

Sustainability

As a leader among Asian corporations and rail companies worldwide in implementing sustainable development, the Company continues to enhance the business case for sustainability and reinforce our reputation for best practice. Our objective remains to create value for stakeholders through sustainable competitive advantage. We aim to achieve this by means of a dynamic interaction between focused strategy, cost leadership and value-added services. In 2007, we continued to apply these principles to drive our business and the merger.

Sustainability as Business Vision

The framework in which we guided the Company's business focused on our Diamond Vision for embedding sustainability and corporate social responsibility (CSR) programmes into all of our operations: people, process, strategy and community. This allowed us to continue stewarding the community asset, creating value for our stakeholders, and delivering safe and reliable transport to Hong Kong and beyond while transforming communities along the rail network into modern, thriving urban centres and economic hubs. The rail-to-people, people-to-rail philosophy behind this strategy demonstrates our integrated approach to how we plan, design and deliver our services.

Sustainability Report 2006/07

The seventh Sustainability Report, published by the Company in 2006, presented a progress chart of our sustainability journey from 2001 to 2006. For continuous improvement in 2007 and beyond, building capability and creating value have been the focus of our sustainability and CSR activities. Building capability was addressed through the development and implementation of common directions, recognising and rewarding sustainable actions, and encouraging continuous learning. Specific initiatives and achievements during the year can be found in our Sustainability Report 2007 and our sustainability website www.mtr.com.hk/sustainability.

The Company was recognised as a Sustainability Leader within the global "travel and tourism" industry sector, with its winning of the Silver Class Award from SAM (Sustainable Asset Management) for our ability to manage related risks and seize associated opportunities. Our Sustainability Report 2006 was also accredited the "Runner Up - Best Sustainability Report" by the Association of Chartered Certified Accountants (ACCA) Hong Kong. This award is the fifth consecutive year our reporting has won awards from the ACCA.

Global Benchmarks

As a prominent listed company, it is important for us to proactively maintain membership of international benchmarks that promote and measure sustainability such as the DJSI, FTSE4Good and Ethibel indices. We also participate each year in major best practice reporting exercises under the Global Reporting Initiative (GRI), CoMET (Community of Metros), and The World Economic Forum.

Climate Change

The Company is in full support of the Government's clean-air initiatives and is committed to making a leading contribution to the Action Blue Sky Campaign launched by the Chief Executive of the Hong Kong SAR. As one of the largest electricity users in the Pearl River Delta, the Company accepts the need for leading a response to climate change. In 2006 we signed and in 2007 we implemented the Clean Air Charter sponsored by the Hong Kong General Chamber of Commerce, the Greater Pearl River Delta Business Council, the China Council for the Promotion of International Trade - Guangdong Sub-Council and Guangdong Association of Environmental Protection. The charter requires the Company to undertake a number of energy conservation measures including adopting energy-efficient measures in its operations and the monitoring of air pollutant emissions. The Company has also become a Gold Star Business Member of the Hong Kong Climate Change Business Forum.

In 2006, the Company adopted the MTR Corporation Climate Change Policy, which is modelled on the policy developed by the International Association of Public Transport (UITP), whose Sustainable Development Commission we currently chair.

The Company has undertaken a thorough assessment of the enterprise risk associated with exposure to climate change issues and concluded these are significant enough to require ongoing monitoring. We are in the process of reviewing how climate change can be taken into account in our design, construction, and asset management to prepare more definitively an

adaptation-based scenario for future years. Our aim is to become one of the most resource efficient and ecologically responsible public transport companies in the world.

Underpinning our sustainability achievements are a large number of CSR activities. In 2007 the Company delivered a wide spectrum of initiatives within the areas of Community Investment, Employment and Social Affairs, and Sustainability and Environmental Issues. A brief summary is presented below with a more detailed discussion in our Sustainability Report 2007.

Community Investment

- More Time Reaching Community: 86 community projects with participation of 1,800 volunteers and 12,000 recipients
- Race Walking completed, Step to Health campaign ongoing
- Live performance every Friday, Roving art every other month
- Railway Extension: 18 events, UITP participation and dissemination
- Art included into Area 86 property development

Employment and Social Affairs

- 17 talks on work-life balance and 8 talks on value creation
- 8 articles on environmental issues published in MTR's internal magazine
- Workstation ergonomics, staff stretching video and activities and gala night held
- Internal staff training of 51.5 hrs/staff
- Slogan campaign "Sustainability – My Responsibility" launched

Sustainability and Environmental Issues

- 14,258 MWh electricity saved for MTR System
- 4 screenings of "An Inconvenient Truth"
- Water consumption 3% under budget even with new cooling tower at Admiralty Station
- All waste metals and oil recycled
- Mandatory use of HK-BEAM standards

Recognition

- 34 Awards: Caring Company, Service, Waste Separation, Investor Relations and SAM and ACCA awards
- Listings on FTSE4Good and DJSI maintained