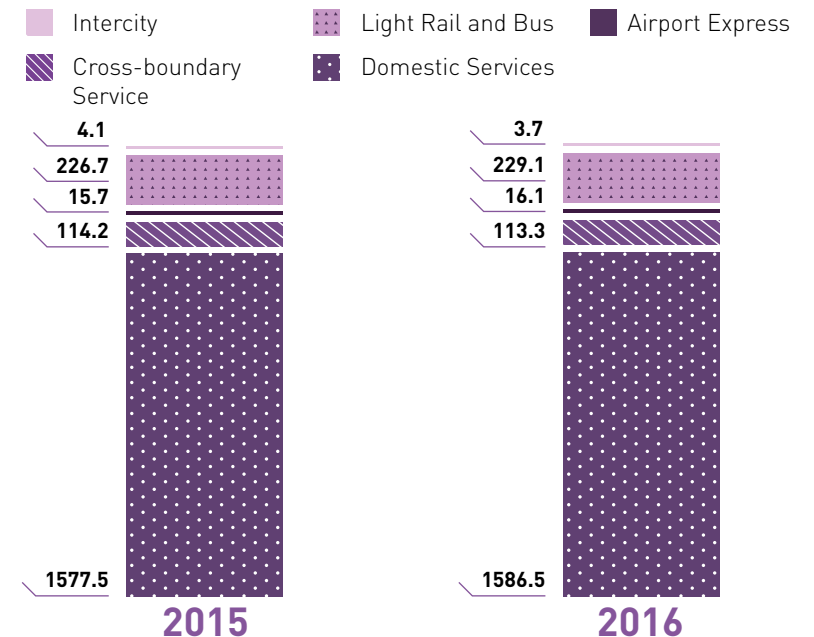
Intercity refers to three through train routes to/from cities in the Mainland of China, namely Beijing, Shanghai and Guangdong.

In 2016, our share of total franchised public transport boardings in Hong Kong was 48.4%, which has reduced marginally from the year before.

FRANCHISED PUBLIC TRANSPORT BOARDINGS IN HONG KONG (%)



TOTAL PATRONAGE FOR HONG KONG TRANSPORT OPERATIONS (MILLIONS)



MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

The Kwun Tong Line Extension (KTE), which extends the existing line to connect Yau Ma Tei with the Whampoa area, opened on 23 October 2016. And on 28 December 2016, we opened the South Island Line (East) (SIL(E)) as the first metro service to the Southern District, extending from Admiralty to the southern part of Hong Kong Island and reaching an estimated population of 350,000 residents and working commuters.

Both of these projects were financed by the Rail plus Property model. Read more about the considerations for the existing and future communities along these two lines in the [Community section](#).

Two new lines are currently under construction which, together with the KTE and SIL(E) and the Island Line Extension to Western District that was opened in 2014, will expand route length of our rail network in Hong Kong by about 25% to meet the future transportation needs of the people of Hong Kong.

Hong Kong Network Expansion Projects (and Completion Status of Rail Projects in 2016)

Express Rail Link — A 26km high-speed cross-boundary rail service connecting Hong Kong with Shenzhen, Guangzhou and the high-speed rail network in the Mainland of China. At year end, completion had reached 87%.

Shatin to Central Link — The 17-km Shatin to Central Link connects existing railway lines to form an East West Corridor and a North South Corridor. The lines will provide much needed new links across the New Territories as well as a new cross-harbour connection, serving an estimated residential and working population of 640,000 in 2021. At year end, completion had reached 68% overall.

LEARN MORE...

Express Rail Link

On 30 November 2015, the Company announced that it had entered into the "[XRL Agreement](#)" with the HKSAR Government. The XRL Agreement, which includes a proposal to resolve the additional funding for the Express Rail Link Project, was approved by the Company's independent shareholders on 1 February 2016 with 99.83% voting in favour. On 11 March 2016, the HKSAR Legislative Council also approved the additional funding requirement, whereupon the XRL Agreement has become unconditional and comes into full force.

We recognise that in order to continue to connect and grow communities in parts of Hong Kong that are currently underserved by an efficient mass transportation system, we must continue to explore [new opportunities to expand our network](#).

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Hong Kong Station Commercial Business

- 1,392 MTR Shops for passenger convenience
- 22,485 advertising units at stations, and 23,747 units on trains
- Enhanced mobile service through 4G access at all stations
- Speed up the upgrade and installation of mobile phone and WiFi system

To make the most of our railway assets, we operate related businesses such as leasing retail space and advertising in trains and stations, and fixed and mobile telecommunications services.

As at 31 December 2016, there were 1,392 shops inside stations covering 57,151 square metres of retail space, an increase of 913 square metres from 2015.

LEARN MORE...

More information about [MTR Shops and Malls](#).

For our telecommunications services business, the installation of a new mobile phone network offering increased data capacity and more 4G services has made good process. The project is scheduled for completion in 2018. We have also worked with a telecom operator to upgrade WiFi equipment to provide enhanced service.

Hong Kong Property Business

- 96,066 residential units; and
- 758,427 m² of commercial and office space under management
- Investment portfolio:
 - » 212,538 m² of retail properties
 - » 54,677 m² of lettable office space and other uses
 - » 120,620 m² of GFA to be added over the next 5 years

In Hong Kong, we work with leading property developers to build properties above or near our stations. We have a portfolio of investment properties comprising shopping malls and office space and other uses.

The Company also manages a portfolio of residential properties, office space and commercial space. As of the end of 2016, we had 96,066 residential units, and 758,427 square metres of commercial and office space under management. We are enhancing the assets of our existing shopping centre portfolio while making significant additions. These projects will add a total of about 120,620 square metres (gross floor area, "GFA") to the existing retail portfolio, increasing by approximately 40%.

Over the past three years, a number of new property development projects have been tendered out. Upon completion, they will add approximately 18,000 residential units to support the community's housing needs. More details of these projects and expansion of our shopping centre portfolio are available in [Building Our Future](#).

LEARN MORE...

More information about [MTR Properties](#) is available on our corporate website.

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

▶ About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Consultancy Services and Other Businesses

We offer worldwide consultancy and contracting services on railway planning, design management, system integration and assurance, project management, construction management, railway operations and maintenance, and non-fare revenue business. In recent years our consultancy business has provided services in cities across Asia, Australia and the Middle East.

DID YOU KNOW?

We served as technical consultant to Metro Barra for the Rio Metro Line 4, which was opened in 2016 as a key infrastructure project for the 2016 Olympic Games in Rio de Janeiro, Brazil. We also previously assisted Metro Rio for Metro Rio Lines 1 and 2.

More information about our [consultancy services](#) can be found on our corporate website.

We are engaged in other businesses in Hong Kong, including the Ngong Ping 360 cable car service and associated theme village, named as one of the "Ten Amazing Cable Car Rides Around the World" by the UK's Daily Telegraph newspaper in 2014. For the first time, we are including performance metrics of relevant sustainability issues from [Ngong Ping 360](#). We are also engaged in the Octopus card payment system, which is outside the scope of this report as we do not have operational control of the Company.

LEARN MORE...

Find out more about [Ngong Ping 360](#) cable car and the theme village on their website

Mainland of China and International Business

Outside of Hong Kong, we invest selectively in rail-related projects, including property developments, which we believe will generate sustainable returns within clear risk parameters.

Currently our subsidiaries and associates are involved in building, operating and maintaining mass transit railway systems and providing related services in the Mainland of China, the United Kingdom, Sweden and Australia. In the Mainland of China, subsidiaries and associates are also involved in the leasing of retail space, providing estate management services and developing properties.

The total number of passengers carried by our subsidiaries and associates in six cities outside of Hong Kong reached approximately 1.8 billion in 2016.

In 2016 we saw our overseas operations progress well:

- Australia: our consortium is implementing the Operations, Trains and Systems Contract for Australia's largest public transport project, the Sydney Metro Northwest, our first international Public-Private-Partnership ("PPP") project
- Beijing: The North Section of Beijing Metro Line 16 opened on 31 December 2016.
- Hangzhou: Maintained excellent safety and operational performance during the G20 Summit and was highly regarded by the municipal government.
- Sweden: Took over the Stockholm commuter rail (Stockholms pendeltåg) on 11 December 2016.
- Shenzhen: The first batch of sold units, in the low-rise buildings above the depot, were handed over to buyers in December 2016.

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

SWEDEN

Stockholm Metro

- Operated by MTR Tunnelbanan AB*
- Rolling stock maintenance by MTR Tech AB*

MTR Express intercity train service

- Operated by MTR Express (Sweden) AB*

Stockholm commuter rail (Stockholms pendeltåg)

- Took over in December 2016
- Operated by MTR Pendeltågen AB*
- Rolling stock maintenance by Emtrain AB#

UNITED KINGDOM

TfL Rail / Elizabeth Line

- Operated by MTR Corporation
(Crossrail) Limited*

London Overground

- Until November 2016
- Operated by London Overground
Rail Operations Limited#

Stockholm

London

AUSTRALIA

Sydney Metro Northwest

- Operation will commence in 2019
- Operated by Metro Trains Sydney Pty. Limited#

Melbourne's Metropolitan Rail Service

- Operated by Metro Trains Melbourne Pty. Limited#

MAINLAND OF CHINA

Beijing Metro Line 4, Daxing Line, Beijing Metro Line 14 and 16 (Phase 1)

- Operated by Beijing MTR Corporation
Limited#

Hangzhou Metro Line 1 and extension

- Operated by Hangzhou MTR
Corporation Limited#

Shenzhen Metro Line 4 (Longhua Line)

- Operated by MTR Corporation
(Shenzhen) Limited*

Beijing

Hangzhou

Shenzhen

Sydney

Melbourne

* 100% owned subsidiary of MTR Corporation

Joint Venture/Consortium of which MTR Corporation is a shareholder

Please refer to [Mainland of China and International Business](#) for an introduction to the sustainability approach and performance of the railway operations conducted by our subsidiaries outside of Hong Kong. More information about our future plans outside of Hong Kong is available in [Building Our Future](#).

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

► Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

VALUE CHAIN, MATERIALITY AND STAKEHOLDER ENGAGEMENT

We recognise that being a responsible and sustainable business cannot be done in isolation. We look for opportunities to collaborate with stakeholders to scale our positive impact. We are also committed to continually deepening our understanding of our stakeholders' needs through strategic and regular engagement.

Value Chain

Our value chain encompasses a wide range of activities from planning and construction through to delivery of rail, property, retail and other services.

Despite, or indeed because of this complexity, our value chain provides many opportunities to broaden, amplify and deepen the Company's contribution to society. In particular, our suppliers are a crucial component of our value chain; our [supply chain section](#) provides more details on our work with them. The table on the next page outlines how we respond to the concerns of our main stakeholders throughout the different phases of our value chain. This is linked and aligned with our materiality matrix, which is addressed in more detail in the relevant sections of this report.

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

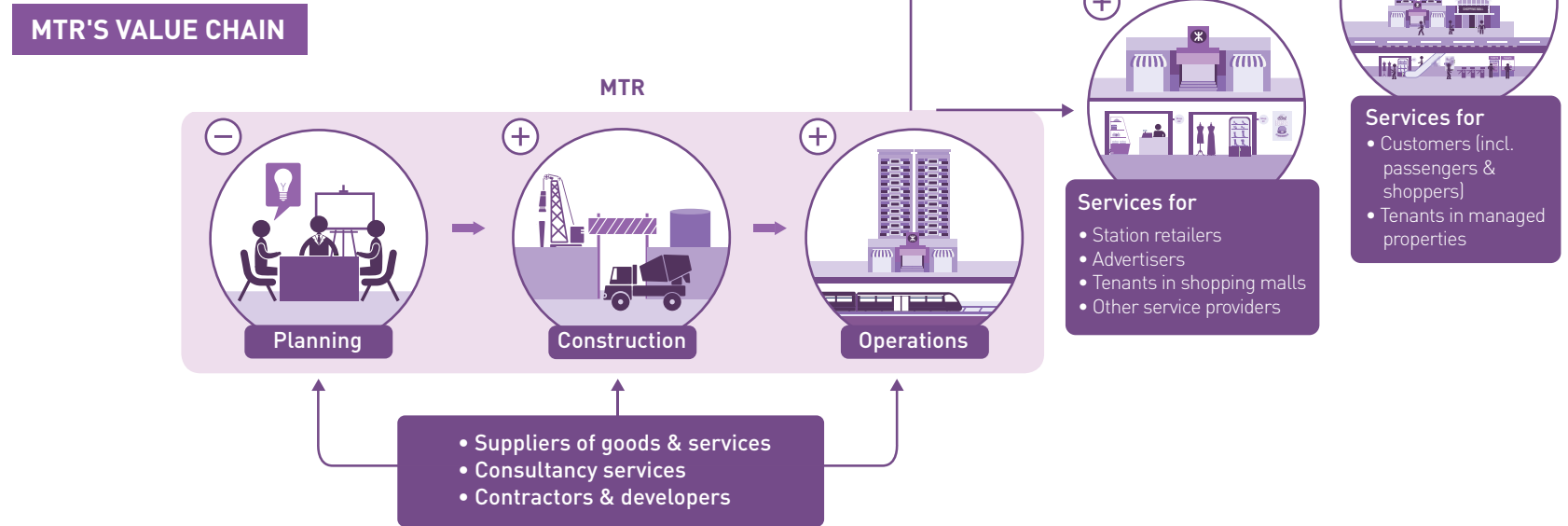
Building Our Future

Mainland of China and International Business

Performance Metrics

What is a value chain?

A value chain is a set of activities performed by an organisation in order to deliver products and services. It is related to the idea of evaluating each organisation as a collection of various inputs, processes and outputs.



PHASE	MAIN STAKEHOLDERS	TOP MATERIALITY ISSUES OF CONCERN	HOW MTR RESPONDS
PLANNING	<ul style="list-style-type: none"> Regulators Political Interest Environmental Interest Communities Investors Staff 	<ul style="list-style-type: none"> Access to essential services Community involvement and development (engagement) 	Customers Building our Future Community

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

► Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

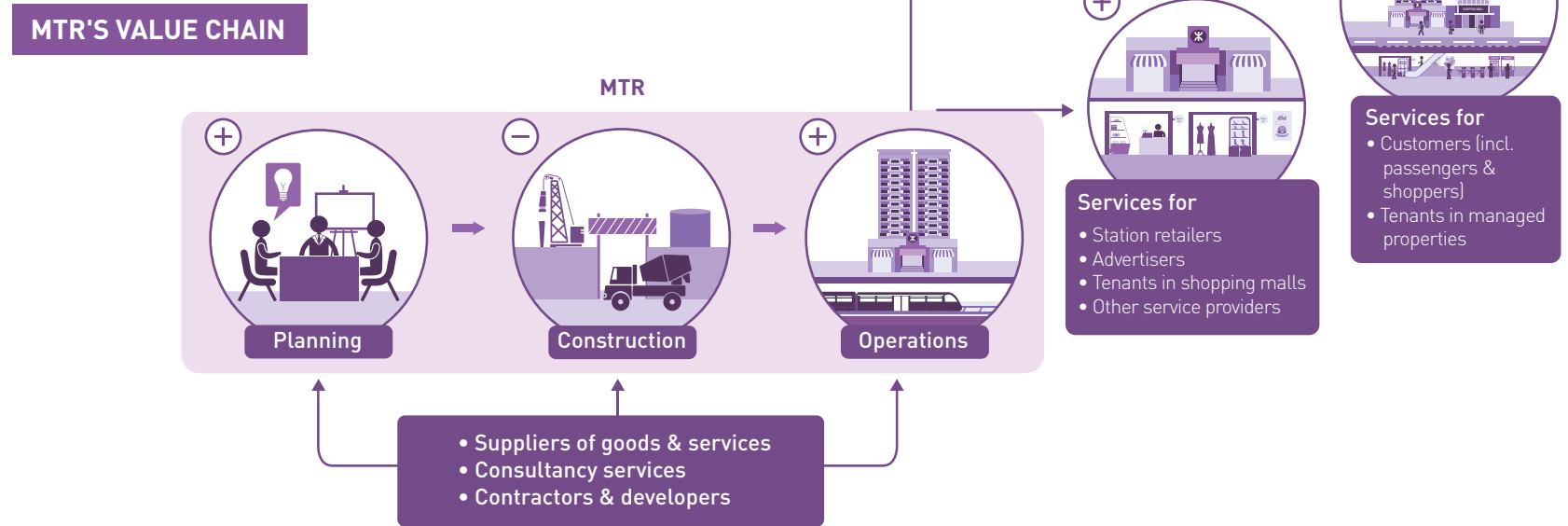
Building Our Future

Mainland of China and International Business

Performance Metrics

What is a value chain?

A value chain is a set of activities performed by an organisation in order to deliver products and services. It is related to the idea of evaluating each organisation as a collection of various inputs, processes and outputs.



PHASE	MAIN STAKEHOLDERS	TOP MATERIALITY ISSUES OF CONCERN	HOW MTR RESPONDS
CONSTRUCTION	<ul style="list-style-type: none"> Regulators Political Interest Environmental Interest Communities Business Partners Suppliers Investors Staff 	<ul style="list-style-type: none"> Employee and contractor health & safety Fair operating practices Fair competition Prevention of pollution Sustainable resource use Community involvement and development (engagement) Payment from government/tax payment 	<ul style="list-style-type: none"> Safety Corporate Governance Customers Environment Community

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

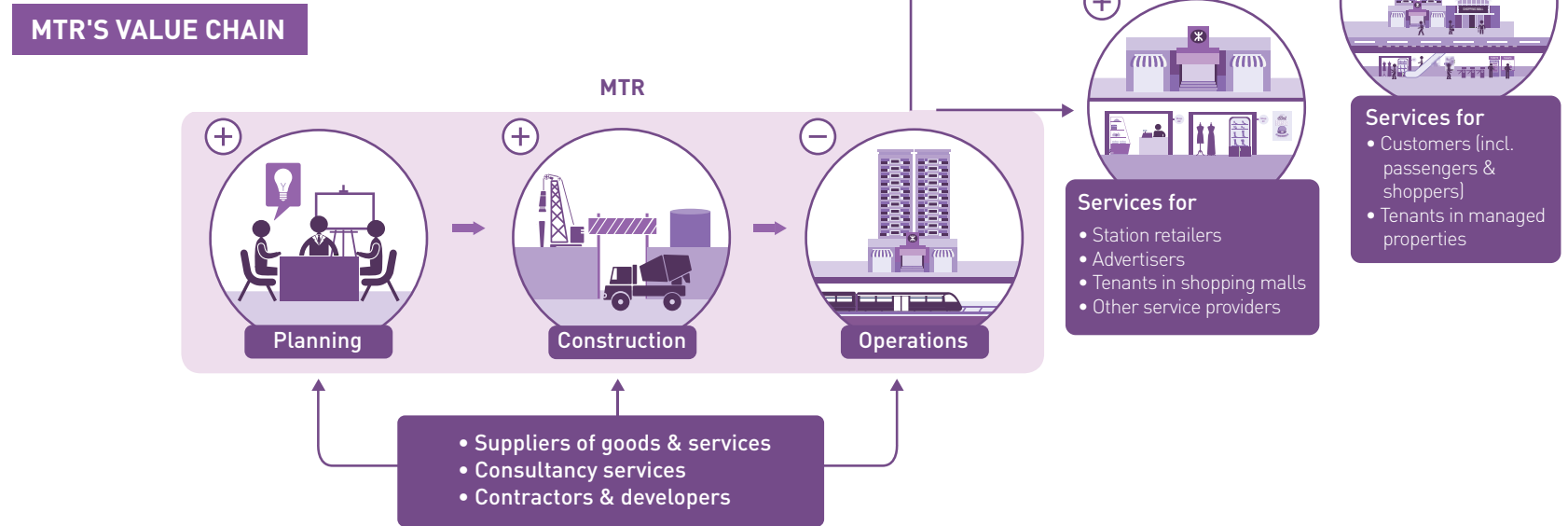
Building Our Future

Mainland of China and International Business

Performance Metrics

What is a value chain?

A value chain is a set of activities performed by an organisation in order to deliver products and services. It is related to the idea of evaluating each organisation as a collection of various inputs, processes and outputs.



PHASE	MAIN STAKEHOLDERS	TOP MATERIALITY ISSUES OF CONCERN	HOW MTR RESPONDS
OPERATIONS	<ul style="list-style-type: none"> Regulators Staff Suppliers Communities Investors Political Interest Environmental Interest 	<ul style="list-style-type: none"> Customers' health & safety Employee and contractor health & safety Fair operating practices Fair competition Climate Change Prevention of pollution Sustainable resource use Community involvement and development (engagement) 	<ul style="list-style-type: none"> Safety Supply Chain Financial and Economic Performance Community Environment Customers Mainland of China and International Business

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

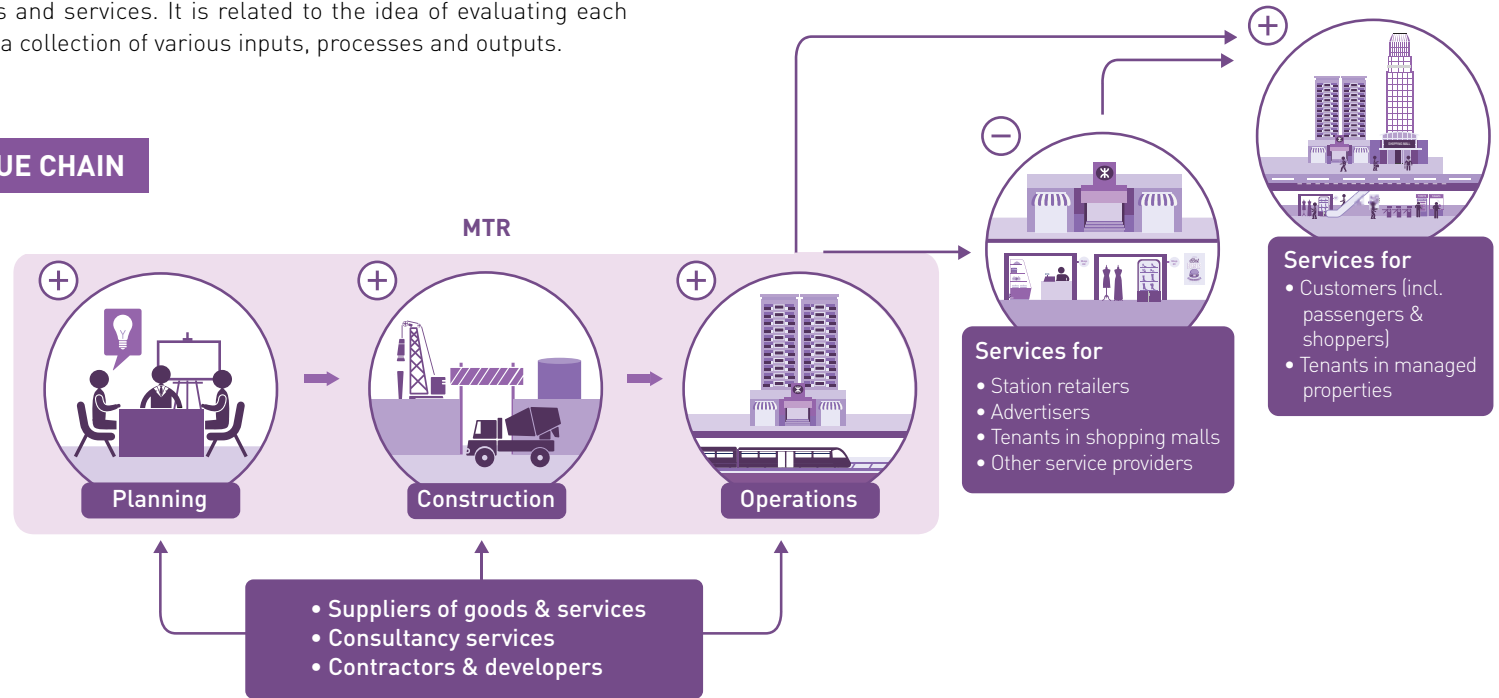
Mainland of China and International Business

Performance Metrics

What is a value chain?

A value chain is a set of activities performed by an organisation in order to deliver products and services. It is related to the idea of evaluating each organisation as a collection of various inputs, processes and outputs.

MTR'S VALUE CHAIN



PHASE	MAIN STAKEHOLDERS	TOP MATERIALITY ISSUES OF CONCERN	HOW MTR RESPONDS
SERVICE PROVISION Station retailers, advertisers, tenants in shopping malls	<ul style="list-style-type: none"> Customers Staff 	<ul style="list-style-type: none"> Customers' health & safety Employee and contractor health & safety Fair operating practices Customer education Customer service, support and complaint handling 	Safety Supply Chain Customers

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

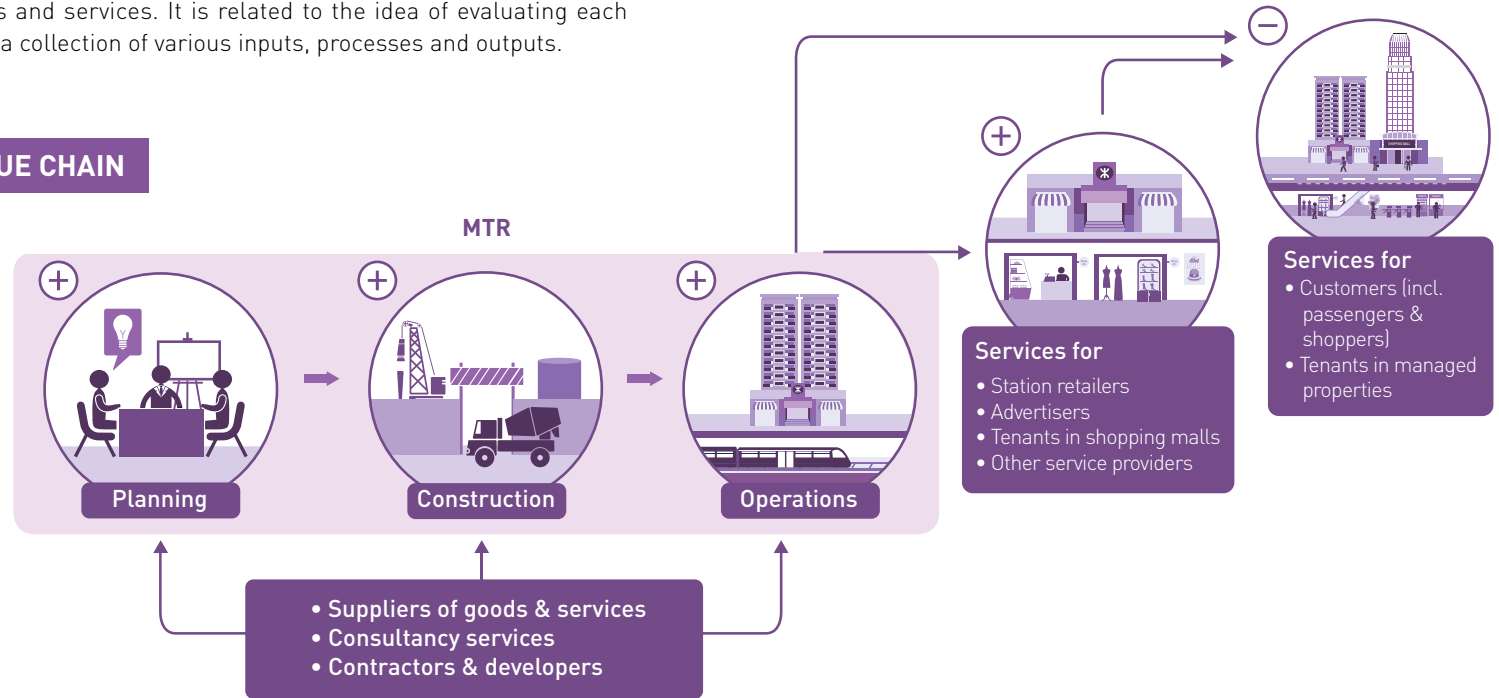
Mainland of China and International Business

Performance Metrics

What is a value chain?

A value chain is a set of activities performed by an organisation in order to deliver products and services. It is related to the idea of evaluating each organisation as a collection of various inputs, processes and outputs.

MTR'S VALUE CHAIN



PHASE	MAIN STAKEHOLDERS	TOP MATERIALITY ISSUES OF CONCERN	HOW MTR RESPONDS
SERVICE PROVISION Passengers in transport operations and tenants in managed properties	<ul style="list-style-type: none"> Customers Staff Communities 	<ul style="list-style-type: none"> Customers' health & safety Employee and contractor health & safety Customer education Customer service, support and complaint handling Access to essential services Community involvement and development (engagement) 	Safety Customers Community Mainland of China and International Business

MENU

 Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

Materiality

Sustainability reporting is one way that we engage with our stakeholders throughout our value chain on an annual basis. The infographic below presents an overview of our approach to materiality assessment, which integrates stakeholder engagement and risk management.



Stakeholder Engagement and Risk Management

Stakeholder engagement is a dynamic and evolving process that provides essential input into our business. Despite the enormous diversity of views and opinions that are represented, we want all of our stakeholders to feel heard and understood. For the purposes of our materiality assessment, we have created 10 categories of stakeholders. Definitions for each stakeholder group can be found in our interactive [Materiality Matrix](#). Learn more about our [Risk Management Approach](#) in our Corporate Governance Section.

Materiality Matrix

In the next two pages, please click on each of the sustainability reporting categories in the leader bar to see the position of relevant sustainability reporting issues in the Materiality Matrix and a description of the issues below.

Alternatively, you can click on the stakeholder headings in the side bar to learn about engagement channels and information resources that are relevant to each category of stakeholder. At the same time, key sustainability reporting issues (utilising the terms under the ISO 26000; refer to [Materiality Methodology](#) for more details) of importance to this category of stakeholders will appear in the Materiality Matrix.

Our stakeholders include any entity or individual who is significantly affected by our principal activities in Hong Kong and/or whose actions are expected to significantly affect the ability of the Company to achieve its objectives. By this definition, we have millions of stakeholders from all parts of our city, of all ages, all socio-economic groups, and all types of employment

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

► Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

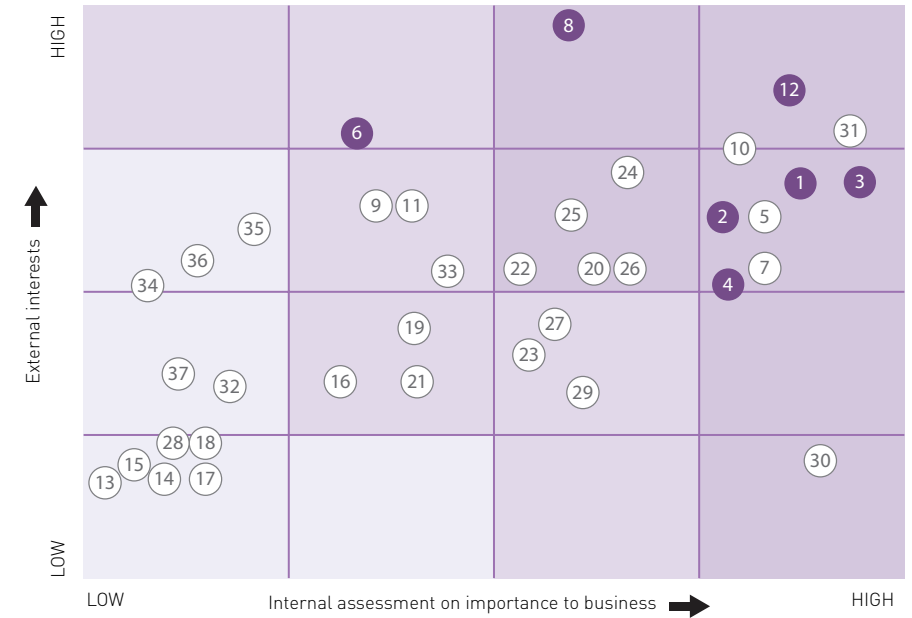
Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors -	Business Partners +
Staff +	Regulators +
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests +
Suppliers +	Media +

Description

Institutional / retail investors, other provider of capital and financial analysts



Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Annual and interim reporting General Meeting Announcements and Circulars Investor meetings, conference and road shows MTR Hotline and email enquiry MTR Website Share registrar 	1 Organisational governance structure and process	High	Corporate Governance - Management Approach
	2 Fair operating practices (Ethical dealings with other organisations)	High	Fair and Ethical Business
	3 Anti-corruption	High	Anti-Corruption and Whistle-Blowing
	4 Responsible political involvement	High	Materiality
	6 Fair marketing (factual and unbiased information & fair contractual practices)	Medium	Not reported
	8 Customers' health & safety	High	Customer Safety
	12 Access to essential services (incl avoidance of service disruption)	High	Concessions and Discounts Train Service Performance New Railway Lines

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff -	Regulators +
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests +
Suppliers +	Media +

Description

All employees of the Company and its subsidiaries.



Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> CEO Messages Management Communication Meetings Divisional/Departmental Communication Meetings Staff Engagement Survey Staff Consultation Mechanisms (Staff Consultative Council (SCC) and Joint Consultative Committee (JCC)) Meetings with staff unions Enhanced Staff Communication Programme Various internal communication programmes and channels "We are MTR" - retiree programme 	<ul style="list-style-type: none"> 8 Customers' health & safety 10 Customer service, support, and complaint handling 12 Access to essential services (incl avoidance of service disruption) 	<ul style="list-style-type: none"> High High High 	<ul style="list-style-type: none"> Customer Safety Customers - Management Approach Concessions and Discounts Train Service Performance New Railway Lines
	<ul style="list-style-type: none"> 19 Employment practices 20 Conditions of work & social protection 	<ul style="list-style-type: none"> Medium High 	<ul style="list-style-type: none"> Staff - Management Approach Staff - Management Approach Work-life Balance
	<ul style="list-style-type: none"> 21 Staff consultation and engagement (incl freedom of association and collective bargaining) 	<ul style="list-style-type: none"> Medium 	<ul style="list-style-type: none"> Staff - Management Approach Engagement and Recognition
	<ul style="list-style-type: none"> 22 Employee and contractor health & safety 23 Employee development & training 	<ul style="list-style-type: none"> High Medium 	<ul style="list-style-type: none"> Staff and Contractor Safety Staff Training and Development Programme Nurturing our Corporate Culture

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

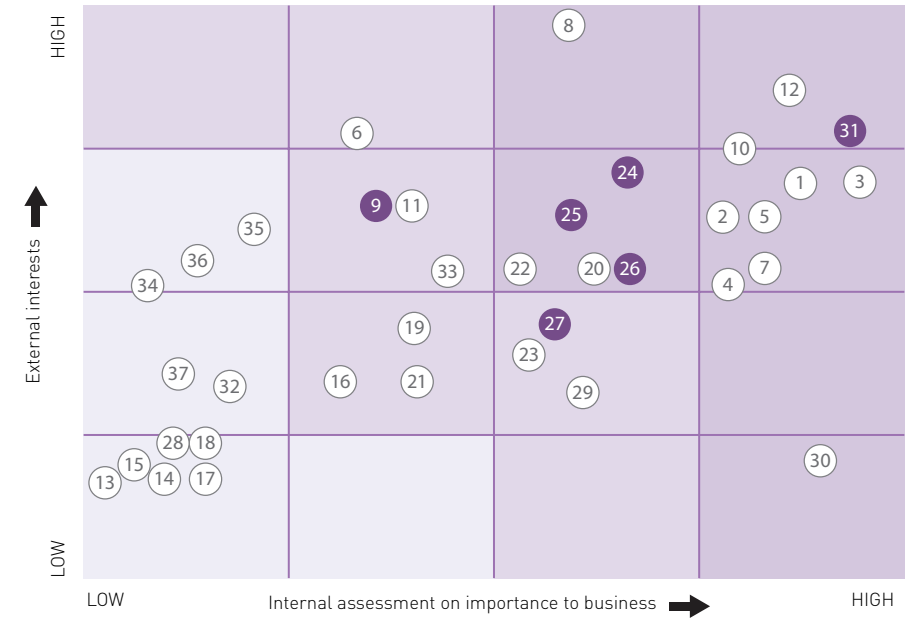
Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff +	Regulators +
Environmental Interests -	Customers and Passengers +
Communities +	Political Interests +
Suppliers +	Media +

Description

Combines stakeholders from a variety of backgrounds, including NGOs, academic institutions and industry bodies, who have expressed interest in the environmental impacts of our activities and/or particular environmental issues.



Materiality Level Low Medium High

Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Meetings with green groups Continuous Environmental Improvement Programme (CEIP) Environmental Impact Assessment Consultation Ecologists' advisory services CDP Disclosure Wetland Special Advisory Committee 	<ul style="list-style-type: none"> 9 Sustainable products & services 	Medium	Environment - Introduction
	<ul style="list-style-type: none"> 24 Prevention of pollution (air, water & waste) 	High	Environmental Protection
	<ul style="list-style-type: none"> 25 Sustainable resource use (resource efficiency & water use) 	High	Sustainable Resource Use
	<ul style="list-style-type: none"> 26 Climate change 	High	Climate Change
	<ul style="list-style-type: none"> 27 Biodiversity 	Medium	Ecology
	<ul style="list-style-type: none"> 31 Community involvement and development (engagement) 	High	Community Engagement

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

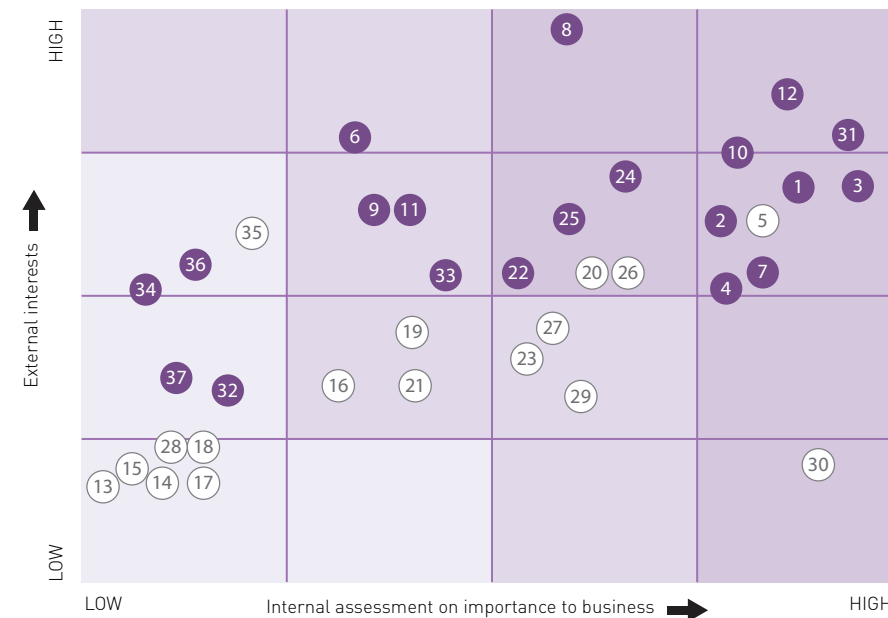
Materiality Outcomes for Stakeholder Groups

Investors	+	Business Partners	+
Staff	+	Regulators	+
Environmental Interests	+	Customers and Passengers	+
Communities	-	Political Interests	+
Suppliers	+	Media	+

Description

Our largest stakeholder category in terms of both the number of people and the range of interests represented. It includes members of local communities who are directly impacted by our activities due to their close proximity to our railway operations, property developments or network expansion projects. It also includes community groups representing sections of the wider Hong Kong society, for example youth and the elderly, as well as less advantaged members of our society such as the disabled and those living on low incomes.

Materiality Level Low Medium High



Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Social media channels Media relations, public announcements, press releases Contact with the press Corporate responsibility initiatives through Community Connect and Youth Connect Community liaison group meeting Society Link "More Time Reaching Community" staff volunteering scheme "art in MTR" Partnering programme with NGOs 	<ol style="list-style-type: none"> Organisational governance structure and process Fair operating practices (ethical dealings with other organisations) Anti-corruption Responsible political involvement Fair marketing (factual and unbiased information & fair contractual practices) Customer education Customers' health & safety Sustainable products & services Customer service, support, and complaint handling Customer data protection & privacy Access to essential services (incl avoidance of service disruption) 	High	Corporate Governance - Management Approach
	High	Fair and Ethical Business	
	High	Anti-Corruption and Whistle-Blowing Materiality	
	Medium	Not reported	
	High	Safety Management Approach	
	High	Customer Safety	
	Medium	Environment - Introduction	
	High	Customers - Management Approach	
	Medium	Materiality	
	High	Concessions and Discounts	
	High	Train Service Performance	
	High	New Railway Lines	
High	Staff and Contractor Safety		
High	Environmental Protection		
High	Sustainable Resource Use		
High	Community Engagement		
Low	Community Railway		
Low	Investing in Our Communities		
Medium	Our People		
Low	Recruitment in Hong Kong		
Low	Not reported		
Low	Not reported		
Low	Staff Volunteering		
Low	Investing in Our Communities		

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

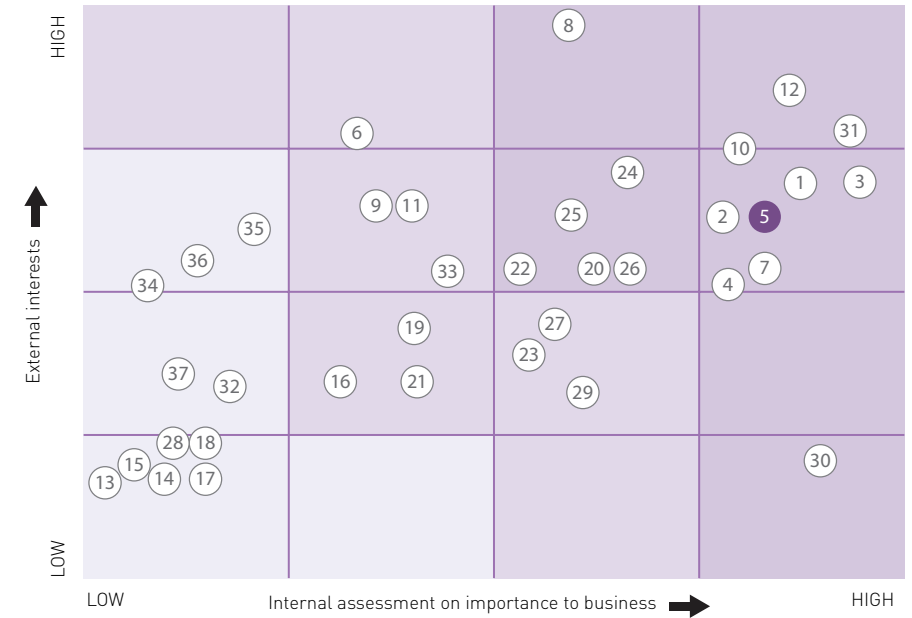
Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff +	Regulators +
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests +
Suppliers -	Media +

Description

All organisations and persons who provide products and services used in our supply chain.

Materiality Level Low Medium High



Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Supplier survey on Corporate Responsibility Supplier audit Industry conferences and road shows Partnering programmes, site visits and seminars 	<p>5 Fair competition</p>	High	<u>Anti-Corruption and Whistle-Blowing</u>

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

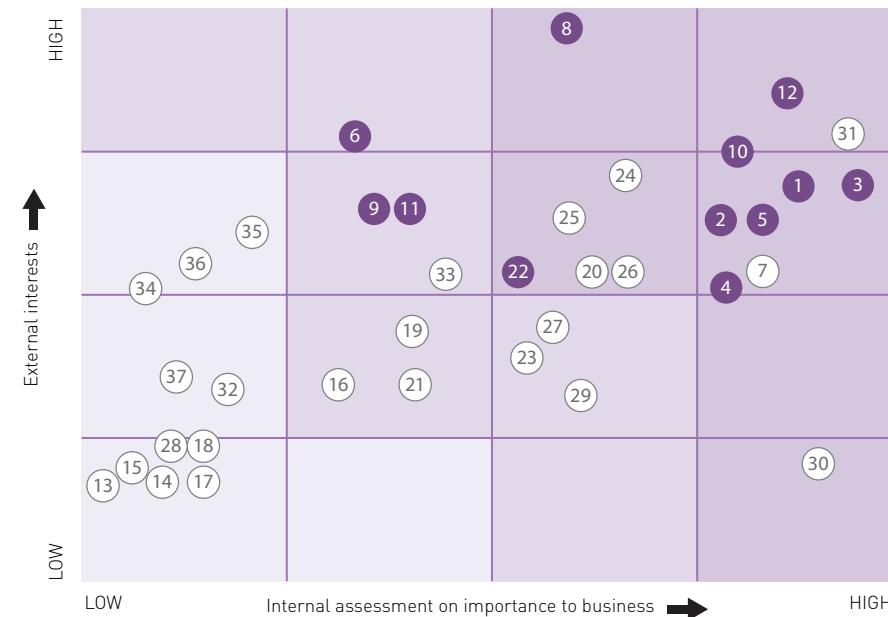
Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners -
Staff +	Regulators +
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests +
Suppliers +	Media +

Description

A sub-set within our supply chain made up of contractors (and employees of our contractors) working on behalf of the Company on network expansion and property development and investment projects. These business partners have been singled out from other suppliers because of their close collaborative relationship with the organisation.



Materiality Level Low Medium High

Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Industry meetings, conferences, job fairs, road shows Partnering programmes, contract and site meetings, seminars 	1 Organisational governance structure and process	High	Corporate Governance - Management Approach
	2 Fair operating practices (ethical dealings with other organisations)	High	Fair and Ethical Business
	3 Anti-corruption	High	Anti-Corruption and Whistle-Blowing Materiality
	4 Responsible political involvement	High	Anti-Corruption and Whistle-Blowing Materiality
	5 Fair competition	High	Anti-Corruption and Whistle-Blowing Materiality
	6 Fair marketing (factual and unbiased information & fair contractual practices)	Medium	Not reported
	8 Customers' health & safety	High	Customer Safety
	9 Sustainable products & services	Medium	Environment - Introduction
	10 Customer service, support, and complaint handling	High	Customers - Management Approach
	11 Customer data protection & privacy	Medium	Materiality
	12 Access to essential services (incl avoidance of service disruption)	High	Concessions and Discounts Train Service Performance New Railway Lines
	22 Employee and contractor health & safety	High	Staff and Contractor Safety

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

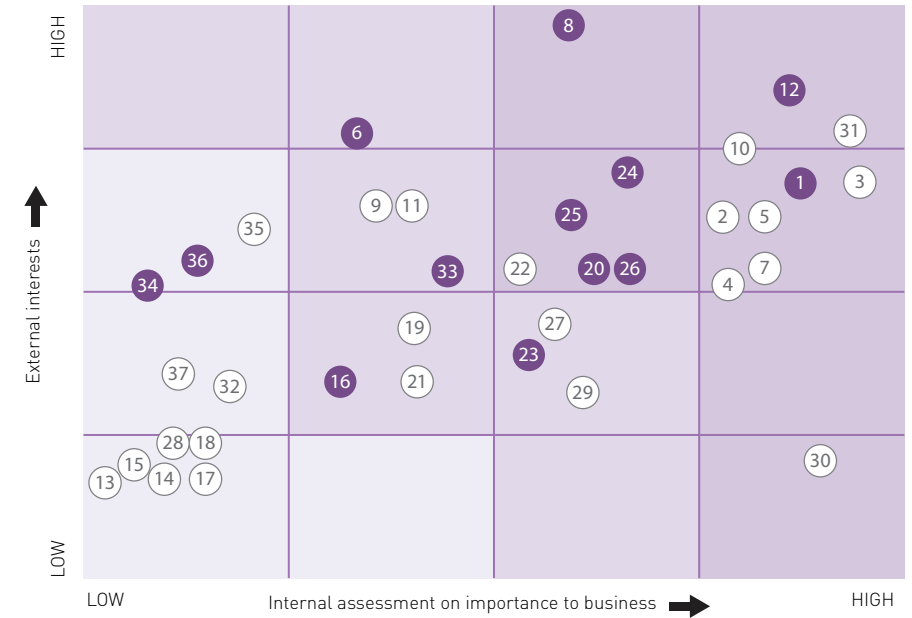
Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff +	Regulators -
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests +
Suppliers +	Media +

Description

Bodies concerned with enforcement of laws, regulations and other standards that affect our day-to-day operations and business development, including Government departments and the Hong Kong Stock Exchange.



Materiality Level Low Medium High

Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Regulatory compliance reports Legislative Council meetings Advisory panels on transport and urban planning Meetings with District Councillors Meetings with Legislative Councillors 	1 Organizational governance structure and Process	High	Corporate Governance - Management Approach
	6 Fair marketing (factual and unbiased information & fair contractual practices)	Medium	Not reported
	8 Customers' health & safety	High	Customer Safety
	12 Access to essential services (incl avoidance of service disruption)	High	Concessions and Discounts Train Service Performance New Railway Lines
	16 Diversity and equal opportunity	Medium	Staff - Management Approach Work-life Balance
	20 Conditions of work & social protection	High	
	23 Employee development & training	Medium	Staff Training and Development Programme Nurturing our Corporate Culture
	24 Prevention of pollution (air, water & waste)	High	Environmental Protection
	25 Sustainable resource use (resource efficiency & water use)	High	Sustainable Resource Use
	26 Climate change	High	Climate Change
	33 Employment creation and skills development	Medium	Our People Recruitment in Hong Kong
	34 Technology development and access	Low	Not reported
	36 Community health	Low	Not reported

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

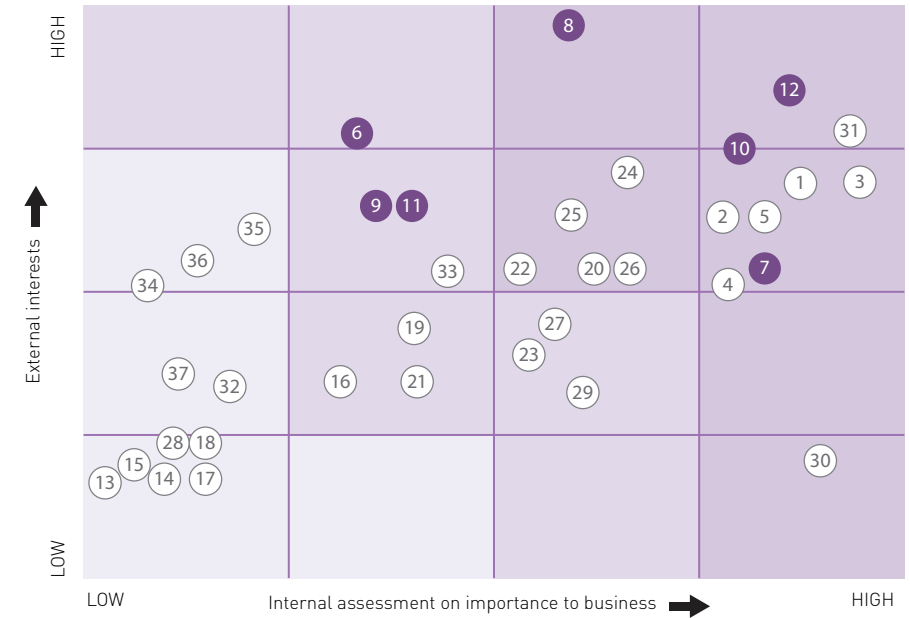
Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff +	Regulators +
Environmental Interests +	Customers and Passengers -
Communities +	Political Interests +
Suppliers +	Media +

Description

In the context of our rail business, "customers" and "passengers" refer to persons travelling on types of services provided by our Hong Kong transport operations. In the context of our Property business, this category also refers to residential and commercial tenants of our managed properties, and patrons of all MTR Malls.



Materiality Level Low Medium High

Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Customer satisfaction surveys MTR Mobile app MTR Club MTR website and facebook page MTR hotline 	6 Fair marketing (factual and unbiased information & fair contractual practices)	Medium	Not reported
	7 Customer education	High	Safety Management Approach
	8 Customers' health & safety	High	Customer Safety
	9 Sustainable products & services	Medium	Environment - Introduction
	10 Customer service, support, and complaint handling	High	Customers - Management Approach
	11 Customer data protection & privacy	Medium	Materiality
	12 Access to essential services (incl avoidance of service disruption)	High	Concessions and Discounts Train Service Performance New Railway Lines

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

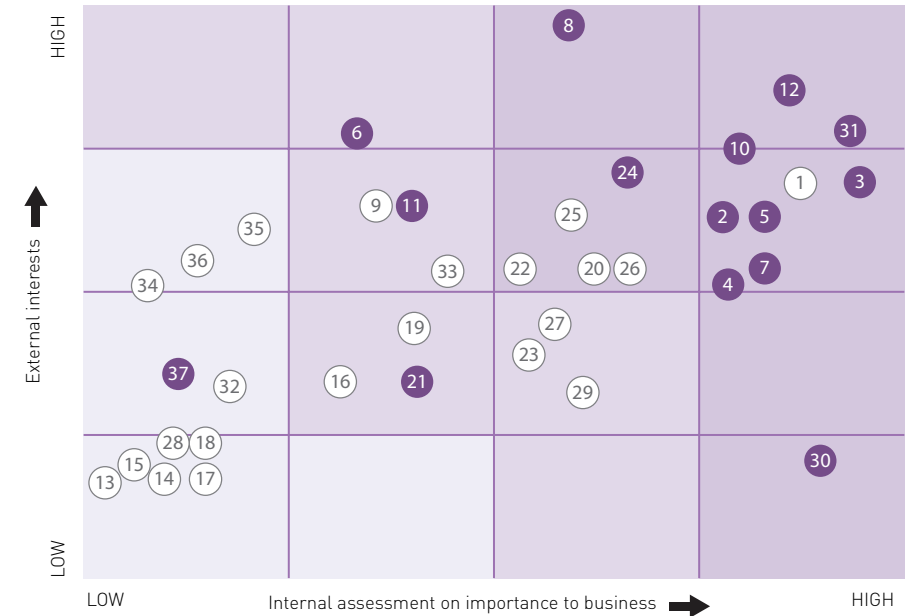
Performance Metrics

Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff +	Regulators +
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests -
Suppliers +	Media +

Description

Representatives of Hong Kong's political institutions, including District Councillors and members of the Legislative Council whom we need to update and report to on a regular basis on matters related to our operating agreement or the construction of our new railway lines.



Materiality Level Low Medium High

Engagement channels	Key interests	Materiality level	How MTR responds
<ul style="list-style-type: none"> Legislative Council meetings Meetings with District Councillors Meetings with Legislative Councillors Other meetings 	2 Fair operating practices (ethical dealings with other organisations)	High	Fair and Ethical Business
	3 Anti-corruption	High	Anti-Corruption and Whistle-Blowing Materiality
	4 Responsible political involvement	High	Anti-Corruption and Whistle-Blowing
	5 Fair competition	High	Anti-Corruption and Whistle-Blowing
	6 Fair marketing (factual and unbiased information & fair contractual practices)	Medium	Not reported
	7 Customer education	High	Safety Management Approach
	8 Customers' health & safety	High	Customer Safety
	10 Customer service, support, and complaint handling	High	Customers - Management Approach
	11 Customer data protection & privacy	Medium	Materiality
	12 Access to essential services (incl avoidance of service disruption)	High	Concessions and Discounts Train Service Performance New Railway Lines
	21 Staff consultation and engagement (incl freedom of association and collective bargaining)	Medium	Staff - Management Approach Engagement and Recognition
	24 Prevention of pollution (air, water & waste)	High	Environmental Protection
30 Payment from government / tax payment	High	Rail plus Property Model	
31 Community involvement and development (engagement)	High	Community Engagement	
37 Community investment (incl staff volunteering)	Low	Staff Volunteering Investing in our Community	

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic
Performance

Corporate Governance

Building Our Future

Mainland of China and
International Business

Performance Metrics

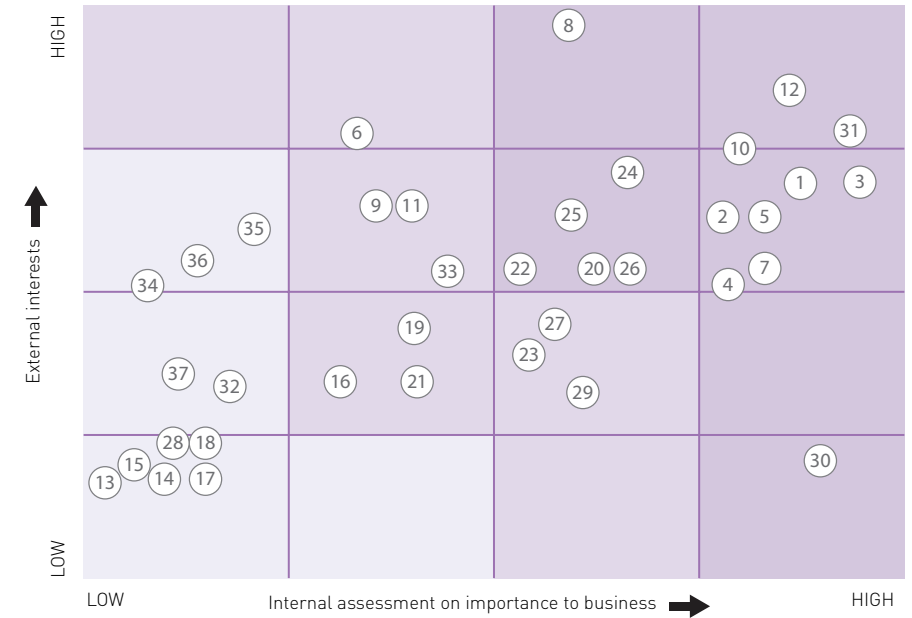
Materiality Outcomes for Stakeholder Groups

Investors +	Business Partners +
Staff +	Regulators +
Environmental Interests +	Customers and Passengers +
Communities +	Political Interests +
Suppliers +	Media -

Description

Comprised of both traditional and online media outlets that deliver information such as news, commentary and other stories to the public. Because media reflects topics that our stakeholders have already raised with us separately, we do not have a separate tab. We engage with them on a regular basis through different channels.

Materiality Level Low Medium High



MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

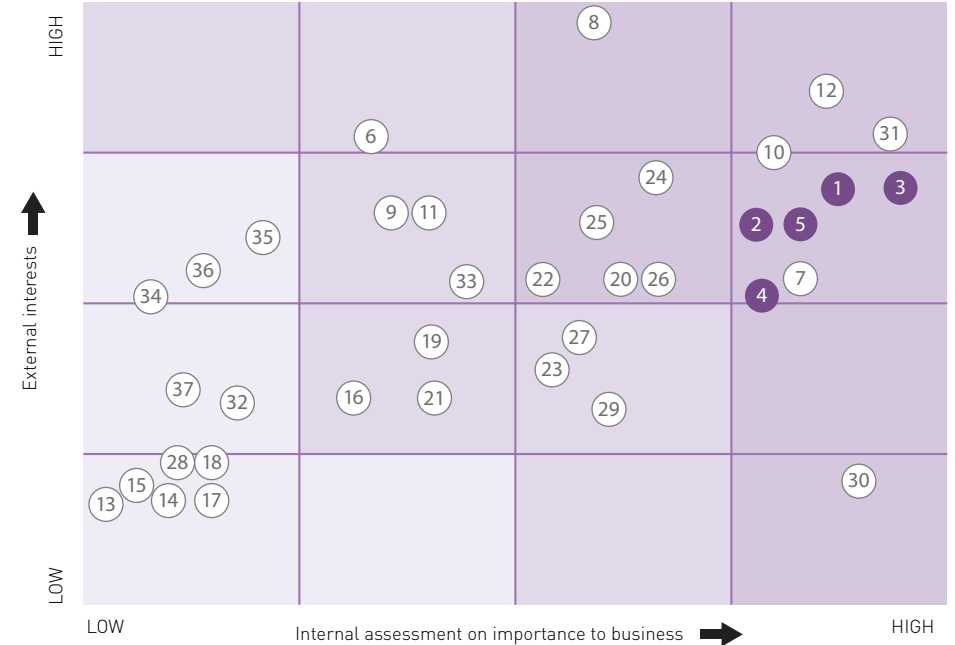
Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Outcomes Arranged by Topic

- I. Fair Operating Practices −
- II. Consumer Issues +
- III. Human Rights Labour Practices +
- IV. The Environment +
- V. Supply Chain +
- VI. Community Involvement and Development +



	Materiality level	How MTR responds
1 Organisational Governance structure and process	High	Corporate Governance - Management Approach
2 Fair operating practices (including ethical dealings with other organisations)	High	Fair and Ethical Business
3 Anti-corruption	High	Anti-Corruption and Whistle-Blowing
4 Responsible political involvement	High	Materiality
5 Fair competition	High	Anti-Corruption and Whistle-Blowing

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

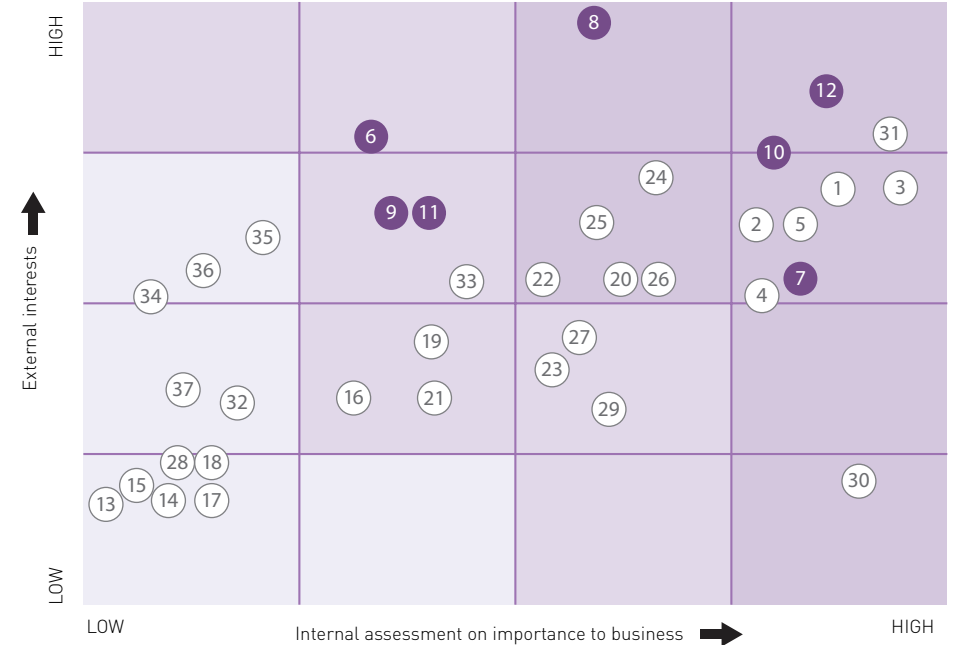
Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Outcomes Arranged by Topic

- I. Fair Operating Practices +
- II. Consumer Issues -
- III. Human Rights Labour Practices +
- IV. The Environment +
- V. Supply Chain +
- VI. Community Involvement and Development +



	Materiality level	How MTR responds
6 Fair marketing (including factual and unbiased information & fair contractual practices)	Medium	Not reported
7 Customer education	High	Safety Management Approach
8 Customers' health & safety	High	Customer Safety
9 Sustainable products & services	Medium	Environment - Introduction
10 Customer service, support, and complaint handling	High	Customers - Management Approach
11 Customer data protection & privacy	Medium	Materiality
12 Access to essential services (including avoidance of service disruption)	High	Concessions and discounts Train Service Performance New Railway Lines

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Outcomes Arranged by Topic

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- II. Consumer Issues +
- III. Human Rights Labour Practices -
- IV. The Environment +
- V. Supply Chain +
- VI. Community Involvement and Development +



Materiality Level Low Medium High

	Materiality level	How MTR responds
13 Human rights risks assessment	Low	Not reported
14 Human rights risk issues	Low	Not reported
15 Human rights grievances mechanism	Low	Anti-Corruption and Whistle-Blowing Corporate Governance - Management Approach
16 Diversity and equal opportunity	Medium	Staff Introduction
17 Fundamental principles & rights at work (based on Internal Labour Organisation standards)	Low	Not reported
18 Protection of civil & political rights of staff	Low	Not reported
19 Employment practices	Medium	Staff - Management Approach
20 Conditions of work & social protection	High	Staff - Management Approach Work-life Balance
21 Staff consultation and engagement (including freedom of association and collective bargaining)	Medium	Staff - Management Approach Engagement and Recognition
22 Employee and contractor health & safety	High	Staff and Contractor Safety
23 Employee development & training	Medium	Training Programmes Nurturing our Corporate Culture

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

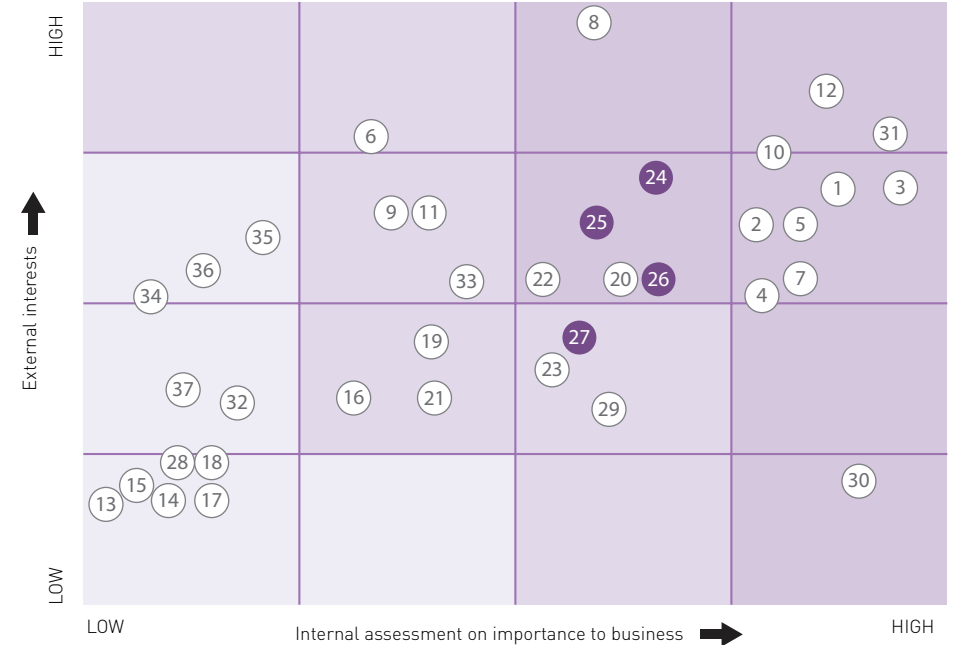
Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Outcomes Arranged by Topic

- I. Fair Operating Practices +
- II. Consumer Issues +
- III. Human Rights Labour Practices +
- IV. The Environment -
- V. Supply Chain +
- VI. Community Involvement and Development +



Materiality Level Low Medium High

	Materiality level	How MTR responds
24 Prevention of pollution (including air, water & waste)	High	Environmental Protection
25 Sustainable resource use (including resource efficiency & water use)	High	Sustainable Resource Use
26 Climate change	High	Climate Change
27 Biodiversity	Medium	Ecology

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

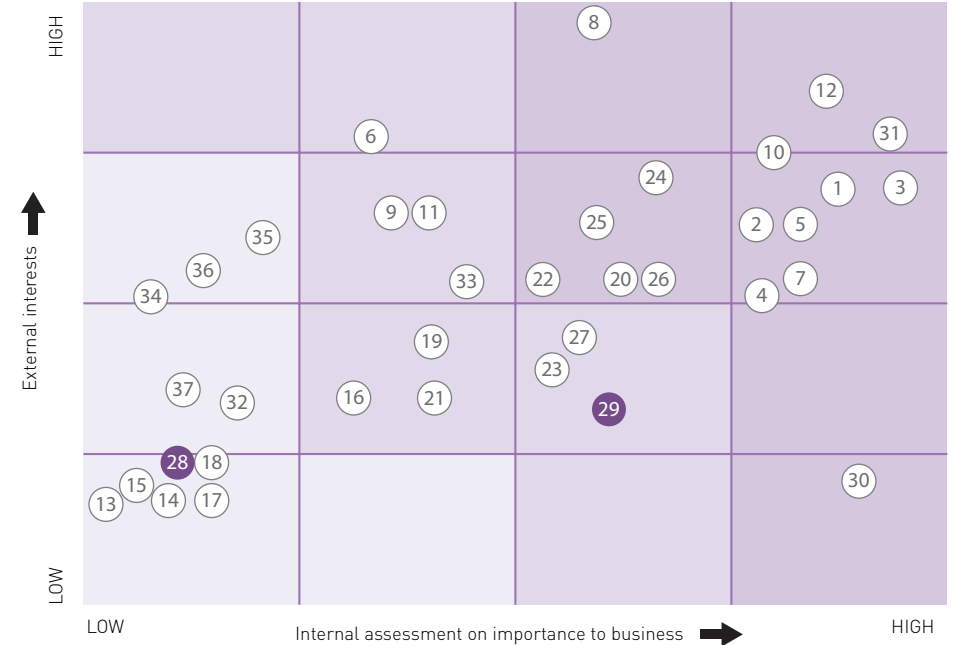
Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Outcomes Arranged by Topic

- I. Fair Operating Practices +
- II. Consumer Issues +
- III. Human Rights Labour Practices +
- IV. The Environment +
- V. Supply Chain -
- VI. Community Involvement and Development +



	Materiality level	How MTR responds
28 Supply chain human rights risk	Low	Supply Chain Management
29 Promoting social responsibility in the value chain	Medium	Supply Chain - Introduction Engagement and Collaboration with Suppliers

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

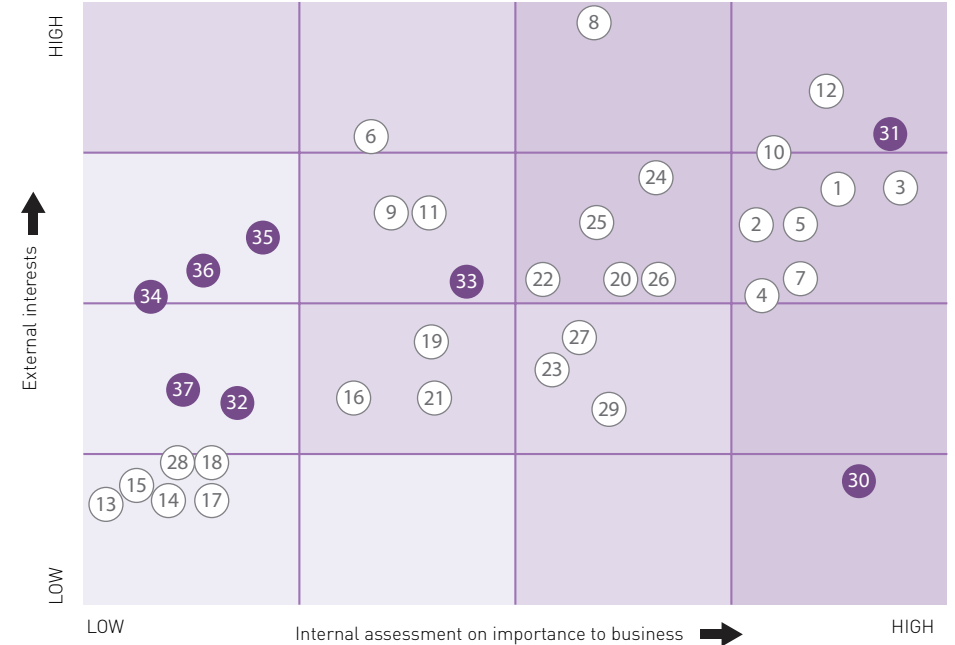
Building Our Future

Mainland of China and International Business

Performance Metrics

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- I. Fair Operating Practices +
- II. Consumer Issues +
- III. Human Rights Labour Practices +
- IV. The Environment +
- V. Supply Chain +
- VI. Community Involvement and Development -



Materiality Level Low Medium High

	Materiality level	How MTR responds
30	High	Rail plus Property Model
31	High	Community Engagement
32	Low	Community Railway Investing in our Community
33	Medium	Our People Recruitment in Hong Kong
34	Low	Not reported
35	Low	Not reported
36	Low	Not reported
37	Low	Staff Volunteering Investing in Our Community

MENU

 Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

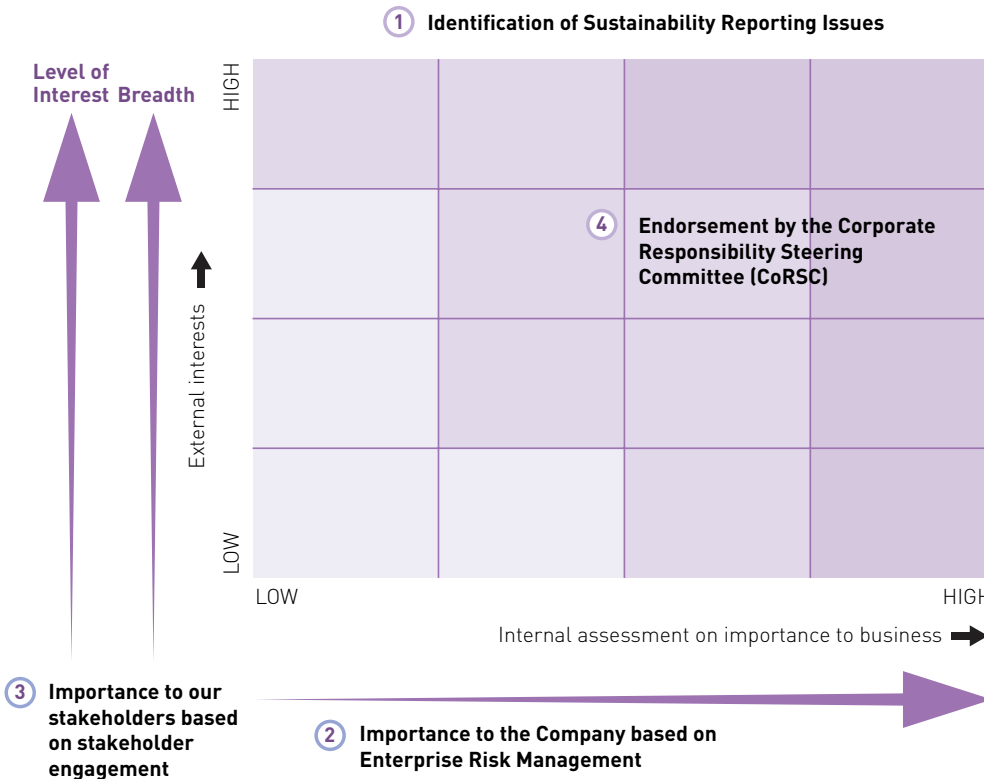
Performance Metrics

Materiality Methodology

The principle of materiality states that our sustainability report should address topics that reflect the Company's significant economic, environmental and social impacts, and/or that substantively influence the assessments and decisions of our stakeholders, and it refers to the shared concerns of the Company and all stakeholders, not just investors. Our materiality assessment methodology involves four basic steps as summarised in the following graphic.

LEARN MORE...

[ISO 26000](#) is an internationally recognised standard for clarifying what corporate responsibility is and translating its principles into best practices.



- STEP 1 
- STEP 2 
- STEP 3 
- STEP 4 

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

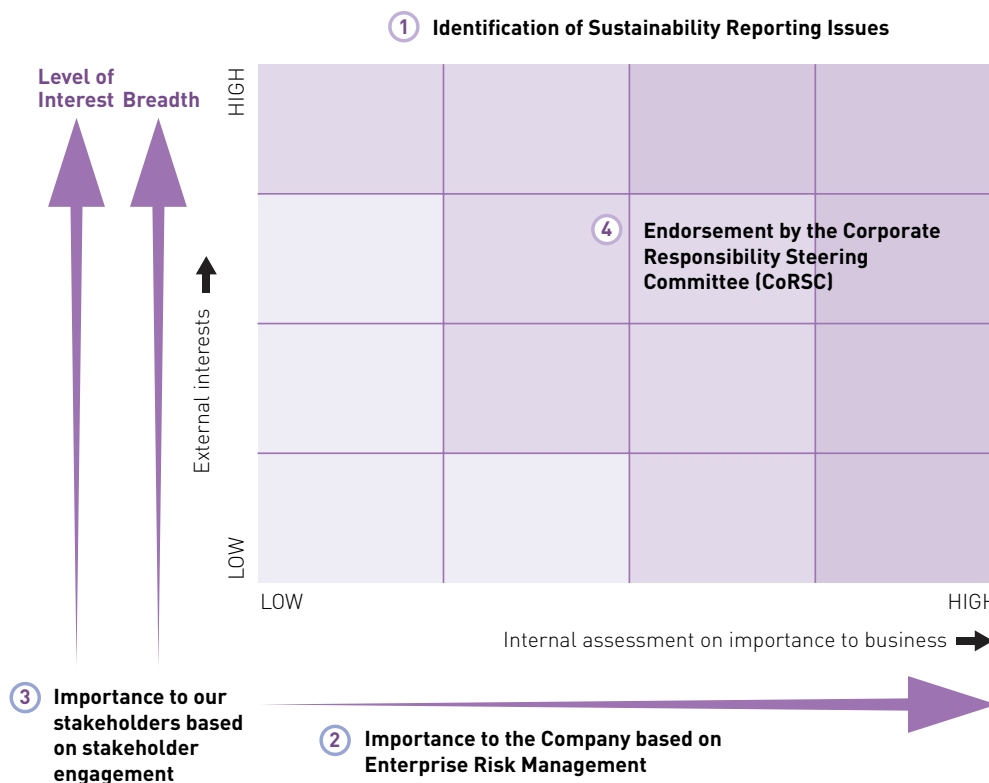
Building Our Future

Mainland of China and International Business

Performance Metrics

Materiality Methodology

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STEP 1

Identification of Sustainability Reporting Issues

We refer to the ISO 26000 Guidance on Social Responsibility to identify the set of all possible issues that are relevant to sustainability reporting for our organisation. For the sake of convenience, we organise the issues into six categories:

- i. Fair Operating Practices
- ii. Consumer Issues
- iii. Human Rights and Labour Practices
- iv. The Environment
- v. Supply Chain
- vi. Community Involvement and Development

STEP 2

STEP 3

STEP 4

MENU

 Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

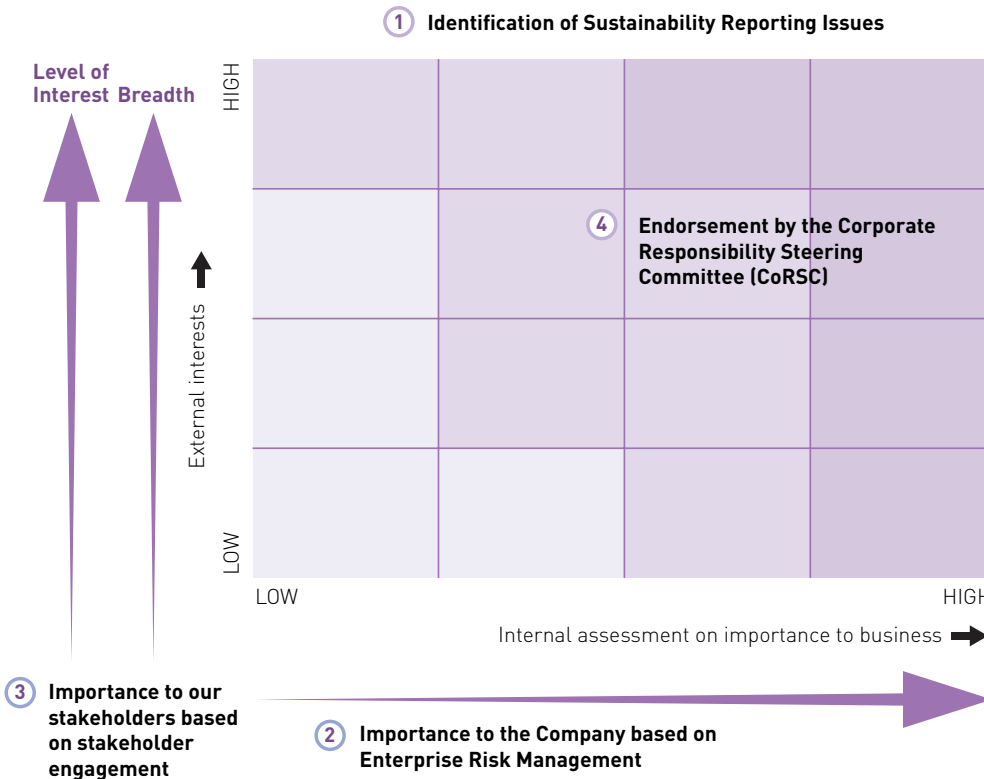
Performance Metrics

Materiality Methodology

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- STEP 1 
- STEP 2 

Importance to the Company based on enterprise risk management system

The issues are positioned along the horizontal axis from left to right in order of increasing risk.

Our sustainability team assessed the relationship among all of the 37 issues that were identified in the ISO 26000 standard and the top 46 enterprise risks from our enterprise risk register in order to evaluate the relative importance of each of the issues to the Company. The outcome of this assessment is reflected in the position of each of the 37 sustainability issues along the horizontal axis of the Materiality Matrix.

- STEP 3 
- STEP 4 

MENU

Introduction

The City Unlimited: Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

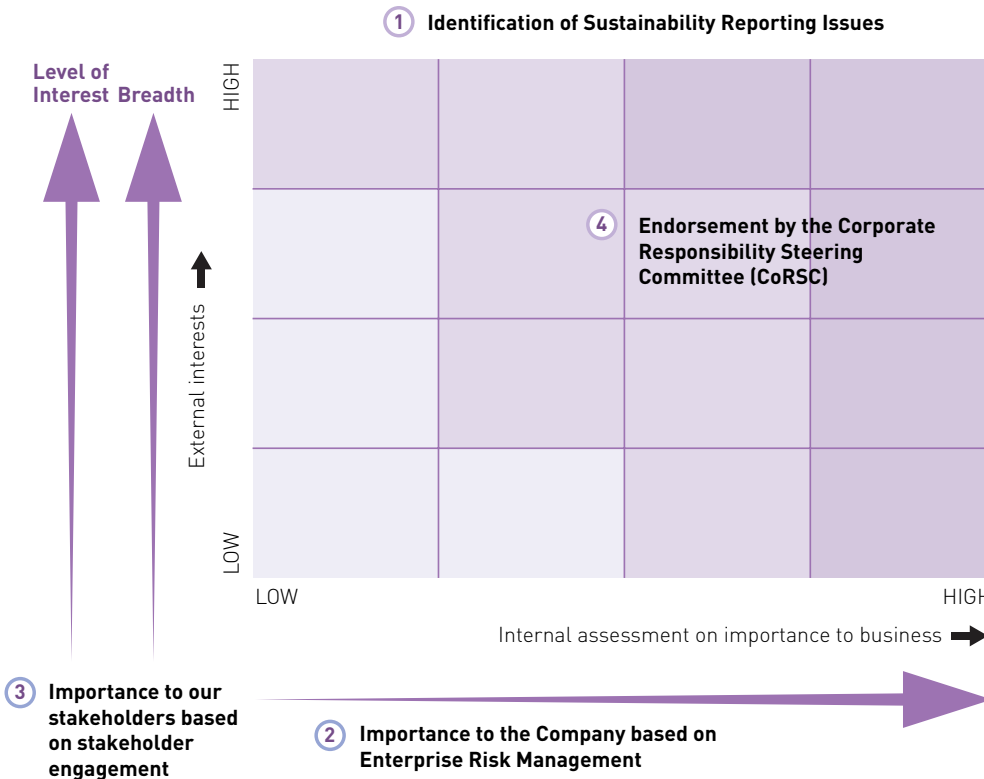
Performance Metrics

Materiality Methodology

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- STEP 1
- STEP 2
- STEP 3

Importance to stakeholders based on stakeholder engagement

The issues are positioned along the vertical axis from bottom to top in order of increasing stakeholder interest.

Our sustainability team synthesised the outcomes of engagement with all categories of stakeholders during the year in order to determine the relative importance of each of the 37 issues for them. Please note that the position of each issue moving towards the top of the horizontal axis reflects the level of interest (for example, intense interest expressed by some stakeholders) and/or breadth of interest (for example, large number of stakeholders expressing some interest). For 2016, the External Review Panel has also been invited to review and validate the results of the assessment and change to the position of one issue was recommended by the Panel and adopted by the Company.

- STEP 4

MENU

Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

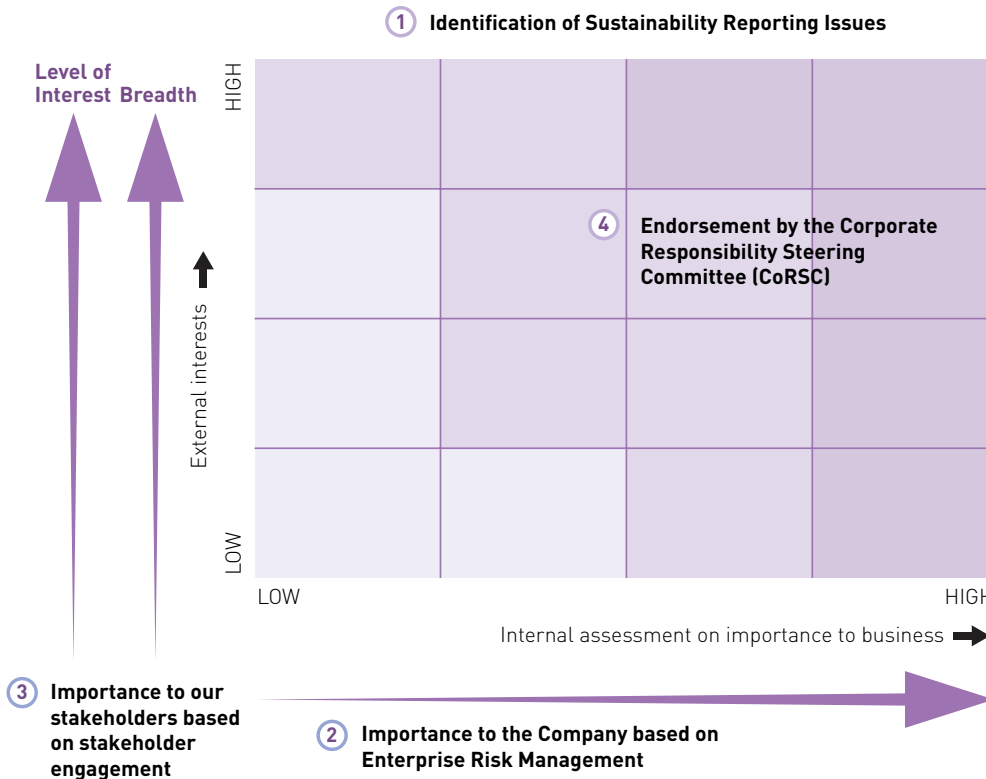
Performance Metrics

Materiality Methodology

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- STEP 1
- STEP 2
- STEP 3
- STEP 4

Endorsement by the Corporate Responsibility Steering Committee

The overall position of each issue moving from the bottom left to the top right of the matrix determines its level of materiality. We have assigned low, medium and high materiality to each issue depending on its position in the matrix. The materiality assessment of all 37 issues was reviewed and approved by the [Corporate Responsibility Steering Committee](#) during 2016.

MENU



Introduction

The City Unlimited:
Sustainability Report 2016

About this report

Scope of this report

About MTR corporation

▶ Value chain, materiality and
stakeholder engagement

Chairman's Message

CEO Letter

Safety

Customers

Community

Environment

Staff

Supply Chain

Financial and Economic Performance

Corporate Governance

Building Our Future

Mainland of China and International Business

Performance Metrics

Evaluation of Results

Since it is not feasible for us to report extensively on every issue, we have applied the principle of materiality to help us determine what information to disclose in this report. If you would like to provide feedback on the outcome of our materiality assessment, we [welcome your views](#).

As a result of our assessment in 2016, the following topics have been identified as outliers. This means that one party, either the Company or the collective assessment of our stakeholder groups, showed high interest in the topic but the other party considered it to be of relatively low importance. We also include topics where we believe there is an opportunity for us to work on, but are considered of relatively low materiality by both parties.

- **Payment from government/tax payment (issue #30)** relates to payment from Government in the form of subsidies or other contractual agreement as well as payment of taxes from the Company. Although our stakeholders did not appear to place high importance on this topic, it is important to us since we have entrustment agreements with Government on the Express Rail Link and the Shatin to Central Link, both of which are funded by the Government. While we do receive payments from Government, it should be noted that, for the significant majority of our businesses such as for our rail operations, it is crucial that we have a [sustainable financial model](#) to ensure that we can deliver world-class services to our customers for now and in the long term.
- Originally assessed to be of low materiality internally and externally, the position of **Wealth and income creation (#35)** has been moved up in external assessment per suggestion by the External Review Panel. While the opening of new lines and extensions brings greater convenience and development to the neighbourhood, some panellists perceived that the value created by new MTR stations has not been distributed fairly, and may result in gentrification. We seek to engage the local community during design, construction and operation stages to address local community needs. Many of the artworks in stations were also created in partnership with local residents to celebrate the history and unique characteristics of the local community. Find out more in the [Community](#) section.

- **Education and culture (#32)** and **Community investment (including staff volunteering) (#37)** while considered low materiality by stakeholders, we believe that there is an opportunity for us to leverage our skills, resources, and networks to contribute to community development, including our focus on youth, art, green and healthy living and safety. As such, we report on our related activities and programmes in our [Community](#) section and [Staff](#) section on staff volunteering.