



Our stakeholders in Hong Kong and worldwide expect us to maintain the best practices and highest standards that we have set for ourselves. In our sustainability reporting we detail our economic, environmental and social contributions towards maintaining MTR's vision as Hong Kong's Fast Track to a World Class City. For the second year running, MTR's sustainability reporting follows the international best practice guidelines prepared by the Global Reporting Initiative.

This year we are reporting on how sustainability is implemented through our risk management techniques. The Corporation must seek new avenues for continued growth through diversification into international consultancy and tourism projects in Hong Kong. Risk management is an important tool supporting that growth.

Phil Gaffney, Acting Chief Executive Officer,
MTR Corporation Limited.

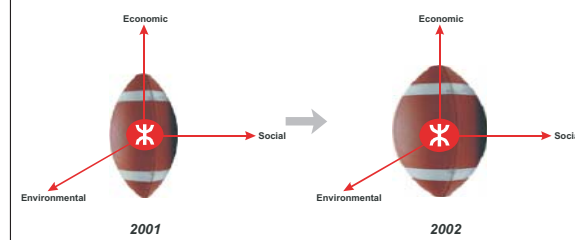
Please visit www.mtr.com.hk for the full report

Sustainability

By making a major contribution to the prosperity and well-being of Hong Kong and by raising the standards of corporate responsibility and risk management amongst listed companies, MTR is a leader in shaping and delivering a more sustainable society.

Corporate Evolution Towards Sustainability

In the 2001 report, we introduced the rugby ball as a visual representation of corporate sustainability. We consider that MTR's achievements during 2002 have led to a further expansion of the rugby ball in the economic, environmental and social directions.



MTR's mission is to develop and manage a world class railway together with property and other related businesses, to enhance the quality of life in Hong Kong.

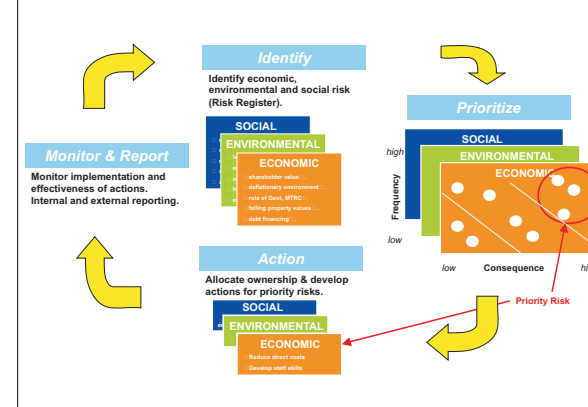
For our rail operations, sustainability means providing equitable access to affordable, safe, useful, highly energy efficient and reliable transportation whilst reducing our consumption of non-renewable resources and the noise we generate. Moreover, as the operator of a railway system in a densely populated city, MTR plays a significant role in reducing the environmental impacts of moving over two million people every day.

For our property business, sustainability means establishing new communities centred on rail access, which are designed, developed and managed in accordance with Hong Kong best practice. In this way, MTR aims to maximise the beneficial use of Hong Kong's scarce land resources and provide quality lifestyles for residents via easy rail access to work, education, family and friends, shopping and other recreational pursuits.

For the way we do business, sustainability means raising the standard of corporate responsibility in the way we communicate and engage our internal and external stakeholders. We deliver optimised and consistent returns, provide staff with fair and competitive rewards and training opportunities, support community initiatives aligned with our core skill and seek to improve our environmental performance.

MTR's Risk Management Process

As a responsible corporation, MTR seeks to identify and manage risks which may materially affect its business and by implication, the interests of our shareholders, customers and staff. By likening risk management to sustainability, MTR gains greater insights into the creation of long-term shareholder value. MTR has a four-stage approach for managing business risk.



See back page for MTR's priority business risks

People

MTR delivers a world-class railway service, transporting over 2.3 million passengers every day and in doing so provides people with more time for life. In addition, MTR plays a pivotal role in establishing new communities in Hong Kong centered on rail access through its property development activities.

MTR's Core Values of Service, Value and Respect towards Customers, Staff and Shareholders helps to foster a strong culture of continuous improvement and sustain our business objectives.

The MTR Code of Conduct sets out the policies and practices that the Company has developed to deal responsibly with its internal and external stakeholders. It explains MTR's business philosophy and values governing staff conduct in achieving business goals. Following publication of the Code in 2002, MTR has carried out extensive training and a communication campaign to ensure all levels of staff understand the content of the Code and the philosophy of an ethical working culture. We are committed to the long-term development and retention of our staff, maintaining excellent relations with all our stakeholders, playing our part as a corporate citizen in the community and adhering to the highest safety standards.

MTR's Core Values Matrix

		STAKEHOLDERS		
		Customers	Staff	Shareholders
CORE VALUES	Service	Safe, reliable and environmental friendly service Efficient service delivery Continuous improvement	Safe and healthy work ing environment Open communication Efficient & value added internal customer service	Optimise utilisation of assets Open and transparent Effective management
	Respect	Listen and be responsive to our customers Deliver what we promise Build long term relationship	Mutual trust and respect Share fruit of success Fairness	Care for the interest of shareholders Business Ethics and integrity Continuously improve corporation image
	Value	Provide value for money service Add value to life style of customers Extend network to improve accessibility	Career development Personal growth Job satisfaction	Satisfactory return to shareholders Healthy growth Business diversification

Environment

MTR makes a significant contribution to reducing traffic congestion, noise and air emissions in the densely populated urban surroundings of Hong Kong. We have actively sought to improve MTR's environmental performance by:

- Continually seeking ways to reduce the energy consumption of our trains;
- Developing measures to ensure that people living and working close to construction sites do not experience unacceptable levels of noise; and

MTR and Climate Change

In Hong Kong, it is currently only possible to purchase electricity generated from oil, coal, gas or nuclear sources. As such, MTR's efforts to reduce Greenhouse Gas Emissions are currently restricted to the efficient use of electricity in its operations.

During 2002, MTR fully achieved 88% of its 151 environmental targets. This year, the six Divisions have developed an even more challenging set of targets to further improve environmental performance.

MTR's Environmental Performance

Issue	Division	2001	2002
Greenhouse Gas Emissions			
Electricity	Operations	709,170 Mwh	726,390 MWh
Traction Energy	Operations	2.50 kWh/trainkm	2.46 kWh/trainkm
Waste Generation			
Metals recycled	Operations	720 tonnes	941 tonnes
Waste Oil recycled	Operations	3,154 litres	9,414 litres
Water Usage	Operations	211,073 m ³	187,031 m ³

Economy

MTR directly employs 6,800 people and indirectly supports the employment of many more in Hong Kong, the region and globally through the hiring of contractors for projects, the purchase of supplies and energy and our involvement in joint property development ventures. Beyond this, MTR's services, namely the efficient movement of people and the provision of residential, retail and office space, play an important role in the Hong Kong economy.

As a world-renowned listed company, MTR is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort identifying and formalizing the best practices. MTR's inclusion in the Hang Seng Index (which represents Hong Kong's 33 blue chip companies), MSCI and FTSE Index series has brought additional quality and diversity to Hong Kong's equity capital market.

MTR's approach to corporate sustainability has been recognised by our inclusion in the Dow Jones Sustainability Index (DJSI World) and the FTSE4Good Global Index.

MTR's Economic Contribution

	2001	2002
Financial Performance		
Turnover	HK\$ 7,592m	HK\$ 7,686m
Profit to shareholders	HK\$ 4,284m	HK\$ 4,212m
Return on Shareholder's Fund	8.2%	7.6%
Interaction with Economy		
Number of Staff	7,231	6,891
Staff costs & expenses	HK\$ 1,641m	HK\$ 1,579m
Energy & Utilities	HK\$ 501m	HK\$ 502m
Repairs & Maintenance	HK\$ 437m	HK\$ 435m
Stores & Spares Consumed	HK\$ 119m	HK\$ 121m
Railway Capital Expenditure	HK\$ 6,657m	HK\$ 5,196m
Total passengers (MTR & AEL)	767m	786m
Share of public transport	23.5%	23.5%
Interest on borrowings	HK\$ 896m	HK\$ 1,153m
Dividend Payment	HK\$ 2,118m	HK\$ 2,161m
Taxes paid	Nil	HK\$ 1m
Subsidies received	Nil	HK\$ 219m

MTR Corporation's Sustainability Targets

MTR has developed a challenging set of sustainability targets for year 2003 comprising environmental and social targets at the corporate level

Environmental

Maintain ISO14001 certification and consider expansion of certificate scope within MTR.

Develop and publish Key Performance Indicators to track eco-efficiency improvements.

Calculate MTR's Green House Gas (GHG) emissions using international guidelines.

Examine opportunities for sourcing electricity from renewable sources prior to expiry of Scheme of Control in 2008.

Social

Achieve the targets in MTR's 2003 Customer Service Pledges.

Maintain open staff communication and consultation.

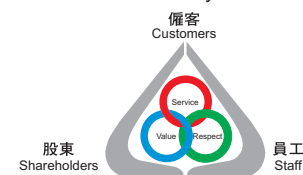
Conduct a training programme for junior managerial and senior supervisory staff as one of the follow-up actions of the 2001 Staff Attitude Survey.

Develop a set of clear and practical guidelines that stipulates the standards of behaviour for employees to foster an ethical culture in the Corporation.

Reduce lost time injury frequency rate per 200,000 man-hours worked to 0.72 or below.

Reduce reportable accident rate per 100,000 man-hours worked to 0.45 or below for contractor staff of the operating railway.

Reduce reportable accidents per 100,000 man-hours worked to 1.6 or below for construction safety in the Project Division.



MTR's Core Values and Stakeholders

MTR's Priority Business Risks

Priority Business Risk	Ownership	Action
Economic		
Maintaining business in deflationary economy	Operations Property Project	Reduction of direct costs
	Human Resources	Development of staff skills
Growth of shareholder value in developed market	MTR Executive	Diversification within Hong Kong into other businesses, acquisitions and mergers
	Operations	Provision of consultancy services internationally
	Property	Improved property and shopping center management
	Project	Alternative sources of project funding
Clarity of roles between Government, regulator and central provider.	MTR Executive	Review of Operating Agreement between MTR and Government, Maintenance of fare levels
Ensure continued impartiality of the Board	Board	Corporate Governance
Environmental		
Breaches of Statutory Environmental Requirements	Operations Project	ISO14001-certified environmental management system
	Property	Environmental Management Guidelines
Long-term energy supply without renewables	Operations	Ongoing program to enhance energy efficiency, Green House Gas Emissions Reporting, Watching brief on Scheme of Control
Management of Assets	Operations Legal & Procurement	Supply chain management initiatives
People		
Maintaining passenger numbers	Operations	Meeting Customer Service Pledge
Developing and retaining motivated and skilled staff	Human Resources	Code of Conduct, Core Values, Understanding staff concerns, Skills development, Re-training and redeployment, Rewards and benefits
Ensuring the health and safety of passengers, staff and contractors	MTR Executive	MTR annual corporate safety plans and improvement targets



As MTR's and Hong Kong's second corporate sustainability report, we would very much like to receive your views via the online feedback form or by sending an email to [sdmng@mtr.com.hk](mailto:sdmngr@mtr.com.hk).