

ENVIRONMENTAL

SOCIAL

ECONOMIC



LAYING TRACKS

'Sustainability is no longer a process objective but rather a source of competitive advantage for business.'

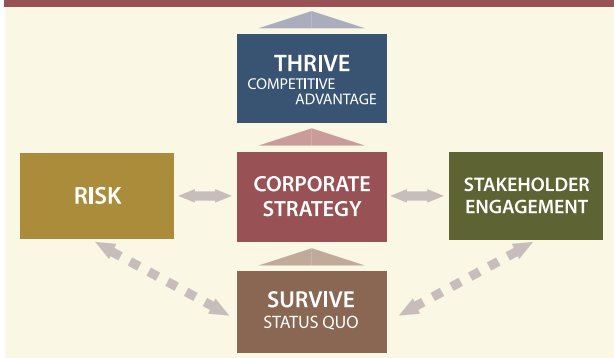
Strategic Steps Forward

During 2004 the MTR Corporation made substantial headway in its international business efforts, in particular the mainland PRC. Our work to integrate sustainable practices in operating in this and other developing markets required a review of the internal strategies and systems that drive and govern our best practices. A number of strategic steps were taken to ensure the continued development in sustainability while at the same time laying the groundwork to meet the risks and opportunities ahead. Most notably is the formal adoption of a corporate-wide sustainability framework.

Sustainability drives MTR Corporation's business culture through work practices that:

- Provide value for money to customers while delivering safe and environmentally sound rail and property services
- Develop and build environments that create quality living and working communities in Hong Kong
- Pursue a business model that promotes long-term economic and financial viability for MTR Corporation
- Provide employees a safe, healthy and caring work environment
- Sustain environmental, health and safety standards in relationships with suppliers, contractors and business partners
- Maintain on-going stakeholder communications and build relations that seek to achieve common objectives

ROAD MAP FOR SUSTAINABLE DEVELOPMENT



With this framework in place, the basis for formalising CSR and stakeholder engagement policies and their governance structures is established. Subsequent actions centre on the identification of our expanding universe of stakeholders, their vested interests and how to manage these interests as they impact on sustainable enterprise.

Enterprising Spirit

Moving the corporation forward to meet the challenges of industry and enterprise is also about engaging our people. Enterprising Spirit, a new core value complementing our Diamond Strategic Vision was introduced in 2004 to encourage a new working ethos – to be a thinking and learning organisation. This work ethic empowers employees to take initiative, overcome obstacles, find creative solutions and manage risk.



Sustainability in Practice

We acknowledge that effective sustainability in addition to dynamic stakeholder and staff engagement requires a cohesive risk management strategy. As this strategy gains momentum, managing the inherent risks to best practice requires changes in our management systems and corporate mindset.

PRIORITY BUSINESS RISK MANAGEMENT PROCESS

IDENTIFY

Identify economic, social and environmental risk (Risk Register

SOCIAL RESPONSIBILITY

ENVIRONMENTAL RESPONSIBILITY

ECONOMIC RESPONSIBILITY

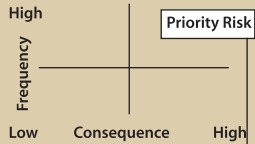
PRIORITISE

Determine the relative severity of economic, social and environmental risks in parallel

SOCIAL RESPONSIBILITY

ENVIRONMENTAL RESPONSIBILITY

ECONOMIC RESPONSIBILITY



MONITOR AND REPORT

Monitoring implementation and effectiveness of action, internal and external reporting.

- Review risk portfolio
- Risk management process fits for the purpose intended
- Choice of indicator to measure risk
- relevance and effectiveness of the risk mitigation measures chosen
- Allocation of resources to mitigate risks
- Achievement of targets

ACTION

Determine ownership, agree mitigation or opportunity and assign indicators for priority economic, social and environmental risks

SOCIAL RESPONSIBILITY

ENVIRONMENTAL RESPONSIBILITY

ECONOMIC RESPONSIBILITY

Efforts to this effect undertaken in 2004 included strengthening the underlying systems and controls that track the business to risk relationships as used in our priority business risk management process. This process now serves as a pivotal component of the enterprise-wide risk management strategy currently in the advanced stages of development. The new risk strategy will consequently integrate sustainability across all divisions of the organisation as well as provide the governance systems and measurement processes essential to best practice in risk assessment, prioritisation and management.

Benchmarking Performance

Sustainability practice creates dynamic interaction amongst systems and people, policy and process and opportunity and risk. In 2004 the GRI Guidelines and an independent assurance programme aided us in benchmarking our performance in these areas as they affect our social, environmental and economic best practice performance.

Social Responsibility

Central to our contract with staff, customers and our community of stakeholders is the commitment to best practice. Our efforts for the year focused on the review and assessment of those practices and targets prioritised under the corporate growth strategy.

The company introduced a revised Code of Conduct to reflect the international presence of our operations and extended its availability to our suppliers, partners and contractors. Health and safety procedures and employment practices align with international standards and continue to be monitored for best practice for our staff as well as the manpower employed by contractors on our projects. In 2004 a zero prosecution rating for any breach of contract or law in these areas was achieved.

The 13 Customer Service Pledges, reviewed annually, set the targets for our service standards as well as being a priority business risk process indicator. Actual performance against pledges improves each year with 2004 being notably high in exceeding most targets.

FOCUS

The Sustainability Advisory Board (SAB) introduces a ground breaking model in stakeholder engagement for projects in Hong Kong. Created as a stakeholder consensus building mechanism for the Tung Chung cable-car project, the SAB involves its committee members in the decision-making processes for the planning, development and operational management of the project. Its greatest contribution has been the ability to balance the social and environmental impacts against the burden of extra costs and delays to the project. The activities, programmes and progress of SAB can be tracked online at <http://web.hku.hk/~cablecar/>.

Environmental Responsibility

The Environmental Management System (EMS) operating under ISO 14001 international standards monitors and sets performance targets for environmental best practice across all company divisions. In 2004 we achieved over 95% of the 137 company-wide environmental and social targets set, once again improving our year-on-year performance.

KEY ENVIRONMENTAL DATA (2003-2004)

Issue	Division	2003	2004
Greenhouse Gas Emissions			
Greenhouse gas emissions (CO ₂ equivalent)	Corporate Wide	570,110	631,700
Electricity consumption	Operations	782,273 MWh	785,273 MWh
		6.11 kWh/car km	6.02 kWh/car km
Traction energy	Operations	2.29kWh/train km	2.4kWh/train km
Waste Generation			
Metals recycled	Operations	1,204 tons	1,231 tons
Spent oil recycled (% total)	Operations	100% 15,800 Litres	100% 18,654 Litres
Water Usage			
Water consumption	Operations	253,579 m ³	324,751 m ³

Under our best practice culture, we are in strict compliance with all Hong Kong environmental legislation. Similarly in mainland PRC and in other international locations, we adhere to local environmental regulatory compliance and procedures. In 2004, no prosecutions were incurred for projects under our control either in Hong Kong or in the external jurisdictions we are operating.

MTRC GREENHOUSE GAS EMISSIONS INVENTORY (2003-2004)

Activity	CO ₂ Equivalent (Tonnes)	
	2003	2004
Electricity - train operatio	436,508	438,182
Electricity - HQ	6,791	6,381
Electricity - managed properties	114,979	157,846
Fuel	1,324	1,860
Waste disposed to landfill – operation and project	9,623	26,421
Staff flights	885	1,010
Total	570,110	631,700

The EMS serves as the starting point in how we transfer broader sustainability practices when approaching new markets. By leveraging our expertise in systems, procedure and accountability in managing environmental impacts, we have developed a roadmap to evolving broader social, economic and environmental best practice in projects and with project partners.

Economic Responsibility

The MTR Corporation operates as a rail + property business model, which provides the means for sustained profitability while investing in and building future rail lines. In our international operations, we engage greater flexibility to approach new opportunities within a “best solution for purpose” framework. We have also have expanded our scope of services to include rail system consulting, product sourcing and where opportune, financial investment in mainland PRC rail systems.

ECONOMIC CONTRIBUTION (2003-2004)		
	2003	2004
Turnover (HK\$ million)	7,594	8,351
Profit for the year attributable to shareholders (HK\$ million)	4,450	4,496
Shareholders (HK\$ million) Return on shareholder's fund	8.0%	7.4%
Number of staff	6,629	6,555
Staff costs and related expenses (HK\$ million)	1,643	1,542
Energy and utilities (HK\$ million)	546	544
Repairs and maintenance (HK\$ million)	477	517
Stores and spares consumed (HK\$ million)	128	128
Railway capital expenditure (HK\$ million)	2,582	859
Total number of passengers (MTR and AEL)	777 million	842 million
Share of franchised public transport in HK	24.3%	24.8%
Interest payments on borrowings (HK\$ million)	1,551	1,457
Dividend payment (HK\$ million)	2,215	2,259
Taxes paid (HK\$ million) overseas	4	4
Subsidies received (HK\$ million)	675	37

With each new opportunity, we transfer efficient technologies, embed best practice for project and environmental management and, with the design and delivery of our services and systems rooted in sustainability, we transform the communities in which we operate and the businesses that build them.

Partner of Choice

We aspire to be a global leader and partner of choice in rail development and the management of mass transit systems and their related built environments. Our pioneering efforts have introduced leading edge technologies to the industry, profitable business models and management efficiencies that benefit our business partners, our service providers, our customers and, the communities in which we operate.

We are pleased to be amongst the global leaders in sustainability with inclusion to the MSCI and FSTE All-World Hong Kong Indices in addition to the DJSI, FSTE4Good and Ethibel Stock Indices. The 2004 year is the fourth successive year in applying GRI Guidelines and the first year for WEF Corporate Citizenship Initiative inclusion in the preparation of our sustainability reporting.

Full discussion of our activities for the year is available in our 2004 Sustainability Report. An electronic version can be viewed and downloaded at <http://www.mtr.com.hk>. To receive a printed copy and for further enquires on the MTR Corporation's sustainability practices and programme, contact [sdmnggr@mtr.com.hk](mailto:sdmngr@mtr.com.hk).

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