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MTR Green Bond Framework

Dated 14 October 2016

1. Introduction

MTR Corporation Limited (“MTR”) is one of the world's leading railway operators carrying an average weekday patronage of over 5.5 million passengers in Hong Kong and together with its subsidiary and associate companies over 5 million passengers overseas.

Established in 1975, MTR was formerly a Hong Kong government-owned entity constructing and operating an urban metro system to help meet Hong Kong's public transport requirements. MTR now has a diversified business profile focusing on railway construction and operations, station commercial, residential and commercial property development, property investment and management, and international consultancy services. MTR's notable railway investment and operations include the Hong Kong railway network, the Hong Kong Airport Express and several railway lines in Beijing, Shenzhen, London, Melbourne and Stockholm. MTR's shares have been listed on the Stock Exchange of Hong Kong since 2000.

MTR's vision is to be a leading multinational company that connects and grows communities, with a focus on both the social and environmental benefits of rail networks to power the sustainable development of communities and society. Since 2001, MTR has annually published its Sustainability Report outlining these efforts, which has been acknowledged through inclusion in a number of respected sustainability indices (for example, Dow Jones Sustainability Indices, FTSE4Good, Hang Seng Corporate Sustainability Index, STOXX ESG Leaders Indices) for its continued commitment and performance on sustainability matters.

According to the United Nations, increasing urbanisation will lead to 66% of the world's population living in urban areas by 2050, which will require creation of appropriate urban infrastructure such as public transport¹. With electrically-powered mass railway generally acknowledged as one of the most environmentally sustainable ways to transport the world's growing and urbanising populations, MTR, with its excellent track record, is well-placed to contribute and respond to these increasing requirements. In support of this view, the International Association of Public Transport (UITP) and management consultant Arthur D Little concluded that Hong Kong has “the most advanced urban system in the world” and ranks first in terms of low-carbon transport². Therefore, fostering the sustainable development and energy

¹ World Urbanization Prospects, UN DESA, 2014

² Future of Urban Mobility 2.0, UITP and Arthur D Little, 2014



efficiency of public transport infrastructure is fundamental to a low carbon economy in an increasingly urbanised world. MTR not only recognises this international common understanding and Hong Kong Government's focus on environmental protection, but is also working with business partners and other stakeholders to ensure the continued delivery of efficient mass transit railway services in the most environmentally sustainable way possible and to the benefit of the communities it operates in.

In early 2016, MTR announced the launch of Rail Gen 2.0, which encompasses both significant on-going enhancements of major systems and assets (for example, station modification works, signaling system replacement, deployment of new trains and new light rail vehicles, air cooler chillers replacement) in the existing rail network and completion of the four remaining new railway lines and extensions - Kwun Tong Line Extension, South Island Line (East), Express Rail Link and Shatin to Central Link- to be delivered over the next few years in Hong Kong. When completed, Rail Gen 2.0 will offer passengers increased services, provide enhanced environmental benefits to the community and create an extended "next generation" rail network.

This MTR Green Bond Framework sets out how MTR proposes to raise Green Bonds (MTR Green Bonds) and to use the proceeds of such bonds to invest in projects and facilities that are consistent with MTR's strategy to make investments that will result in achieving enhanced service levels and environmental performance goals over the longer term (Eligible Investments).

2. MTR Green Bonds Issuance

MTR Corporation and its subsidiaries (MTR Group Entities) may consider issuing MTR Green Bonds under this framework.

The MTR Board or Executive Committee will review and approve the issuance of all MTR Green Bonds based on the recommendations of the Treasury Department and the Corporate Responsibility Department.

All MTR Green Bonds will comply with the Use of Proceeds and Governance provisions set out in this MTR Green Bond Framework.

3. Use of Proceeds

The proceeds of MTR Green Bonds will be used to fund or refinance, in whole or in part, Eligible Investments (as defined below) in one or more of the categories set out below which enable MTR to increase energy

efficiency in its operations, use natural resources sustainably and adapt to climate change. Investments may be made in or outside of Hong Kong.

Pending allocation of the net proceeds from the Green Bonds to the Eligible Investments, the net proceeds may be used to repay borrowings under MTR's general credit facilities.

Eligible Investments

3.1 *Low Carbon Transportation*: Development, construction and operation of low carbon transportation solutions, including investment in:

- projects to build or operate electric, hybrid, public, urban metro, heavy or light rail, non-motorized, multi-modal transportation such as construction of new lines, network expansion, last mile solutions and expansions and upgrades that result in improved service levels
- the creation or construction of infrastructure that supports low carbon transportation such as signaling equipment, network interfaces including passenger access, ancillary passenger services, facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure

3.2. *Energy Efficiency*: Design, manufacture and installation of systems, products and technology that reduce energy consumption or improve efficiency or mitigate greenhouse gas emissions in railway construction and operations, as well as property management, including investments:

- that enable energy performance monitoring and modelling such as design and installation of computer controls, sensors, or information systems
- that optimise the amount and timing of energy consumption and minimise peak loads such as design and installation of metering, peak load shedding, regenerative braking systems, or trackside energy storage system
- the deployment of new and energy-efficient trains, light rail vehicles and buses
- that involve installation, maintenance or replacement of energy efficient heating, ventilation, air-conditioning, cooling, lighting and electrical equipment such as light emitting diodes (LEDs), sensor

systems, platform screen doors, variable frequency drives (VFDs), air or water cooled chillers

- 3.3. *Sustainable Transit Stations and Real Estate Properties:* Relevant existing or new buildings that has received, or expects to receive based on its design, construction and operational plans, certification according to third party verified green building standards such as BEAM or equivalent certification scheme such as LEED, BREEAM and ISCA that may be relevant to specific jurisdictions and/or a standard equivalent, at minimum, that demonstrates energy and water efficiency in certified buildings
- 3.4. *Adaptation to Climate Change:* Projects for the design, construction, maintenance and upgrades of infrastructure for adapting to extreme weather events including but not limited to flood prevention, flood defense or storm-water management such as wetlands, retention berms, reservoirs, lagoons, sluice gates, drainage systems, tunnels and channels, protection from heat-stress, among others
- 3.5. *Biodiversity and Conservation:* Reforestation and ecological restoration of forests and wetlands and soil remediation
- 3.6. *Water Management:* Rainwater collection, installation/upgrade of technologies to increase water efficiency, alternatively sourced water treatment facilities
- 3.7. *Waste Management:* Waste management support infrastructure within MTR premises such as recycling collection areas, technologies that enable the separation, handling and processing of waste to recycled materials
- 3.8. *Pollution Prevention - Improvement of Air Quality and Noise Reduction:* Technologies related to enhancing air quality such as but not limited to increased air circulation, air filtration, noise reduction technologies such as noise barriers, modification of turnouts, rail dampers and insulation booths.

4. Green Bond Governance

4.1 Project Evaluation and Selection

Each investment case will be evaluated to assess that the investment is financially viable and falls into one or more of the categories of Eligible Investment and the investment can

reasonably be expected to deliver environmental benefits over the useful life of the investment.

The Treasury Department and the Corporate Responsibility Department will review and approve (as appropriate) each proposed use of proceeds based on this evaluation.

4.2 Management and “Earmarking” of the Proceeds of Issuance

The proceeds of each MTR Green Bond will be credited to the general Funding Account of the issuing entity of the MTR Green Bond, and, pending earmarking to Eligible Investments, such proceeds may be invested in accordance with MTR’s Investment Guidelines including cash and money market instruments or used to repay existing borrowings under its general credit facilities in whole or part. MTR will maintain a Green Bond Register to keep track of the use of proceeds for each MTR Green Bond issuance.

The Register will contain, for each MTR Green Bond issued, information including:

1. **MTR Green Bond details:** ISIN, the principal amount outstanding, pricing date, maturity date, etc.;
2. **Use of Proceeds:** information including:
 - Eligible investment category
 - Summary detail of investment made
 - Amount of investment made
 - Other necessary information so that the aggregate of issuance proceeds allocated to eligible loans is recorded at all times
 - Issuer estimate of the beneficial impact of the investment

4.3 Reporting on Use of Proceeds

While any amount is outstanding under any MTR Green Bond, MTR will prepare a Green Bond Report on an annual basis which will be contained in the MTR Sustainability Report each year. The MTR Sustainability Report will be available online at www.mtr.com.hk.

The Green Bond Report will disclose for each period:



- A list of MTR Green Bonds outstanding, including issuing entity, ISIN and outstanding amounts at the beginning and end of the annual period
- MTR Green Bonds issued and repaid / redeemed during the period
- For each MTR Green Bond in issuance during the period:
 - the amount of proceeds invested into each category of Eligible Investments
 - description of the investments made including the issuer's estimate of the beneficial impact of the investment
 - the remaining balance of unallocated proceeds at the end of the reporting period.

The Green Bond Report will be reviewed by the MTR Executive Committee.

MTR will engage an independent third party to review the investment amounts in the Green Bond Report.