



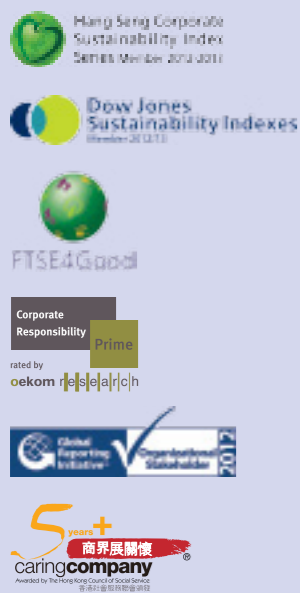
# Sustainability Report 2012

[www.mtr.com.hk/sustainability](http://www.mtr.com.hk/sustainability)

caring for life's journeys



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*We practise sustainability development under the guiding principle of meeting the needs of the present, while not compromising the ability of future generations to meet theirs. This long-term commitment brings into focus the sustainability business case in which, as a business and public company, we balance expectations of stakeholders with the need to optimise organisational development. As a result, we minimise risks to the business while securing the long-term engagement of our stakeholders. This actively commits us to co-generating sustainable development of the societies in which we operate.*

**Vision Mission Values (VMV)**

**VISION**

**We aim to be a leading multinational company that connects and grows communities with caring service**

**MISSION**

- We will :*
- Strengthen our Hong Kong corporate citizen reputation
  - Grow and enhance our Hong Kong core businesses
  - Accelerate our success in mainland China and internationally
  - Inspire, engage and develop our staff

**VALUES**

- Excellent Service**  
*We anticipate, listen and respond to customer needs and provide a safe, effective and caring service*
- Mutual Respect**  
*We work internally and externally in a collaborative environment based on trust, joint commitment and respect*
- Value Creation**  
*We create profit and community goodwill through growth, effective execution, continuous improvement and innovation*
- Enterprising Spirit**  
*We question the status quo, proactively seek improvement and take ownership to overcome obstacles*



**About this Report**



The change in corporate strategy introduced in 2012 is aimed at a deeper understanding of our organisational purpose and clarity of focus to enhance our management directive for the next decade. The strategy reflects our sustainability business case – how we meet the needs of the present, while not compromising the ability of future generations to meet theirs.

This year's report covers progress in our sustainability journey for the year aligning with fiscal 2012 and, most importantly, how new directions are reshaping our management approach and programme to implement further organisational development. We draw attention to how we are enacting the sustainability business case and to our awareness and control of the impact we create.

A refreshed look at our sustainable competitive advantage (SCA) model under the new corporate strategy illustrates focus, leadership and value in dynamic interaction. Leadership and value are both drivers and outcomes of the interaction processes. The realigned Vision Mission Values (VMV) filters the interaction with an emphasis on services improvement, corporate citizenship reputation and further development in core markets.

Discussions encompass six guiding areas of action that strongly influence sustainability development under the new strategy. These six areas treat our eight sustainability priorities within the context of risk and, importantly, opportunity. The eight priorities are listed on page 15 of this report.

Highlights in this report cover new areas of inclusion in our reporting boundaries, as well as further insights into the broader sustainability journey itself. These are:

- Inclusion of our Stockholm, Melbourne and Shenzhen subsidiaries, where we have operational control, in management discussions and in performance metrics where there is a confidence level in data and systems and in integrity of information. Taking account of these majority or wholly owned subsidiaries extends reporting on our sphere of influence outside Hong Kong for the first time.
- The strengthened role of governance in managing risk and risk treatment across the organisation.
- A seven-year roadmap that reviews our sustainability journey in the context of the SCA model's framework, with commentary on alignment with the new corporate strategy.
- A broad discussion of our carbon management efforts outside our Hong Kong rail operations. This presents a more inclusive perspective on the issue as we expand our operating footprint in the rail and property businesses.

**SCOPE OF REPORTING**

We have presented this year's reporting in two interlinking documents. The printed report is a management statement and perspective on organisational sustainability development and its continued stewardship in the context of our new corporate strategy. The supporting systems, processes and actions that bring this stewardship to life are discussed on our sustainability microsite, [www.mtr.com.hk/sustainability](http://www.mtr.com.hk/sustainability). The online discussions take into consideration expectations of our diverse groups of readers, in particular communities, our employees and our customers. For industry analysts and professionals, we facilitate performance research with extensive use of charts, tables and graphs of selected information and data.

The materiality process, which determines and ranks relevance of organisational and stakeholder issues through the SCA model, is discussed in detail on our sustainability microsite.

Under the Global Reporting Initiative (GRI) framework, we apply the self-assessed B+ level. The GRI G3.1 Content Index for 2012 is located on the sustainability microsite to facilitate access to more extensive and relevant documents from within the company. We also include key performance indicators (KPIs) of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide and the International Association of Public Transport (UITP) Charter on Sustainable Development in the same chart.

PricewaterhouseCoopers (PwC) has been commissioned to provide an independent assurance report on selected quantitative data that confirms progress of KPIs. Their report is on page 42 of this report.

We value your feedback and comments about our sustainability report and overall sustainability journey. Questions or comments can be addressed directly to our Sustainability Development Manager, [sdmng@mtr.com.hk](mailto:sdmng@mtr.com.hk), or through our sustainability microsite.

## From the CEO



*'Our task is to develop and operate a world-class transport infrastructure that will support Hong Kong's growth and continued global competitiveness.'*

**Jay H Walder**  
Chief Executive Officer  
MTR Corporation  
22 May 2013

It has been an exciting year of growth and change at the MTR. The new corporate strategy is taking root, bringing clarity of focus to our daily business decisions and, importantly, a renewed drive to realising our vision of building and connecting communities with caring service.

We are at an important juncture in achieving this vision. In Hong Kong, for example, where ridership is up 20% since the rail merger in 2008, our network is expanding with five new lines scheduled for service by 2020. In the process, we are designing in social and environmental best practices that will contribute to our city's sustainable future. True to the vision and planning needed, we are now looking at opportunities beyond this next decade, with further rail lines and related property developments proposed under the government's transport development strategy. Our task is to develop and operate a world-class transport infrastructure that will support Hong Kong's growth and continued global competitiveness.

As the infrastructure we plan and build transforms urban landscapes, our services enable communities to thrive. Our transport hubs revive old neighbourhoods and create new ones. Our network connects people to work and home. We do not stand still on this agenda. We continuously improve and reshape our services to be more efficient and responsive to expectations. The Listening-Responding programme in Hong Kong takes significant steps towards doing just that. In 2012, we added some 1,200 train trips per week, boosting the system's overall carrying capacity in peak and non-peak hours. At the same time, we have improved train service performance, reducing delays by some 23%. We are enhancing station environments and deploying more staff to stations. This includes the installation of barrier-free access facilities and station amenities for the comfort and convenience of our passengers.

Our property developments reflect this same single-minded focus on the creation of thriving communities. New developments meet stringent international standards to achieve low-carbon efficiency and environmental best practices. Our master planning incorporates social services and community facilities that bring a sense of cohesiveness. In short, we plan for liveability.

We also realise that without the collaboration of stakeholders and society, we cannot be the best of who we are and what we do. Sharing best practices in our international and China rail business has, for example, improved service reliability and asset performance across the board. In mainland China, in 2012, all four of our operating franchises registered reliability rates above 99%. In the United Kingdom, we are proud of London Overground's contribution to the successful hosting of the 2012 Olympic Games.

Building a shared future is not without its challenges. As we grow, judicious resources management dictates better efficiencies – in people, assets and environmental resources. International expansion requires us to think global and act local. Our service strategy increasingly depends on co-generated value. The six areas of action discussed in this report address how we are meeting these and the many other challenges to our organisational development.

At the centre of all this is team MTR. We are now some 22,000 strong across the globe and growing. Without the dedication, skills and talent of every member of the team, we would not be where we are today. We are committed to creating a great place to work and to providing future opportunities and career paths.

I am personally confident of our future. We are poised to make enormous strides in all our businesses and, at the same time, to benefit the many societies we serve. In the following pages, I am pleased to share with you our progress over this last year and the management approach and plans that will take us forward into the next decade.



## Keeping Hong Kong Competitive

The Hong Kong SAR is a modern city-state economy that holds a unique position amongst the markets of Asia. Limited by territorial boundaries and land available for development, Hong Kong is a services-based economy that has judiciously developed a modern and efficient infrastructure, well-established social institutions, an open economy, R&D capabilities and transparent governance and legal systems. Acknowledged competitive advantage lies in the city's ability to service global financial and commercial activities underpinned by the rule of law, a convertible currency, open capital account and free flow of information. Since 1997, with sovereignty returned to China, it has strengthened its status as a gateway and interface between China and global economies.

Limitations in land and population growth present challenges to continued productivity. Land development and its use are at a premium. Low birth rates and a greying population, typical of maturing societies, hinder organic social growth. Growth is selective with a measured immigration policy that weighs contribution and social impact.

Transport operators do their part to maintain Hong Kong's competitive advantage. Some 90% of commuters use public transport daily. MTR plays a decisive role in this, with a 46.4% market share of public transport usage. To promote future efficiencies, we collaborate with city planners to develop demand-side planning and management of Hong Kong's overall transport infrastructure.

Each day we move the local economy. We connect workers to offices, deliver students to schools and provide visitors with convenient access to our city's sights and services. We offer equal access to mobility through reasonable fare pricing and reduce the impact of distance, thus allowing businesses the economic edge.

Our transit-oriented development affords optimal agglomeration of land use. We maximise vertical integration of land through underground rail hubs that connect to city commercial and residential clusters. Land spaces between hubs provide social and environmental opportunities. Through community consensus, we revitalise or establish new economic and social centres as we grow our network. Development of properties under our control incorporates quality of life and environmental best practices. With proximity to our stations, properties are in high demand, significantly due to their value retention.

Staying competitive is the ability to continuously provide the opportunities for society's wealth creation. We are laying the groundwork by opening up new and underdeveloped areas in Hong Kong and by providing direct access to the Pearl River Delta. Our expansion is creating employment and improving local industry skills.

We take leadership in setting Hong Kong's low carbon future, not just by being an efficient utility, but also by building and operating a rail system that is designed to minimise carbon emissions over its lifetime. New property developments follow suit, using stringent guidelines that put liveability into the business equation.

Our own competitive advantage lies in how we influence Hong Kong's productivity. Measured with other factors, such as human capital and social institutions, quality of life and environmental excellence, we move beyond the label of just 'infrastructure' to being a community builder.

Some **90%** of Hong Kong's commuters use public transport daily. MTR plays a decisive role with a

**46.4%**

market share of public transport usage

The Hong Kong SAR currently ranks

**9<sup>th</sup>**

amongst the **144** countries covered in the World Economic Forum's Global Competitiveness Report 2012–2013

*'Measured with other factors, such as human capital and social institutions, quality of life and environmental excellence, we move beyond the label of just "infrastructure" to being a community builder.'*

# Hong Kong Operating Network with Future Extensions

## Legend

- Station
- Interchange Station
- Proposed Station
- ⋯ Proposed Interchange Station
- 🚡 Cable Car Ngong Ping 360
- Shenzhen Metro Network
- \* Racing days only

## Existing Network

- Airport Express
- Disneyland Resort Line
- East Rail Line
- Island Line
- Kwun Tong Line
- Light Rail
- Ma On Shan Line
- Tseung Kwan O Line
- Tsuen Wan Line
- Tung Chung Line
- West Rail Line

## Projects in Progress

- Guangzhou-Shenzhen-Hong Kong Express Rail Link
- Kwun Tong Line Extension
- Shatin to Central Link
- South Island Line (East)
- West Island Line

## Potential Future Extensions

- ⋯ North Island Line
- ⋯ Northern Link
- ⋯ South Island Line (West)

## Properties Owned / Developed / Managed by the Corporation

- 01 Telford Gardens / Telford Plaza I and II
- 02 World-wide House
- 03 Admiralty Centre
- 04 Argyle Centre
- 05 Luk Yeung Sun Chuen / Luk Yeung Galleria
- 06 New Kwai Fong Gardens
- 07 Sun Kwai Hing Gardens
- 08 Fairmont House
- 09 Kornhill / Kornhill Gardens
- 10 Fortress Metro Towers
- 11 Hongway Garden / Infinitus Plaza
- 12 Perfect Mount Gardens
- 13 New Jade Garden
- 14 Southorn 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

## Property Developments Under Construction / Planning

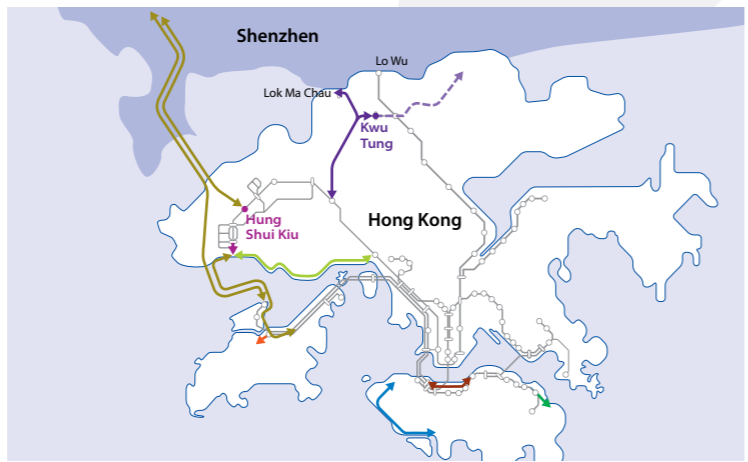
- 34 LOHAS Park Package 3-10
- 39 Tai Wai Station
- 40 Tin Shui Wai Light Rail
- 41 Austin Station Site C
- 42 Austin Station Site D
- 52 Wong Chuk Hang Station
- 53 Ho Man Tin Station

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

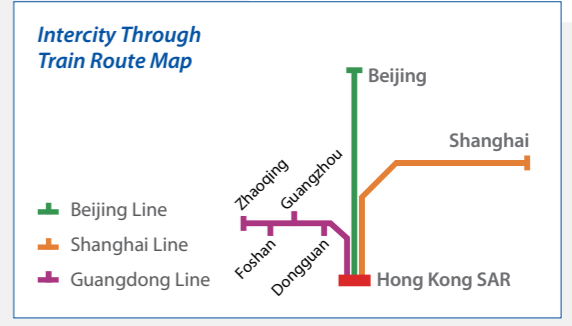
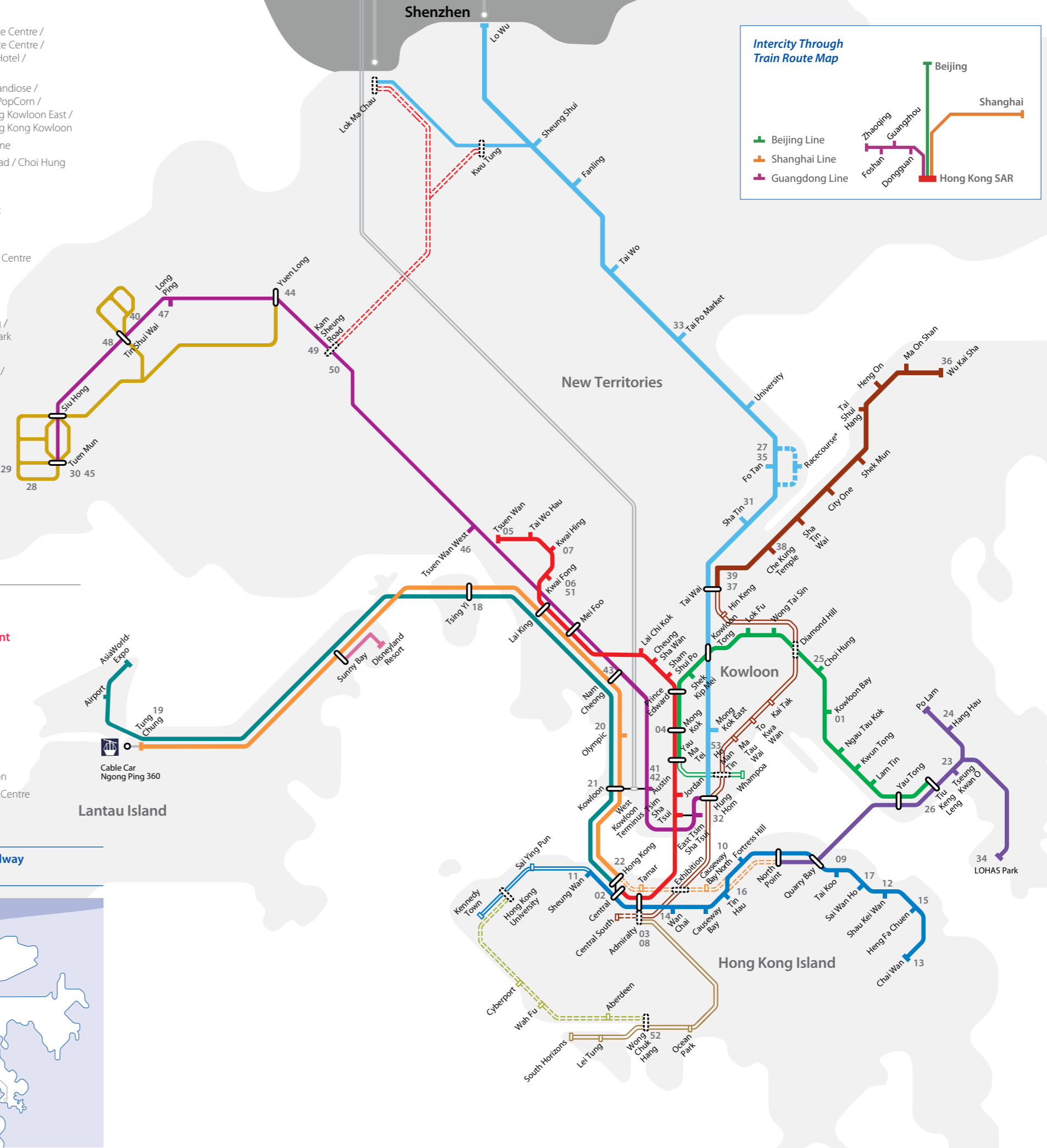
- 43 Nam Cheong Station
- 44 Yuen Long Station
- 45 Tuen Mun Station
- 46 Tsuen Wan West Station
- 47 Long Ping Station
- 48 Tin Shui Wai Station
- 49 Kam Sheung Road Station
- 50 Pat Heung Maintenance Centre
- 51 Kwai Fong Site

## Schemes Proposed in the Stage 1 and 2 Public Engagement of the Review and Update of the Railway Development Strategy 2000\*

- Existing Network
- Northern Link
- Tuen Mun to Tsuen Wan Link
- Hong Kong - Shenzhen Western Express Line
- Tuen Mun South Extension
- Tung Chung West Extension
- South Island Line (West)
- North Island Line
- Siu Sai Wan Line



\* Stage 1 and 2 Public Engagement Consultation Document of the Review and Update of the Railway Development Strategy 2000 (RDS-2U), undertaken by the Hong Kong SAR Government

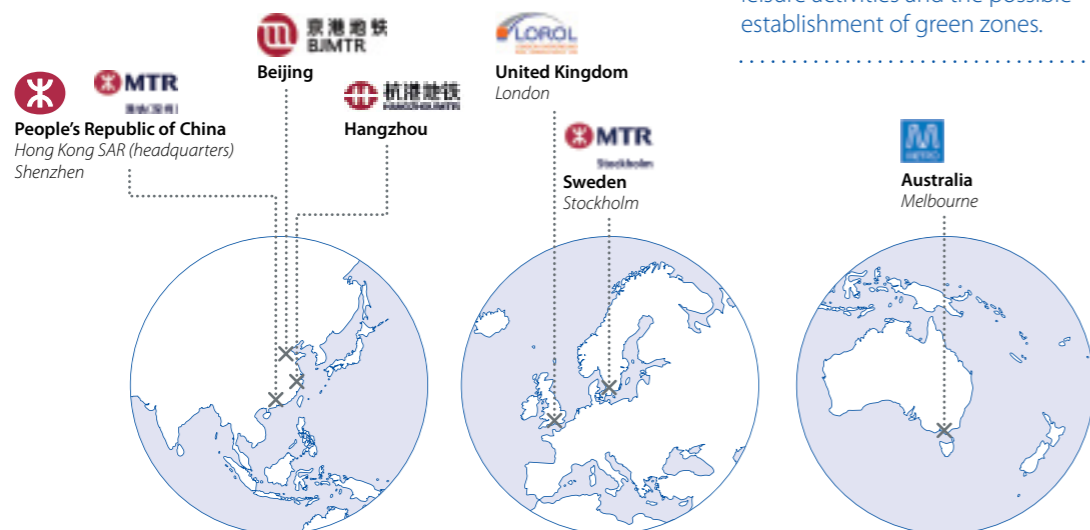


## About the Company

The MTR Corporation is a publicly listed company headquartered in the Hong Kong SAR.

We are the sole operator of Hong Kong's public mass transit rail system. We conduct station commercial businesses and own and operate a property portfolio of shopping malls and commercial spaces. We develop and manage residential and commercial properties in Hong Kong. Under franchise agreements, we operate rail systems in mainland China, Europe and Australia.

We also undertake property development, investment and management services in mainland China related to our rail businesses. We engage in rail consultancies in several locations, including the Middle East, Southeast Asia and South America.



The MTR Corporation is an internationally recognised model in self-sustaining rail transport that leads 21st-century urban and transport planning and development. Transit-oriented development, which is characterised by linked rail and property development, provides the ability to construct and maintain quality railway services while offering competitive fare pricing and long-term recurrent income streams.

Mutual benefit to development is achieved through active consensus with local communities and stakeholders on rail purpose and aspirations. Through collaboration, we establish a social contract for our services and contribute to the broader social and economic development of the societies in which we operate.

### Transit-Oriented Development

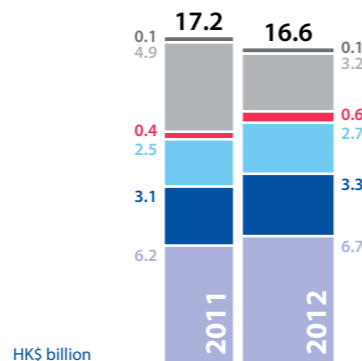
The MTR Corporation's transit-oriented development (TOD) follows the internationally recognised 'string of pearls' urban development model, which designates widely spaced transport hubs connected through a fast rail network. This focuses high-density living and commercial spaces around network stations and allocates open spaces between hubs that can be used to sustainable development advantage.

This design concept encourages social and economic development and the revitalisation or establishment of new centres of activity. Through the synergies created between the rail and communities, continuous patronage is established, while open areas encourage social and leisure activities and the possible establishment of green zones.

### Global Operating Profit Contribution\*

- Other businesses
- Property development
- Mainland China and international subsidiaries
- Hong Kong property rental and management businesses
- Hong Kong station commercial business
- Hong Kong transport operations

\* Excluding project study and business development expenses



## Hong Kong Rail

### Hong Kong Passenger Services

A territory-wide rail network connects passengers to their destinations in a seamless travel experience that links regional centres through a series of local community hubs. The network is one of the most intensively used mass transit systems in the world and is known for its reliability, safety and operational efficiency.

Total route length  
**218.2 km**

**84**  
Heavy rail stations

Cross-boundary rail passenger service

NP 360 cable car

**68**  
Light rail stops

**17**  
Feeder bus routes

### Station Commercial and Rail-Related Businesses

The rail network's stations provide convenient customer services, including retail shopping, infotainment and social amenities.

**1,331**  
Kiosks and mini-banks in stations

**21,081**  
Advertising points in stations

**4G**  
Data access throughout the journey

**23,570**  
Advertising points in trains

**49**  
e-instant bonus machines in stations

### Rail Project Construction

Five new rail projects constructed over the next seven years will add approximately 56 km of track to the Hong Kong mass transit network. These new lines promote community growth and provide connectivity to the regional centres of Hong Kong and the Pearl River Delta.

- Express Rail Link (Guangzhou-Shenzhen-Hong Kong Express Rail Link) (service concession)
- West Island Line (owned by MTR)
- Kwun Tong Line Extension (owned by MTR)
- South Island Line (East) (owned by MTR)
- Shatin to Central Link (service concession)

## Hong Kong Property

### Investment

Transit-oriented development provides the opportunity for long-term revenue streams accrued through property assets. Securing retail and commercial space above stations provides the additional synergy between network and community.

Lettable floor area of properties attributable to MTR

**212,612 m<sup>2</sup>**

Retail

**40,969 m<sup>2</sup>**

Offices

**13,642 m<sup>2</sup>**

Other properties

### Management

The management of residential and commercial properties positions the company as an industry leader in Hong Kong. We leverage our expertise with contracts in major cities of mainland China.

**764,725 m<sup>2</sup>**

Managed commercial and office

**86,266**

Residential units

### Development

As grantee or agent, we engage professional property companies to co-develop properties in Hong Kong, secured under the rail plus property model. We closely consider societal and environmental aspirations when engaging industry expertise and seek innovation in living spaces and public amenities.

**>1 million m<sup>2</sup>**

Gross floor area awarded to developers and pending completion

## Mainland China Property

### Investment

**18,398 m<sup>2</sup>**

### Management

**233,000 m<sup>2</sup>**

### Development

**206,167 m<sup>2</sup>**

## Mainland China and International Railway Business

	IN OPERATION							PENDING FINALISATION OF AGREEMENT
	Mainland China				International			
	Beijing Metro Line 4 (BJL4)	Daxing Line of BJL4	Shenzhen Metro Longhua Line	Hangzhou Metro Line 1	London Overground, United Kingdom	Stockholm Metro, Sweden	Melbourne Metro, Australia	
MTR Corporation shareholding	49%	49%	100%	49%	50%	100%	60%	49%
Business model	Public-Private-Partnership (PPP)	Operation and Maintenance (O&M) Concession	Build-Operate-Transfer (BOT) <sup>(1)</sup>	PPP	O&M Concession	O&M Concession <sup>(2)</sup>	O&M Concession	PPP
Commencement of franchise/expected date of commencement of operation	Sept 2009	Dec 2010	Phase 1: Jul 2010 Phase 2: Jun 2011	Nov 2012	Nov 2007	Nov 2009	Nov 2009	Phase 1: May 2013 Phase 2: 2014 Phase 3: 2016
Franchise/concession period	30 years	10 years	30 years	25 years	9 years	8 years	8 years	30 years
Number of stations	24	11	Phase 1: 5 Phase 2: 10	31	57 <sup>(3)</sup>	100	217	Phase 1: 7 Phase 2 and 3: 30
Route length (km)	28	22	Phase 1: 4.5 Phase 2: 16	48	124	110	390	Phase 1: 12.7 Phase 2 and 3: 34.6
Average weekday patronage (2012)	986,000	215,500	316,000	138,000	380,000	1,200,000	790,000	-

(1) Shenzhen Metro Longhua Line Phase 1 assets are owned by the Shenzhen Municipal Government. MTR Corporation (Shenzhen) Ltd took over the operation of Phase 1 in July 2010.  
 (2) Rolling stock maintenance under a 50:50 joint venture between MTR Stockholm and Mantena AS.  
 (3) This represents the number of stations operated and managed by LOROL. The total number of stations served by London Overground is 83.



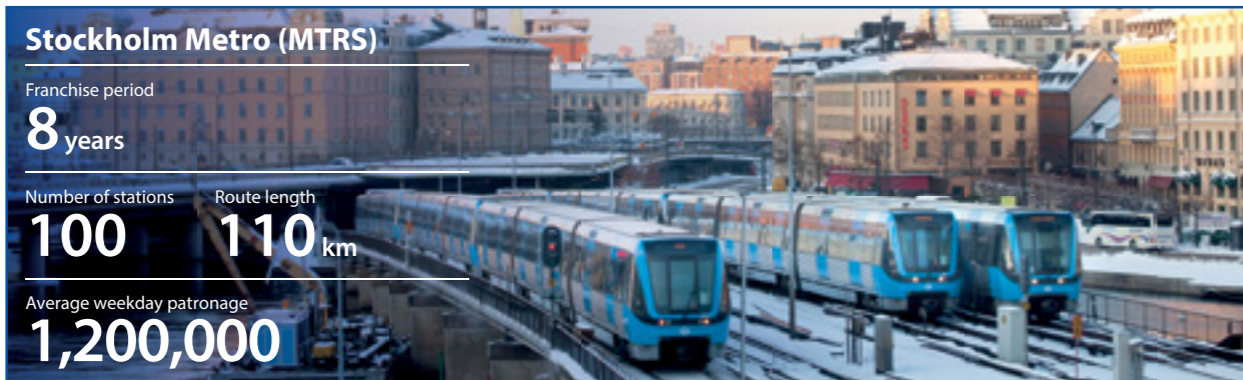
**Shenzhen Metro Longhua Line**

Franchise period  
**30 years**

Number of stations  
Phase 1: 5 Phase 2: 10  
Total **15**

Route length  
Phase 1: 4.5 Phase 2: 16  
Total **20.5 km**

Average weekday patronage  
**316,000**



**Stockholm Metro (MTRS)**

Franchise period  
**8 years**

Number of stations  
**100**

Route length  
**110 km**

Average weekday patronage  
**1,200,000**



**Melbourne Metro (MTM)**

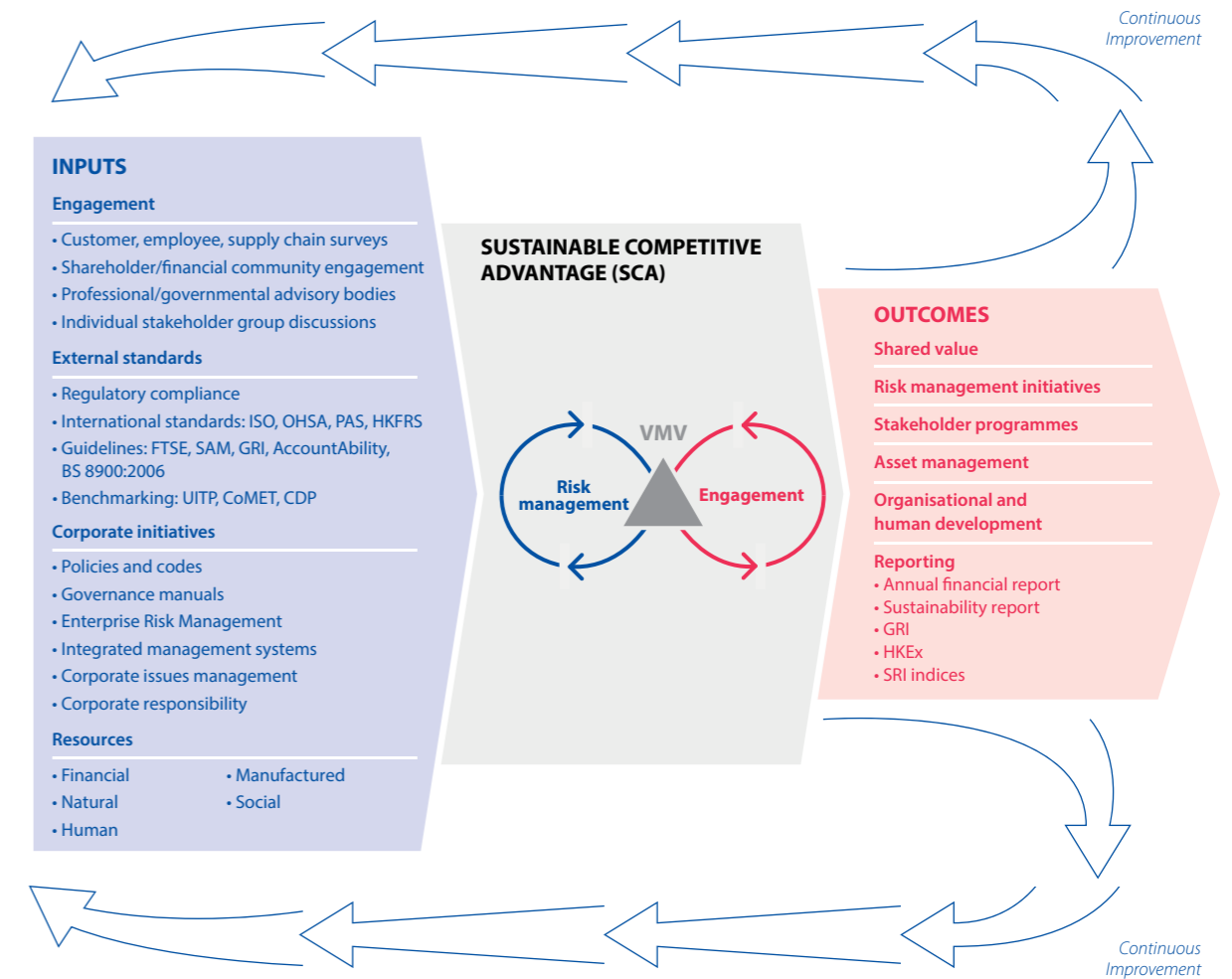
Franchise period  
**8 years**

Number of stations  
**217**

Route length  
**390 km**

Average weekday patronage  
**790,000**

## Business Management Cycle



### APPLICATION OF ACCOUNTABILITY PRINCIPLES (AA1000AS)



The above diagram illustrates our view of the MTR organisation as a dynamic eco-system that requires a continuous flow of decision making and actions between and amongst the many influences, tools and resources used to manage the business.

The Sustainable Competitive Advantage (SCA) model, discussed in the **Focus** section of this report, is at the centre of this eco-system. It acts as arbitrator to define and rank the materiality of particular issues and prioritise them for action. The dynamic interaction of the model's risk management and stakeholder engagement processes gives rise to efficiencies in resources allocation and co-generation of appropriate actions (outcomes). The Vision Mission Values (VMV), the keystone of the eco-system, represents our unique corporate culture that influences how outcomes are structured and implemented.

Outcomes are the management initiatives and programmes, enacted through established standards, systems and processes. Implementation is closely monitored and reported for effectiveness of purpose and optimal efficiencies. Results lead to the continuous

improvement of the business and, through feedback, further enhancements into the business management cycle are implemented. The most relevant and material of these outcomes for 2012 are cited in the **Leadership** and **Value** sections of this report.

The SCA model's processes and its role in defining materiality are further discussed in our sustainability microsite, along with case studies of outcomes in action.

#### AccountAbility Principles Application

The application of the AccountAbility Principles parallels the business management process. The diagram reflects where each principle comes into play in the process. Because of this relationship, when applying the principles to GRI reporting, they become inherent to materiality discussions and reported performance outcomes.

# FOCUS

A new corporate strategy brings refreshed clarity of purpose and a sharper focus to business activities. The fine-tuning of risk management and stakeholder engagement in response to new strategy directives is strengthening our competitive advantage in businesses and in the markets where we operate.

## FOCUS

The new corporate strategy directs the focus of our organisational development over the next decade. The strategy sets out a three-pillared approach to corporate activities in Hong Kong: We continue to improve and invest in our services; seek further growth and maximise value from our Hong Kong businesses; and accelerate growth, where opportune, in mainland China and internationally. We are expanding our operating horizons, while at the same time strengthening our competitive advantage in our businesses and the markets in which we operate.

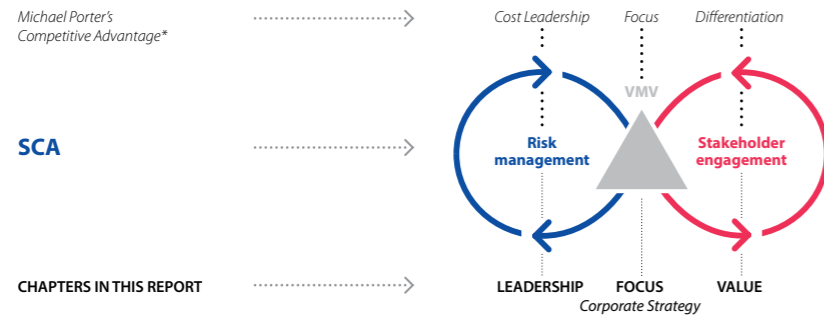
The realigned Vision Mission Values (VMV) captures this focus in our everyday work culture. We encourage innovation, reward excellence and provide the tools and mentorship to push our boundaries, achieve greater productivity and deliver value at the services front line.

Corporate strategy is central to our competitive advantage. With this new clarity in business direction, we are fine-tuning risk management and stakeholder engagement. The more focused processes and outcome expectations change how we view leadership and contribute to the shared value proposition.



**'art in mtr' programme**  
Paintings, sculptures, art installations and live performances by local and regional artists add colour and life to the daily commute.

## Sustainable Competitive Advantage



Sustainable Competitive Advantage (SCA) is the management framework that integrates the dynamics of competitive advantage into organisational development.

The underlying management approach of the SCA model references Michael Porter's seminal work on competitive advantage.\* Achieving advantage hinges on the ability to be superior in at least one of the three generic strategies of cost leadership, focus or differentiation. By translating these strategies into business decision making and to further the processes of the SCA model, we are first able to establish superiority in risk management and stakeholder engagement by fine-tuning process management through the VMV. Second, through the reiterative interaction of the three processes, we generate shared value. Examples of such value are discussed in the *Value Creation* sub-section of this report (see page 31).

A series of prioritised material issues are determined through the systematic processes of risk management and stakeholder engagement and their interface through the VMV. We define these material issues as those issues that are of highest importance to both our business and our stakeholders. The degree of materiality is determined by the level of potential impact on the combined interests of business and stakeholders.

In the context of sustainability, the interaction between risk and engagement allows identification of eight sustainability priorities that encompass all material issues. These priorities

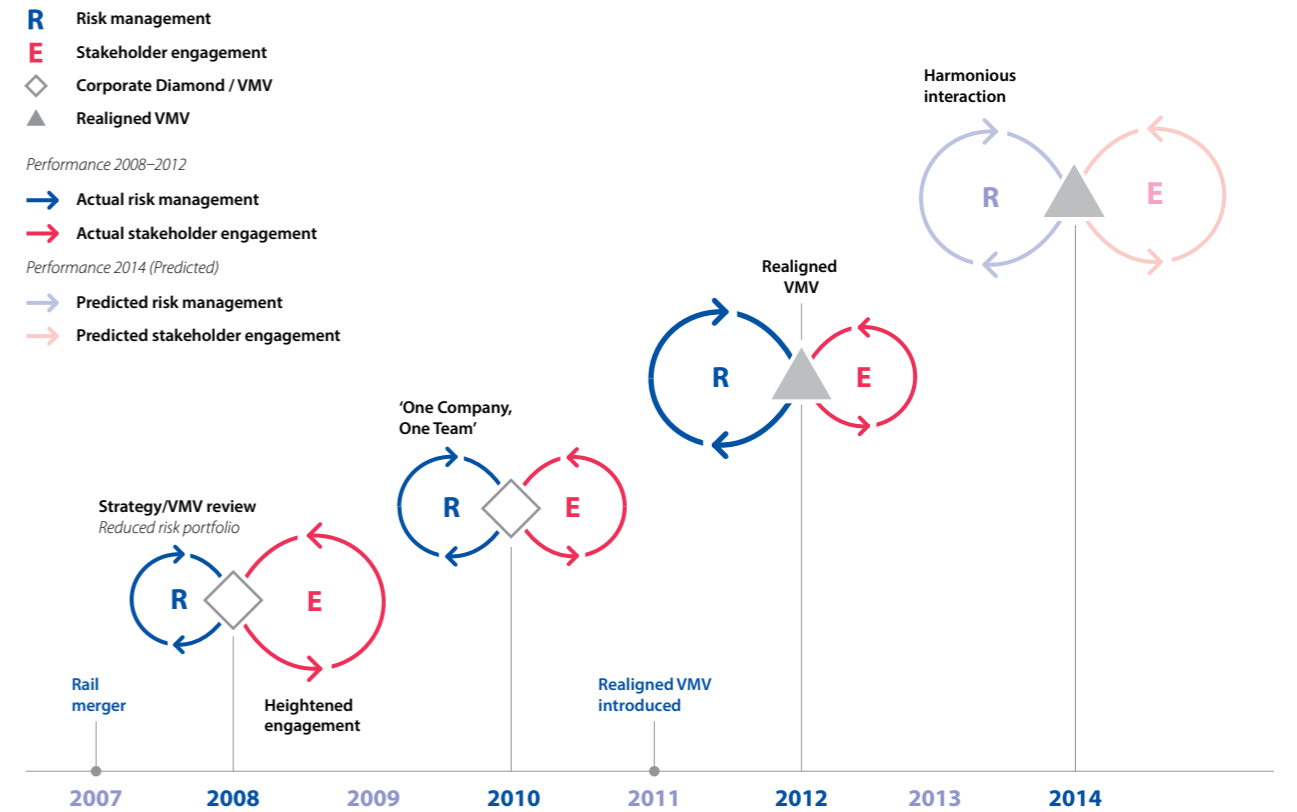
directly influence our social, economic and environmental development. Over the past decade, we have observed that these priorities generally remain constant due to direct correlation with the core issues of enterprise viability. These eight priorities are discussed on page 15 of this report.

The dynamics of the SCA framework are central to our well-established culture of continuous improvement. The diagram on page 9 of this report frames MTR's business management as an eco-system in constant interplay. It demonstrates the model's role in decision making and frames the feedback loop for continuous improvement.

The SCA model is an important tool for the long-term guidance of organisational development. As a robust framework, it is resilient to the influences affecting business and societal development and provides the mechanisms in which to align organisational development. The diagram on the following page maps change within the SCA processes' emphasis over the last five years, with a proposed trajectory for how the model will behave for the next two years as the corporate strategy takes hold.

\* Michael E Porter (1985): *Competitive Advantage, Creating and Sustaining Superior Performance*. New York, Free Press; London: Collier Macmillan.

## Sustainability Roadmap



This diagram shows the role of the SCA model in relation to MTR's organisational development. Over a seven-year period, we use the predictive–corrective approach to chart organisational change and illustrate the emphasis that the model's process demonstrates.

We view the organisation as an eco-system in which all processes are interrelated. External and internal changes create different dynamics in and between the risk management and stakeholder engagement processes. The chart's biennial snapshots reflect these dynamics, such as the heightened engagement in the post-rail merger environment between 2008 and 2010. The 2012 strategy review and the introduction of the realigned VMV give greater focus to improving our services, enhancing corporate citizenship reputation and growth for our core businesses from 2013. This is expected to boost processes' rhythm by triggering the needed responses for appropriate resource allocation and efficiencies building.

The 2012 realignment of our VMV, our eco-system's keystone, energises the sequential order of processes so that risk management and corporate strategy are heightened and evolve in parallel. This leads to management activities that will accelerate growth and the timing of organisational development. Looking at the eco-system's interrelationships, development emphasises stakeholder engagement in 2013 with movement towards harmonious interaction from 2014 forward. We base these assumptions on current management of the six areas of action discussed in the **Leadership** section of this report.

In this second round\* of mapping development with the predictive–corrective approach, we share further clarity on our organisational development. Framing progress in this context gives a long-term view of sustainability development and the understanding of how the SCA model supports perception of the MTR organisation as an eco-system, rather than a collection of linear processes and systems.

Descriptions of the specific risk management and stakeholder engagement processes can be found on the sustainability microsite.

\* The first round of development mapping using the predictive–corrective approach was undertaken in 2008 as a case study in understanding the impact of the rail merger on sustainability development, in which MTR assumed sole management control and a significant ownership proportion of Hong Kong's mass transit system.

# Leadership

We respond to and lead in the development of our businesses by taking directed measures within the framework of the six areas of action that reflect our new corporate strategy. Leadership is leveraging the risk management opportunities presented.

## Priorities Present Opportunities

The following eight sustainability priorities are the outcome of our Sustainable Competitive Advantage (SCA) model at work. (Refer to page 12 of this report to review the model's processes.) These priorities encompass those issues most material to our sustainability development and generally align with the core issues relevant to our business continuity. The *Materiality* section of our sustainability microsite illustrates the process of how the SCA model identifies and assigns priority to issues.

By asking questions rather than making statements about these priorities, we challenge and open ourselves to exploring solutions beyond the ordinary. The six areas of action discussed in this section form the management framework through which such timely solutions can be developed and implemented.

## 8

### SUSTAINABILITY PRIORITIES

#### 1. Resources Management

*How do we optimise people, assets and environmental resources to sustain organisational development?*

#### 2. Customer Services

*How do we better engage customers to meet aspirations while ensuring our own organisational livelihood?*

#### 3. Health and Safety

*How can we improve safety performance as we move more passengers and build new infrastructures?*

#### 4. Environmental Management

*How do we work with the environment today to ensure its restoration, rather than depletion, for future generations?*

#### 5. Supply Chain Sustainability

*How do we foster sustainability principles within our supply chain?*

#### 6. Sustained and Dynamic Engagement

*How can we best apply stakeholders' insights to shape organisational development?*

#### 7. Societal Development

*How can we continue to guide shared value to promote mutual benefit and the sustainable development of society?*

#### 8. Climate Change

*What actions and solutions can we offer to contribute effectively to the climate change dialogue?*

## LEADERSHIP

Fundamental to leadership is managing risk and leveraging its process. The Enterprise Risk Management (ERM) framework systematises identification and prioritisation of business risks, while allocating efficient management action and resources. The framework's inclusion of monitoring and reporting progress alerts us to the efficacy of decisions and gives insight into future actions.

The year's comprehensive corporate management review included the assessment of our business risks in relation to the new corporate strategy framework. The management insights from this review gave rise to six areas of action that will shape and guide our sustainability development over the next decade. These areas of action provide the framework to leverage opportunity and develop specific actions to manage the eight sustainability priorities. The performance summary charts on pages 35–39 in this report link key action measurements to the specific priorities.

The actions discussed in the following pages address the many material issues inherent in the eight priorities. These actions also align closely with the risk management initiatives undertaken in response to the regular ERM reviews.

### Manage Resources Efficiently

Managing the widening gaps between the costs of needed operational resources and efficient services delivery is redefining strategy and work practices.

### People

We are rethinking and re-creating human resources practices to accommodate the shift in expectations amongst our next generation of staff. Employment packages go beyond traditional competitive remuneration to include work-life balance factors and other benefits such as paternity leave, marriage leave and free MTR travel for full-time employees. Importantly, we offer a widening spectrum of career choices.

Building a talented and committed team is a priority. While we have enhanced internal staff development programmes to fast-track talent growth, increased our intake of younger talent, as well as trained staff in best practices, it is not enough. Investing in a strong corporate culture is what will make us a successful multinational enterprise.

A shift in industry perceptions is on the agenda as well. Actively promoting rail, construction and engineering as careers, collaborating with professional associations for specialist disciplines and supporting technical training institutes is gaining traction and contributing to these industries' sustainability. We are collaborating with suppliers and businesses to secure needed future talent and drawing upon our partnerships for expertise and skills as new projects and franchises come on line.



### Service Excellence

Our MTR Academy of Excellent Service promotes closer communication amongst station staff and supervisors to ensure that the customer comes first.

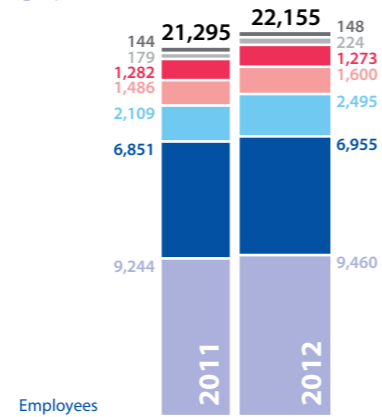
# 916

 persons

with disabilities were employed by MTR in 2012, **6.2%** of our Hong Kong workforce (excluding subsidiaries and temporary employees)

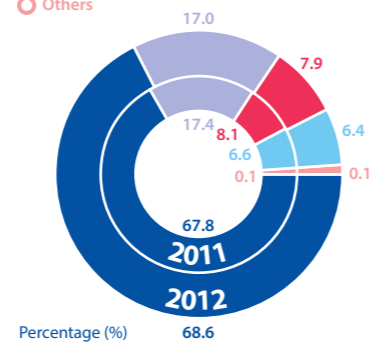
### Total Global Staff Strength\*

- Station commercial businesses
- Mainland China and international businesses
- Property and other businesses
- Corporate management and support departments
- Projects
- Offshore employees
- Operations



### Global Staff Distribution\*

- Hong Kong
- Australia
- Sweden
- Mainland China
- Others



\* Full-time employees only

## New Rail Projects Spend

PROJECTS	Target Completion	Route Length	No. of Stations	Project Cost (HK\$ billion)
Shatin to Central Link (service concession) (Phase 1: Tai Wai to Hung Hom / Phase 2: Hung Hom to Admiralty)	2018 / 2020	11 km / 6 km	8 / 2	79.8 MOD*
Express Rail Link (service concession)	2015	26 km**	1	66.9 MOD
Kwun Tong Line Extension (rail plus property)	2015	2.6 km	2	5.3 (Dec 09)
South Island Line (East) (rail plus property)	2015	7 km	5	12.4 (Dec 09)
West Island Line (capital grant)	2014	3 km	3	15.4 (Dec 08)

Total project assets

**56 km**  
New rail track (50 km of tunnels)  
(+ 25% of existing rail track)

Peak manpower required

**>17,000**  
contractor workers

Total project cost

**>180 billion** (HK\$)

\* Money of the Day

\*\* From West Kowloon in Hong Kong to the border of Hong Kong and Shenzhen

### Assets

Optimising operating assets tests the balance between current needs and the costs and expectations of shared value. In Hong Kong, for example, work is in progress to modernise rolling stock nearing the end of its operating life, effectively minimising the significant costs and impacts of replacement. Some 744 train cars are under structural upgrade and 68 light rail vehicles are being refurbished to reflect customer lifestyle aspirations.

New approaches to cost structures and finding efficiencies in margins are changing strategy in procurement and supplier expectations. In Hong Kong, target cost contracts are finding wider use in the more complex civil contracts of new rail projects. These contracts incentivise contractor performance by financially rewarding innovation and best practices; however, they share the downside risks when targets are missed. Life-cycle tendering, another pioneering approach, was introduced in late 2012 for new rolling stock contracts. This format reflects our sustainability drive for how assets are manufactured and expected to perform over a 40+-year design life cycle. Another new programme using the principle of 'spending to save' was introduced in our rail projects division to identify and prevent potential risks to project delivery. All these innovative approaches serve to ensure that resources are allocated efficiently and that construction and project delivery risks are carefully anticipated and managed.

Innovation in cost structures extends to our franchises. In Australia and Stockholm, we restructured and centralised procurement functions to optimise and monitor spend and to strengthen governance of process. The appropriate renovation of mature operating assets is progressively closing the gaps in service and performance expectations within franchise parameters.

Proactive supply chain relationships support asset integrity. Manufacturing quality in mainland China is improving progressively as a result of our involvement with factories through main contractors of railway projects. Our newest series of trains, fabricated in mainland China, have been extensively tested, with some now in service and the balance in progress for on-time and within-budget delivery.



### Teammates

Teamwork at Metro Trains Melbourne is a serious business. Like sports, achieving best performance takes planning, co-ordination and the optimal efficiency of movement.

### Environmental Resources

Responsible management of environmental resources is critical to how we plan, build and operate our rail networks and properties for future functionality and liveability. Working with our construction partners, for example, we aggressively pursue solutions to the significant impacts created from the 125 Hong Kong construction sites involved in the delivery of five new rail projects. Collaboration and innovative thinking take us beyond compliance.

We introduced the awarding-winning ANDANTE noise monitoring system in 2011 with application now extending to all future rail line construction to manage noise levels.

The Life Cycle Carbon Assessment protocol is adopted into the procurement process, where opportune, to encourage innovation in design, materials and technologies that will reduce our carbon footprint in future operations and maintenance.

We are taking pioneering steps with property development to promote responsible resources use in buildings. All new residential buildings awarded for development from 2010 onward require Hong Kong's BEAM Plus Gold certification. The BEAM Plus standard promotes better planning, application of higher quality standards and the more thoughtful use of resources in the development and operation of a building.

Environmental strategy varies with each international franchise agreement and local partnership expectations. In Melbourne, for example, the risks of severe flooding in stations as well as infrastructure failure due to extreme weather patterns are taken into account, following several years of drought. In Stockholm, ice on tracks can disrupt performance and timetable. Asset reliability improvement considers such impacts when employing technologies, supported by robust monitoring and response systems.

We also recognise that some broader trends in environmental stress are outside our control even with the application of best practices. Clean water is a growing regional issue and risk that will require efficiencies beyond our current Environmental Management System (EMS). Collaboration with regulators and internally establishing a more robust system of monitoring water usage are the first steps now under consideration.

#### Growth by Design

Hong Kong remains our core growth focus and operations centre under the new corporate strategy. Completion of the five new rail projects will add 56 km of route to our network and directly connects Hong Kong to the high-speed rail network of mainland China. Future development potential is identified under the HKSAR Government's Review and Update of the Railway Development Strategy 2000 (RDS-2U). A group of rail lines are proposed that will enhance transport connectivity within Hong Kong and contribute to broader economic activity through extended access to the Pearl River Delta.

Outside Hong Kong, whether franchise or long-term partnership, growth is driven by the underlying opportunity to leverage corporate advantage connected to rail transport.

Funding growth is evolving beyond our well-established rail plus property business model to the application of more opportune models based on transit-oriented development (TOD). TOD provides critical economic and social synergies between rail transport and the local communities served by the rail.

While still the preferred mechanism for self-sustaining operations in Hong Kong, the rail plus property model is increasingly challenged by changes in the business environment and the depletion of territorial land bank for suitable development opportunities. We are responding with alternative business models and related financial commitments, driven by sustainability development returns, the potential to add high value to rail network synergy and shared value in societal development. This same approach applies to selected franchises in mainland China, such as our linked property and rail investments in Shenzhen.

Global rail opportunities provide the strategic step towards internationalisation. Investment in all external markets is assessed in terms of financial sense and the clear path to achieving successful operations modelled on our Hong Kong experience. Our strategy with franchises in Europe and Australia, for example, is based on the approach to first stabilise an asset's performance, then to optimise performance using our Hong Kong experience as a guide.

In mainland China, where we invest in greenfield projects and adopt Hong Kong standards, we build strategic partnerships and focus on opportunities that will leverage long-term railway opportunities.



#### Braving the Storm

The dedicated snow management team at the Stockholm Metro keeps the system safe and in service throughout the winter.



#### Eco-transport

Construction excavation waste from the West Island Line is transported by barge to processing areas, reducing road congestion and pollution from truck convoys.

*'We are ... driven by sustainability development returns, the potential to add high value to rail network synergy and shared value in societal development.'*

Challenging sustainable development growth in these external markets are the franchise agreements we enter, which limit our ownership of assets and the time frame in which to achieve results. In applying our core competencies in asset optimisation and service culture, we bring short- and medium-term resources efficiencies. We collaborate with our partners to encourage long-term development, influenced by the systems and continuous improvement culture established under our tenure.

#### Customer-Centric Services

Hong Kong incubates our global customer-centric strategy. Asset management for example, follows a 'five wave' (digital, station, train, signal and technology) plan in which all aspects of customer-end services are considered when upgrading a network. Asset management is an ongoing programme in improvement that embraces innovation and functionality with use of new technologies and materials, as they prove fit for purpose.

The Listening-Responding programme has accelerated delivery of selected end products with the prioritisation of improvements under this programme. Most significant is the installation of elevators in all stations, where feasible, and public toilets in interchange stations.

Supporting asset improvement is the software of customer engagement. The newly established MTR Academy of Excellent Service, an initiative under the new corporate strategy, shifts engagement to all staff at all levels. It establishes a service mind-set and behaviour through a comprehensive curriculum with defined objectives at various levels of management. This works towards a holistic approach to interpreting expectations and executing the appropriate response.

Integrating this service culture into mainland China and international markets has its challenges. Service threshold expectations, local cultures and workforce competencies affect delivery. In Shenzhen, for example, our service arrangements have adjusted to efficiently interface local travel patterns and operating costs. Changes in headway, supported by better platform management, cope with the extremes of intense peak hour activity and slower off-peak patronage. We are raising the bar in services there and continue to see patronage levels increase.



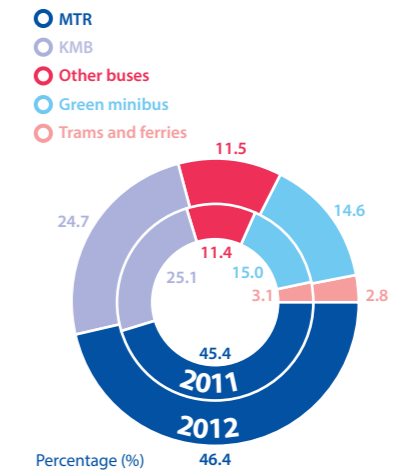
#### Setting Standards

The Shenzhen Metro Longhua Line is a recognised leader in service standards amongst the metro operators of Guangdong Province.

During 2012, more than

**1,200** train trips per week were added to Hong Kong rail services under the Listening-Responding programme

#### Market Shares of Franchised Public Transport in Hong Kong



**Improve Health and Safety Performance**

The Corporate Safety Policy, established in 2007, drives the organisational safety culture. The continued relevance of this policy was reviewed in 2012 in the context of impact from the introduction of the new corporate strategy. While the policy itself remains timely, a new four-year company-wide safety strategy and plan were enacted to keep pace with our expanding business activities. This strategy adopts three specific approaches to safety: Fostering a safety-first culture, driving continuous improvement and engaging stakeholders.

All staff, including our franchise employees, undertake comprehensive safety training relevant to their duties. Suitable qualifications are maintained and regularly assessed to comply with local laws and industry requirements. We also maintain a programme of timely competency and skills training in line with new technologies or safety procedures.

Continuous improvement plays a key role in maintaining our rail assets and equipment at optimal working levels to ensure safe operation. Enhanced technologies are incorporated to achieve service excellence while meeting stringent safety standards required under relevant regulations and operating agreements.

Our frequent improvement and safety campaigns are launched to influence and educate safe in-station passenger behaviours. Issues involving safe people/machine interface on trains and in stations, crowd management, not running and not jamming train doors are all targeted across all our rail operations, including franchises. Efforts also take into consideration changing passenger demographics and local cultures, such as the increasing numbers of elderly passengers, wheelchair users and passengers with luggage and baby carriages.

During 2012, our Melbourne and Stockholm operations sustained ten and five fatalities, respectively. These were due to risky individual behaviours, including trespassing or unlawful access to train tracks and negligent vehicular driving behaviour at level crossings. While we cannot control external party actions in relation to our operations, we can increase public awareness and education when interfacing with the rail network. In Melbourne, for example, the award-winning video, *Dumb Ways to Die*, was launched to highlight risky behaviours around train tracks and road crossings.

In Hong Kong, safety efforts – such as the installation of platform screen doors, signage at light rail level crossings and along outdoor train tracks, as well as continuous high-profile safety campaigns – have reduced fatalities (zero fatalities in 2012). We are working with our franchises to improve local safety behaviours with reference to our Hong Kong experience.

New rail projects continue to pose more complex safety risks, including the safety of our contractors' workforce. In Hong Kong, some 26 division-wide safety initiatives and promotion schemes are in place, focusing on closing the gap in behaviours, competencies, management and standards. Improving individual behaviours and embedding a robust safety culture are our biggest challenges. We continue to engage workers through discussions, training, highly visible and multilingual workplace behaviour campaigns, financial reward and mentoring. Contractors share our safety risks and are independently audited, rated and rewarded for best practices. We provide backup and support through real-time information feeds, safety-checked equipment, collaborative meetings and conferences, safety analytics and communications resources.

During 2012, our **125** construction sites in Hong Kong employed over

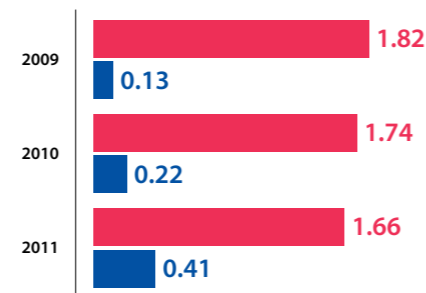
**7,000** workers in high-risk working environments

*'Our goal is to have each worker on our sites return home safely each day.'*

**Construction Industry Accidents**

- Hong Kong construction industry average
- MTR contractors - Hong Kong project construction (railway extension projects)

Reportable accidents per 100,000 man-hours



Data for 2011 is the latest industry figures available from the Occupational Safety and Health Branch, Labour Department of the HKSAR Government.

Maintaining a healthy workforce is a high priority. Programmes to combat heat stress, on-site health checks and alternative rosters in the event of an outbreak of infectious disease are applied on all sites. Mandatory breaks and improved site amenities provide best practice working conditions that help prevent fatigue, stress and poor judgement – often associated with rigorous manual labour. Our goal is to have each worker on our sites return home safely each day.

Even with such concerted on-the-ground efforts, we acknowledge the high-risk nature of large-scale construction. While no fatalities occurred on our sites in 2012, we did not achieve our target for reportable accidents for the second consecutive year. The majority of our accidents were minor in nature, with 55% relating to finger, toe and back injuries. The increased presence of new workers on site has been identified as the major source of injury occurrence. To address this, we conduct intensive accident prevention education and a mentoring scheme and maintain safety campaigns across all sites. Our advanced systems for analysis and immediate communication with all relevant parties alerts all sites to potential situations and highlights actions to be taken.

In a bid to provide for our workforce, change perceptions and encourage viable career paths in the construction industry, in 2012 we established the Construction Worker Life Insurance Scheme. This scheme is the first such scheme in Hong Kong and provides the needed safety net in life insurance for all workers employed on our sites, should the worker die due to natural causes. It is an important factor in overcoming workers' reluctance to join or return to the industry because of the impact on families in the event of a death.

**Enhance Our Reputation**

With public opinion influenced at the speed of the internet, we attach new impetus to our reputation management. The clear challenge is to close the gap between stakeholder perceptions of the company and our own organisational behaviour.

In rail operations, we are taking hands-on steps to manage perceptions through high-profile service improvement campaigns and a refocused corporate citizenship programme that will be developed in 2013. Our purpose is to build a reservoir of social capital that promotes trust and weathers the storms of any adverse publicity and service mishaps.

With business partners and suppliers, our reputation for transparency and fair play supports the needed commitment for project delivery programme. Taking the active partnership approach in contract and work practices cultivates communication, co-operation and respect amongst participants.

In international and mainland China markets, reputation arises out of service competencies and customer engagement. We are transferring and adjusting proven systems and skill sets built over 30 years of service excellence to grow local reputation. From on-time arrivals to a welcoming station atmosphere, we keep focused attention on performance and reliability.

The recent announcement that our London joint venture company, LOROL, has been given a two-year extension to operate the London Overground network franchise confirms our reputation as a world-class rail operator and business partner. LOROL has been named London's 'Public Transport Operator of the Year' for the past two years.



**Multinational**  
 Communicating with many nationalities of workers on our 125 construction sites is a multicultural, multilingual exercise.

The China Communication and Transportation Association ranked the Beijing MTR Corporation Limited amongst the

**top 3** national metro operators in 2012



**Social Space**  
 MTR apps provide real-time information alerting commuters to travel conditions and alternative options for travel in the event of services disruptions.

*'Our purpose is to build a reservoir of social capital that promotes trust and weathers the storms of any adverse publicity and service mishaps.'*

**Manage Our Carbon Footprint**

Concerted efforts are taking carbon management beyond our traditional focus on operating rail energy usage. We are making headway in property portfolio management in Hong Kong with sign-on to the World Business Council for Sustainable Development's Manifesto for Energy Efficiency in Buildings and the Hong Kong Energy Saving Charter. Regulatory compliance also binds us to measured carbon reductions with the introduction of new guidelines for future buildings and the retrofit of existing buildings in Hong Kong.

Internationally, we comply with local regulations and in cases such as Stockholm, where our carbon footprint is negligible, we seek further energy efficiencies by improving train traction and station environments. In Melbourne, we are looking beyond the requirements of the franchise to examine ways to reduce energy consumption.

While we subscribe to the many recognised standards, we have developed our own standards to pioneer best practices where opportune to sustainability development. We developed the Life Cycle Carbon Assessment protocol to understand, predict and monitor carbon emissions over the life of a railway line, particularly in operations and maintenance, where the majority of carbon emissions occur. The protocol is now applied to select Shatin to Central Link and West Kowloon Terminus contracts and design specifications. As part of the procurement process, the protocol encourages innovation in materials and technologies for long-term carbon savings. Importantly, adopting this protocol will commit our supply chain to rigorous energy efficiency targets under contract.

**GOVERNANCE**

Growth in all our strategic operating centres is taking on new sets of risks in business functions and markets. Governance takes a central role in how we manage the risks and institutionalise management directives.

In 2012, we successfully enacted governance through manuals and auditing systems for all our subsidiaries and associate companies. All entities adhere to a series of management directives that provide the necessary practices, policies and procedures to ensure integrity of business and operations. Governance in individual entities is implemented with respect to ownership levels and management agreements. For example, in our wholly owned subsidiaries, Stockholm and Shenzhen, a set of 19 directives specify the robust risk management, asset management, compliance, safety, brand, ethics and transparency that align with Hong Kong practice. These same expectations in governance also apply to our property investment business in mainland China.

Governance is taking a more substantive role in risk treatments. The complex construction risks attached to rail projects give rise to proactive management of insurance coverage, in particular with reference to the scale of underground tunnelling. Transparency, systematised risk management and a track record of safety have secured preferential rates with significant savings in project budgets already realised. In partnership with our insurance providers, we are reinvesting some of these savings into programmes that further educate and reward our contractors on best practices in safety and risk management.

*'Concerted efforts are taking carbon management beyond our traditional focus on operating rail energy usage.'*



**Control Centre**  
 Elements shopping mall in Hong Kong uses state-of-the-art control systems to keep the mall at a comfortable and energy-efficient 25°C year round.



**Taking the Lead**  
 The natural lighting and a rain catchment design with storage-capacity features at University Station advances green design in our network. This station entrance project is recognised under the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) certification system for its contribution to green building design.

[+] Following the recent 2012 benchmarking of Enterprise Risk Management (ERM) practices involving 15 leading global metro companies, CoMET (Community of Metros) ranks MTR as having the highest risk maturity level.



**Mechanical Perfection**  
 Our maintenance crews leave nothing to chance when it comes to the safety, reliability and efficient operations of our rail services.

In addition to this, we are taking a leading role in managing insurance for contracted workers. The Construction Worker Life Insurance Scheme, which provides job incentive to workers while mitigating the financial impact on families of a fatality, is currently under consideration for wider industry application by the Construction Industry Council.

Governance moves with the times. We have issued a new policy that fosters greater diversity in our Board of Directors. The objective is to incorporate a broader management perspective that strengthens long-term social, environmental and governance stewardship. The policy is now taken into account when fielding candidates for Board positions, although appointment continues to be made on a merit basis. With direction from the most senior level, we can reinforce the sustainability culture throughout the organisation.

Environmental, social and governance (ESG) performance is part of our annual disclosure to regulators and investors. We report this year using the newly recommended best practice, the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide, with which we are fully compliant. This guide is a response to the growing importance of ESG performance and global reporting. It recommends disclosure of information regarding workplace quality, environmental protection, operating practices and community involvement. Details on management strategies, approach to opportunities, risks and challenges, and how they relate to business, are encouraged. It also requests disclosure on measurement and monitoring systems used in the implementation of a company's ESG strategies. Our reported KPIs for 2012 under this guide are included in the GRI G3.1 Content Index published on our sustainability microsite.

[+] The annual Corporate Governance Report details the structures, committees and procedures that drive governance systems and hierarchy. The 2012 report provides discussions of the several material actions taken during the year. The report is published as part of the corporation's annual financial report and is available on our corporate website.

*'The objective is to incorporate a broader management perspective that strengthens long-term social, environmental and governance stewardship.'*

# Value

We influence society's sustainable development by communicating and sharing our long-term social, economic and environmental goals with stakeholders. Achieving value arises out of our ability to engage on expectations and build consensus for mutual benefit.

## VALUE

Understanding how value is created and shared sharpens stakeholder dialogue and response. To be effective, dialogue concentrates on specific stakeholder group expectations and – using the formal engagement process under the SCA model – explores and generates the value proposition, or the differentiation, in competitive advantage.

In the context of sustainability, our engagement of stakeholders incorporates the long-term social, economic and environmental goals necessary to our mutual benefit and development. By keeping these goals at the forefront of our consensus building, we can influence development while delivering immediate value.

### Engaged Customers

Customer service focuses on the recognition of the experiences that customers value and on taking the single-minded actions to deliver. For example, to add value to our services, which already includes half-price concessions for specific customer groups, we introduced a fare promotion programme in 2012 that benefits a wider range of customers with different travel patterns. These promotions were developed in response to communication and feedback from our passengers on what they value most about the MTR experience.

The Listening-Responding campaign, designed to further meet customers' expectations, takes steps towards visible services improvement in areas favoured by customers. Increased train frequencies at peak hours ease crowding and waiting times. Station refurbishment adds new amenities that improve ambiance and add convenience to the travel experience. We are testing new technologies and retail mix to keep pace with lifestyles as our customer demographics change.

Our franchises take their lead from the Hong Kong experience. Safe and reliable train services; clean, modern stations; and improved customer engagement all contribute to the growing ridership and market share of these transport operators.

### Investor Confidence

Maintaining the stable, low-risk approach that champions the investment community is a mainstay of our business, with the clear focus on future Hong Kong market development. Five new rail projects and proposed additional new lines under the HKSAR Government's Review and Update of the Railway Development Strategy 2000 (RDS-2U) provide significant network growth potential into the next decade that will extend our services to new territory-wide development areas and on into the Pearl River Delta.

Transit-oriented development (TOD) continues to underpin our capital investment strategy. Flexibility in financing beyond the rail plus property model allows continued participation in Hong Kong's rail development to support existing network growth and synergy, while structuring a prudent capital investment with reasonable returns. Investment in external markets is judicious and risk-driven, clearly focused on opportunities that leverage our core competencies.

We also consider property opportunities in global operations in the context of their contribution to rail. In 2011, we purchased the development rights for the Shenzhen Metro Longhua Line depot as a wholly owned entity. With 100% ownership and management, we ensure transparency and a sustainably developed asset that will enhance existing rail investments.

From June 2012 to June 2013, our promotions and concessions in Hong Kong amounted to some **2 billion (HK\$)**, up from **HK\$1.7 billion** in the previous year

Reflecting strong investor support, more than

**750 million (US\$)** of notes and bonds were issued in 2012, including **US\$550 million** of public bonds listed on the Hong Kong Stock Exchange



### Seamless Connectivity

The Listening-Responding programme is changing how we work with passengers' evolving expectations. Street-level elevators, a priority for connectivity, enable the seamless access to below-ground station entrances.



### Smooth Transit

With more people and goods travelling on our network, we are designing and refurbishing stations to accommodate smoother traffic flows and greater passenger convenience.

[+] In line with our progressive dividend policy, the Board has proposed a final dividend of HK\$0.54 per share, giving a full year dividend of HK\$0.79 per share, which is an increase of 3.9% compared with the previous year.

## Stakeholder Expectations

Stakeholder	Main Expectations 2012	Engagement Vehicles
<b>Passengers and Customers</b>	<ul style="list-style-type: none"> <li>Safety and reliability in services</li> <li>Value for money in fares</li> <li>High standards in travel environment</li> <li>Response to evolving aspirations</li> </ul>	<ul style="list-style-type: none"> <li>Customer surveys</li> <li>In-station personal assistance</li> <li>Customer loyalty clubs, promotions through internet</li> <li>Social media and in-station communication mediums</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Progressive dividend policy</li> <li>Financial stability</li> <li>Growth where opportune</li> <li>Good governance</li> </ul>	<ul style="list-style-type: none"> <li>Investor road shows and meetings</li> <li>Annual and interim reporting</li> <li>SRI indices</li> <li>Annual General Meeting</li> <li>MTR hotline and dedicated shareholder email</li> <li>Special announcements</li> </ul>
<b>Regulators</b>	<ul style="list-style-type: none"> <li>Regular reporting on compliance with Operating Agreement</li> <li>Submission of required documents for approvals on new railway and property construction</li> <li>Legal compliance in operations, projects and property</li> <li>Observe town planning regulations and guidelines with due consideration of community aspirations</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Impact Assessment statements</li> <li>Regulatory compliance reports</li> <li>Legislative Council meetings</li> <li>Advisory panels on transport and urban planning</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>Competitive remuneration</li> <li>Job security</li> <li>Career and professional development</li> <li>Personal development</li> <li>Performance recognition</li> </ul>	<ul style="list-style-type: none"> <li>Staff consultation committee meetings</li> <li>Divisional/departmental meetings</li> <li>Trade unions</li> <li>Staff surveys</li> <li>Recruitment drives</li> <li>Annual performance appraisal</li> <li>Skills training, people development, career guidance</li> <li>Integrated Staff Development Programme, Leadership Pipeline</li> <li>Information mediums: Intranet, in-house magazine, corporate general information (CGI), corporation notice (CN)</li> </ul>
<b>Business Partners, Contractors and Suppliers</b>	<ul style="list-style-type: none"> <li>Contract opportunity for new rail projects</li> <li>Fair treatment</li> <li>Continued partnering activities</li> </ul>	<ul style="list-style-type: none"> <li>Industry meetings, conferences, job fairs, road shows</li> <li>Partnering programmes, contract and site meetings, seminars</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>Sustainable management of the environment</li> <li>Optimisation of natural resource use</li> <li>Innovation to protect natural environments and biodiversity</li> <li>Restoration of key natural resources impacted by operations</li> </ul>	<ul style="list-style-type: none"> <li>Natural resource consumption</li> <li>Protective measures and equipment</li> <li>Risk assessments</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Community respect in construction activities</li> <li>Social aspirations incorporated into new rail lines and properties</li> <li>Environmental protection</li> <li>Societal inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Community liaison, vested interest group meetings</li> <li>Public announcements, press releases</li> <li>Social media, MTR website</li> </ul>

### Regulatory and Public Policy Consensus

We actively communicate and work with regulators from the initial planning stages, on site and at policy level, to make full use of our experience in transport and property infrastructure. We engage to ensure that the intergenerational and community assets we build and operate are sustainably planned and developed.

Participating in public policy debate is a strategic component of this. As a recognised low-carbon partner to sustainable development, we are well placed in advancing TOD using rail as the backbone of transport infrastructure. This is gaining importance as new housing and land policies that concentrate on the more rural areas of development will require fast and accessible transport connections amongst high-density living centres. In response to the 2013 Policy Address in Hong Kong, we are working with government to enhance the existing network and property development options to align with this accelerated planning for development in the territory.

We take policy debate to communities. A partnership approach with local Hong Kong district councillors builds the healthy atmosphere to understand regulatory impacts and actively contribute to

solutions. As partners, the district councillors are powerful allies in communicating on-the-ground community sentiment to regulators on transport and other development issues. We also participate in industry associations and chambers of commerce to collectively address the broader societal and environmental public policies that affect Hong Kong's future and its competitiveness as a global city.

In mainland China, we maintain liaison offices in all work centres and establish new ones as project opportunity arises. Maintaining local government contacts is critical to our reputation, business strategy and the understanding of China's Central Policy directives.

We do not pay or solicit lobbying or agent groups in any of our operating centres to act on behalf of our interests in public policy. Rather, we engage directly where possible with relevant regulatory departments and bodies to communicate and build consensus on sustainable development using rail as a core infrastructure component. However, in Melbourne the MTM joint venture retains an agent to liaise with government on policy.

**From Service to Cultural Ambassadors**

Culture defines us as a company – it is the fabric of our social and human systems that develop organically over time and it quietly underpins workplace decisions. It is an everyday event to see our people take command of situations, to respond and to find solutions: At station platforms, in depots, on work sites and in our offices. The care and responsibility taken for the stranded passengers during Typhoon Vicente in July 2012 in Hong Kong provides no better example of our culture and values at work.

Transferring this culture into external markets focuses on different areas of management. Our brief is to optimise performance and reliability of services. The culture of continuous improvement underlies this with significant improvement in all operating centres now seen. Assets are progressively performing to target, if not better, and ridership continues to grow.

Clear work expectations and deliberate staff participation in the decision-making processes are changing entrenched work attitudes in Europe and Australia. Improved relations with unions are turning structural weaknesses into operating strengths. We are building trust in these markets.

In Shenzhen, we hold the unique position as the industry's role model in customer service and engagement. Our practices are widely cited by local government to other regional rail operators as a benchmark of higher standards in service delivery and community engagement.

**Environmental Protection**

We recognise the need to look beyond the globally pervasive compliance-only mind-set, towards environmental protection and conservation. We are taking steps beyond our current management systems in response to the toll our growth is taking on the environment. Waste management is stepping up in shopping malls, rail networks and construction sites to incorporate alternatives that further reduce disposal to landfills. We are saving trees and iconic tree walls in and around our rail construction sites, restoring valuable ecological habitats and greening existing properties in Hong Kong. Internationally, efforts focus on electricity use, water conservation, contingencies for extreme weather conditions, toxic materials management and waste management.



**The Place to Be**

The latest in MTR station design employs the best use of natural light and space to enhance the travel experience and promote our stations as places to be, rather than simply places to pass through.

Staff absenteeism at Metro Trains Melbourne is down to

**3%** compared with nearly **10%** three years previously

Dedicated nurseries care for some

**1,200** trees to be replanted along the Express Rail Link path

*'Culture defines us as a company – it is the fabric of our social and human systems that develop organically over time and it quietly underpins workplace decisions.'*

We acknowledge the need to be more active in water resources practices and management. Hong Kong and mainland China, while compliant with relevant regulations, will require a change in public policy and attitude to incentivise improvement beyond current programmes. Australia, already a water-stressed region, has a history of passing legislation to reduce water consumption. Metro Trains Melbourne (MTM) has responded by implementing the Water Management Action Plan, currently in effect at our highest water consumption station. The Plan also specifies water tank installation at several train maintenance facilities, as well as use of recycled water at the train-wash facility and the harvesting of rainwater from a nearby maintenance facility.

We foresee escalating regulatory standards and costs as accessibility to clean environmental resources becomes more competitive. Constructive and preventative measures are being taken now to assure future access and benefit. The mandatory application of Hong Kong BEAM Plus Gold certification assures high environmental standards and efficiencies in future residential estates constructed under our Master Development Plan. All rail assets are deliberately built or refurbished to adopt new environmental technologies as they become available to the market. Commitment to local best practices, property industry charters and the sign-on to international standards beyond compliance sets rigorous targets for us and will take environmental performance to new levels in the next decade across our global operations.

**Supply Chain Partnerships**

Underpinning our supply chain relationships is our sense of fair play. MTR takes a partnership approach in project delivery where early and frequent communication occurs at all levels. We adhere to the rules of engagement in agreements and understand the cash flow nature of the business. In our 37 years of contracting, we have entered into only two arbitrations and one mediation in contract dispute resolution.

The recent review on project cost risks under the new corporate strategy directives gave us insight into better cost management in projects and contracts. Changes include frequent cost monitoring to ensure visibility and to flag maximum spend in contracts. This promotes supply chain transparency and timely communication of expectations and delivery gaps. We are now adopting this same approach to the scheduled HK\$8 billion spend on operating rail contracts in Hong Kong, widening our influence in best practices.

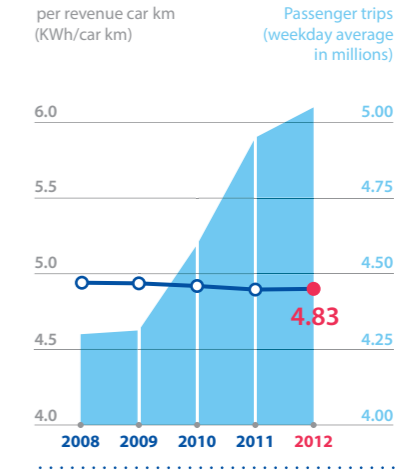
Implementing alternative contract structures is also gaining traction to progress project performance. Target cost contracts, bundling of contracts and life-cycle tendering approaches are changing the dynamics of supply chain participation. Expectations in safety design and management, carbon intensity reduction, product quality and life-cycle management are improving project process learning, buildability and innovations with each successive project. Contractors are incentivised under contract terms. For example, where target cost contracts are used, contractors can gain financially for best performance in programme delivery, while not sacrificing safety and environmental performance, but share consequences when not reaching agreed targets.

Procurement best practices are taking root in our Melbourne and Stockholm operations. Both franchises are tasked with reorganising antiquated practices and systems. Current discussions centre on improved risk management and the systematised management of outcomes in contracts.

Shenzhen rail operations echo our Hong Kong supply chain management. We focus on quality assurance and control, as well as safety, performance and integrity of contractors and suppliers. Our participation in electrical and mechanical contracts on rail line construction and the fabrication process of new trains are creating visible workplace changes. The application of such methodologies is being translated into broader national rail industry practices.

*'Underpinning our supply chain relationships is our sense of fair play.'*

**Electricity Efficiency Ratio of Rail Assets (Hong Kong)**



**Sustainable Societies**

We plan, build and operate for 'liveability'. Our transit-oriented development (TOD) provides the 21st-century global model for mass transit systems that connects dense urban centres through high-speed rail transport. We engineer our assets to keep pace with lifestyle choices and comply with, if not take the lead in, environmental best practices.

We plan and design our rail network stations to be local community hubs that invigorate communities and their diverse cultures. We build consensus with communities on how to best localise development opportunities and social aspirations, while establishing the broader connectivity to other regional centres in and around Hong Kong. With the opening of the Express Rail Link in 2015, network connection and its economic benefit will extend to the Pearl River Delta and beyond.

We believe communities thrive because of people, not buildings. We bring a sense of lifestyle to property development under our Master Development Plan. In LOHAS Park, for example, we optimise the natural airflows and green surroundings. We provide seamless connectivity between rail and property with a network of covered walkways, facilitating segregation of pedestrians from vehicular traffic. We include schools and social centres in development planning to foster social cohesion. We have also installed a grey water recycling plant for use in landscaping and outdoor area cleaning.

We work with external bodies to co-generate our collective future. For example, we engage directly and collaborate with government and green groups to mobilise residents to adopt good environmental household habits in waste and energy management, water conservation and recycling. Food waste management, a targeted government agenda, met with success under recent pilot schemes conducted in both our shopping malls and residential estates.



**Green Living**  
The Master Development Plan for our properties puts community living at the forefront of the development agenda.

With the opening of the Express Rail Link in

**2015**

network connection and its economic benefit will extend to the Pearl River Delta and beyond

*'We plan and design our rail network stations to be local community hubs that invigorate communities and their diverse cultures.'*

The 2013 Policy Address sets out a bold plan for Hong Kong development in which TOD plays a pivotal role. By 2020, an estimated 70% of Hong Kong's population will be brought into the railway's catchment area under urban development planning. Government is conducting public engagement and forming task forces in which MTR takes an active role. With our knowledge and experience in mass transit, we present the sound justifications and convincing arguments that cohesive transport infrastructure needs to place society's sustainable development at the forefront of urban planning.

**CARBON FOOTPRINT MANAGEMENT**

We are taking the global carbon management dialogue forward with development of pioneering initiatives and the formal commitment to stringent international standards. These initiatives speak directly to our business case in sustainability.

The MTR's Life Cycle Carbon Assessment protocol is a groundbreaking methodology that calculates the life-cycle assessment of a rail line's carbon emissions. With the measurable and clear understanding of how carbon is invested into an asset, design and materials can be engineered to optimise carbon emissions over the asset's life. This protocol provides city and urban planners with the effective tool through which both infrastructure projects and buildings can be prioritised for development according to a carbon-based assessment scale. This plays an important role in the planning strategy to achieve low carbon targets for cities and for working with government in efforts to advance the low-carbon lifestyle.

Mandatory application of the BEAM Plus Gold certification to new residential properties potentially impacts short-term development gains, but ensures long-term energy efficiencies to the benefit of the end user. We are amongst the first of Hong Kong property developers to specify this in contracts and are setting new standards that are changing local industry practice in terms of design and electrical and mechanical systems. Using the BEAM standards, we also are breaking ground in the rail industry with the first application of certification to a rail terminus building.

In late 2012, we became signatory to the World Business Council for Sustainable Development's Manifesto for Energy Efficiency in Buildings. This commits us to developing, for the first time, a carbon baseline and stringent targets for reduction. We are currently developing the initial baseline for measurement.

In the rail industry, we are signatory to the UITP Charter on Sustainable Development and we participate in the annual CoMET benchmarking exercise. By looking at the specific rail industry markers in areas such as energy usage, we understand the common efficiency issues and share and learn from our colleagues' best emerging practices to manage and reduce carbon footprints.

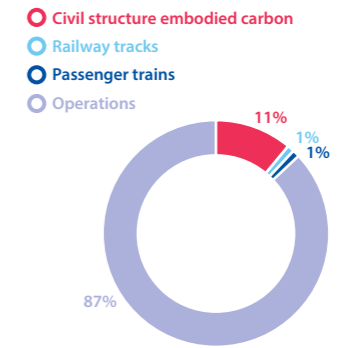
**VALUE CREATION**

Value creation is the measurement of our sustainability journey. It serves to energise the business to achieve more and better. It captures our reputation and is the strength that will carry us into the future.

**Financial Stability**

Steady growth across all our businesses, underpinned by prudent financial management, confirms our reputation as a well-run and profitable organisation. Industry leadership amongst peer companies remains solid. At 2012 year-end, we rated AAA/Aa1 under Standard & Poor's/Moody's, on a par with the Hong Kong SAR's sovereign ratings.

**Life Cycle Carbon Emissions**

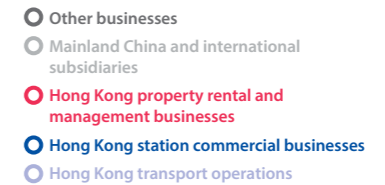


The above portions are calculated from estimated emissions on the Shatin to Central Link life cycle. End of life is not considered due to 120-year asset life.

MTR Corporation has participated in CDP since

**2006**

**Global Turnover**



HK\$ billion



**Emergency Response**

The dedicated Mobile Incident Command Centre vehicle facilitates immediate response to site and station emergencies. Major Incident Management teams use mobile connections to assist, monitor progress, allocate resources and plan recovery.

We are in progress to deliver multibillion dollar rail projects in Hong Kong that will capture new catchment areas for rail customers and further synergise the existing network. Resumed tendering of property projects coincides with the surge in market demand, while patronage on all our rail lines continues its steady growth.

We are expanding our presence in mainland China in both rail and property businesses. Under prudent commercial principles, we build on existing success that expands our portfolio and attracts the right partners and opportunities. The opening of the Hangzhou Metro Line 1 operations in 2012 and the concession agreement initialled to build and operate Beijing Metro Line 14, as well as our first property development in Shenzhen, mark our most recent steps in growth there.

**Safety Culture**

Safety is at the core of our license to operate. With more people using our network and working on our construction sites, safe human behaviour is a shared value opportunity. We regularly initiate and refresh our people engagement to make safety the first response at the workplace or when using our services. Frequent public campaigns, financial incentives, training and education are primary management tools to sharpen awareness amongst staff, customers and contracted workers.

Safety is an ongoing commitment that changes and responds to people's behaviour patterns. By keeping close watch on safety mishaps and their causes, no matter how small, we continually improve our own standards and influence behaviours not only on our rail, but in the use of public transport services overall.

**Innovation**

Innovation keeps us moving and curious. Whether a breakthrough in technology, better work methods or new ways to engage, innovation provides the space to imagine and to do. It drives us to set new standards and find better resource efficiencies. Innovation is the catalyst to our continuous improvement culture.

Recognising and rewarding innovation keeps it alive. Work Improvement Teams and the Innovation Awards have produced pioneering efficiency programmes, such as the Building Information Management (BIM) platform and the concrete bar-coding process for better quality control in this material.

*'Innovation keeps us moving and curious. Whether a breakthrough in technology, better work methods or new ways to engage, innovation provides the space to imagine and to do.'*

Engaging the younger and highly socialised generation of talent keeps us at the edge. Communities of practice and the online iShare portal allow them to exchange experiences and pursue knowledge projects. This applies equally to our supply chain and business partners. Their understanding of specific and/or the latest industry technologies and trends contributes to better quality and functionality of product and work methodologies.

**Trust**

Trust arises from our integrity, our consistent actions and our concern for stakeholders. Leadership, organisational architecture and a broad-based corporate culture of excellence are its foundation, built over 30 years of delivering safe, reliable and caring services in Hong Kong.

Trust, like our reputation, is visible in the small actions that make things better and in the daily interface between our stakeholders and ourselves. We appreciate it is the quiet self-confidence in our work and the constancy of actions that inspires public trust and distinguishes us as a leading Hong Kong company and public transport operator. In short, we are building trust and reputation by walking the talk, each and every day.

**Low Carbon Future**

Rail-based transport delivers the best energy optimisation across public transport sector modes. It brings significant carbon emissions avoidance by promoting:

- Transport mode shift to avoid private vehicle trips
- Better air quality through avoidance of emissions from vehicular exhaust
- Road congestion relief for improved fuel efficiency
- The land-use multiplier in which compact land use allows alternatives in social, environmental or economic purposes.

The use of transit-oriented development allocates low carbon, environmentally productive open spaces between dense population centres. These open spaces can capture community aspirations and promote usage such as those devoted to long-term carbon reduction activities. This design is particularly relevant to current Hong Kong town planning as further rural areas of environmental value are being opened for development of new towns to accommodate growing population needs.

Under Hong Kong's 2013 Policy Address, the green transport directive sets the framework for a low carbon future in which rail hubs are supported by secondary road-based transport modes. The implied public transport rationalisation under this directive is being piloted with our South Island Line planning. The anticipated optimised synergy amongst the different modes can serve as a model for similiar transport development across the territory.

With readily available access to green transport, a significant step forward is being taken to promote Hong Kong's low-carbon lifestyle.

*'Trust, like our reputation, is visible in the small actions that make things better and in the daily interface between our stakeholders and ourselves.'*



**Shared Vision**

We purposely include local communities in future rail planning. Early and frequent communications, including one-to-one conversations, create our shared and sustainable future.

# Performance Metrics

This is our 12th year of reporting our sustainability journey. In this report, we address our economic, environmental, social and safety progress for the year. Two- and three-year data presentations, where relevant, give context to the overall sustainability journey. Discussions also support our corporate management thinking reflected in the company's annual financial review.

When measuring and presenting performance data, we use selected recognised global and industry standards or best practices. These include the GRI G3.1 Sustainability Reporting Guidelines, the CoMET benchmarking programme, BS 8900:2006 Guidance for Managing Sustainable Development and the World Business Council for Sustainable Development/World Resources Institute's GHG Protocol: A Corporate Accounting and Reporting Standard. We are also guided by the UITP Charter on Sustainable Development and the Hong Kong Stock Exchange Environmental, Social and Governance (ESG) Reporting Guide.

In this section, we have included selected environmental, social and safety data on our Shenzhen, Melbourne and Stockholm subsidiaries. While the environmental and social data is not assured in this reporting year, its inclusion provides better visibility of key ESG performance areas. With this, we are taking steps to broaden our reporting footprint and align our subsidiaries to the material issues we consider when managing them.

The financial and economic contribution data covered in this report is extracted from the MTR Corporation Limited's Annual Report 2012. The data is prepared according to and aligns with the accounting policies of the company's financial statements. We follow the company's 2012 fiscal year except where otherwise stated. Events and data of material value to readers occurring after the 2012 year-end and before publication of this report are specified.



**Eco-wash**  
Environmental innovation in cleaning saves precious time and water resources in maintaining rail tracks and signalling at the optimal working condition.

## Economic, Environmental, Social and Safety Performance (Hong Kong)

- Financial and Economic Performance
- Environmental Performance
- Social Performance
- Safety Targets and Performance

## Environmental, Social and Safety Performance (Mainland China and International)

- Maturity Matrix BS 8900:2006
- CoMET Benchmarking Results 2011

## Economic, Environmental, Social and Safety Performance (Hong Kong)

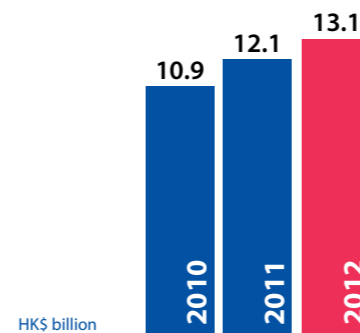
The following charts report our key economic, environmental, social and safety performance trends for three years for Hong Kong and our key environmental, social and safety performance for 2012 for our wholly and majority owned subsidiaries. The selected performance indicators reflect key business activities of interest to stakeholders and give a snapshot of how we are performing in terms of our businesses and peer industries, as well as how we are performing as a corporate citizen. In the following charts, we identify the links between indicators and the eight sustainability priorities (detailed on page 15 of this report).

- 1. Resources Management
- 2. Customer Services
- 3. Health and Safety
- 4. Environmental Management
- 5. Supply Chain Sustainability
- 6. Sustained and Dynamic Engagement
- 7. Societal Development
- 8. Climate Change

Consolidated Financial and Economic Performance	Sustainability Priority	2010	2011	2012
Turnover (HK\$ million)	1	29,518	33,423	35,739
Total EBITDA (HK\$ million)		10,917	12,124	13,083
Profit on property developments (HK\$ million)		4,034	4,934	3,238
Profit for the year attributable to equity shareholders of the company arising from underlying businesses before property developments (recurrent business) (HK\$ million)		5,397	6,243	7,071
Profit for the year attributable to equity shareholders of the company arising from underlying businesses (HK\$ million)		8,657	10,468	9,775
Dividends per share (HK\$)		0.59	0.76	0.79
Total assets (HK\$ million)		181,660	197,870	206,915
Loans, other obligations and bank overdrafts (HK\$ million)		21,057	23,168	23,577
Total equity attributable to equity shareholders of the company (HK\$ million)		121,914	134,463	144,273
EBITDA margin (including mainland China and international subsidiaries) (%)		37.0	36.3	36.6
EBITDA margin (excluding mainland China and international subsidiaries) (%)		55.1	55.6	54.4
Return on average equity attributable to equity shareholders arising from underlying businesses (%)		7.5	8.2	7.0
Net debt-to-equity ratio (%)		12.3	11.4	10.9
Interest cover (times)		10.5	14.5	13.2
Hong Kong tax paid (HK\$ million)	1,7	(1,007)	(1,949)	(1,699)
Overseas tax paid (HK\$ million)		(4)	(154)	(100)
<b>Hong Kong Transport Operations</b>				
Energy and utilities (HK\$ million)	1, 2, 5	(1,067)	(1,110)	(1,200)
Maintenance and related works (HK\$ million)		(912)	(1,048)	(1,112)
Staff costs and related expenses (HK\$ million)		(3,398)	(3,673)	(3,879)
Stores and spares consumed (HK\$ million)		(421)	(466)	(477)

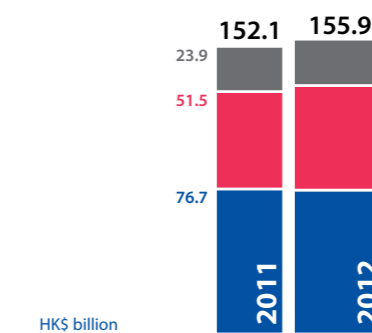
## Selected Consolidated Financial and Economic Performance

**EBITDA**  
(including mainland China and international subsidiaries)



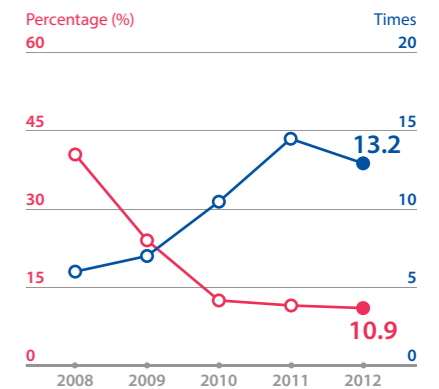
**Fixed Assets Growth**

- Service concession assets
- Investment properties
- Other property, plant and equipment



**Debt Servicing Capability**

- Net debt-to-equity ratio (left scale)
- Interest cover (right scale)



## Economic, Environmental, Social and Safety Performance (Hong Kong) (cont'd)

Environmental Performance	Sustainability Priority	2010	2011	2012	
<b>Energy Use for Railway Operations</b>					
Total electricity purchased (MWh)	1, 4	1,364,319	1,375,813	1,423,108	
• Heavy rail (MWh)		1,314,659	1,323,795	1,369,518	
• Light rail and bus (MWh)		49,660	52,019	53,590	
Electricity consumption per revenue car-km (kWh per revenue car-km)		4.83	4.84	4.83	
• Heavy rail		4.82	4.83	4.82	
• Light rail and bus		5.18	5.12	5.13	
<b>Water Consumption (m<sup>3</sup>)</b>					
Water consumption from railway operations		836,877	887,378	841,671	
Water consumption from managed and investment properties		970,260	1,095,937	994,540	
<b>Waste Management</b>					
Metals recycled from railway operations (tonnes)	2,784	3,020	3,990		
Spent oil recycled from railway operations (litres)	94,780	106,980	90,306		
Spent oil recycled from railway operations (%)	100	100	100		
General waste from railway extension projects (tonnes)	22,765	15,855	26,267		
<b>Climate Change Management</b>					
Annual review of climate change – risk assessment and continuous risk management action	1, 8	Review Completed	Review Completed	Review Completed	
<b>Total GHG Emissions (tonnes CO<sub>2</sub>e)<sup>(1)</sup></b>	<b>Scope</b>	<b>1, 4, 8</b>	1,178,773	1,215,660	1,255,123
<b>CORPORATE FUNCTIONS AND MAIN OFFICE BUILDINGS</b>					
• Fuel consumption	1	2,655	2,717	2,692	
• Refrigerants <sup>(2)</sup>	1	130	398	148	
• Electricity purchased <sup>(3)</sup>	2	14,014	15,139	14,750	
• Water consumption and sewage treatment <sup>(5)</sup>	3	12	14	14	
• Paper consumption	3	1,033	381	326	
• Staff business travel	3	1,532	1,327	1,302	
<b>TRANSPORT OPERATIONS<sup>(4)</sup></b>					
• Fuel consumption supporting railway operations	1	2,214	2,195	2,301	
• Fuel for feeder bus services	1	18,173	18,518	19,223	
• Refrigerants	1	9,694	12,336 <sup>(10)</sup>	19,185	
• Electricity purchased <sup>(5)</sup>	2	856,302	892,023	903,177	
• Water consumption and sewage treatment	3	471	503	475	
<b>NETWORK EXPANSION</b>					
• Fuel consumption <sup>(6)(7)</sup>	1	325	332	421	
• Electricity purchased <sup>(6)</sup>	2	2,197	3,093	3,097	
• Water consumption and sewage treatment <sup>(6)</sup>	3	42	71	28	
• General waste disposed to landfill from site offices and construction sites	3	24,131	16,331	27,055	
<b>PROPERTIES AND OTHER BUSINESSES<sup>(8)</sup></b>					
• Fuel consumption	1	245	225	226	
• Refrigerants	1	4,370	5,759	9,372	
• Electricity purchased <sup>(9)</sup>	2	240,655	246,275	250,740	
• Water consumption and sewage treatment <sup>(9)</sup>	3	578	653	593	

(1) Includes MTR Corporation and all its subsidiaries in Hong Kong, except Octopus and Ngong Ping 360. Categories and scopes align with 'The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard', jointly published by the World Business Council for Sustainable Development and World Resources Institutes. Reference for reporting is also drawn from 'Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong', published by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department.

(2) Includes only Kowloon Bay Headquarters.

(3) Includes Kowloon Bay Headquarters, Fo Tan Railway House and Kam Tin Building.

(4) Includes all stations, traction energy for heavy rail and light rail, all depots and other railway-supporting services.

(5) Excludes electricity consumption by advertising, station kiosks, station car parks, Tseung Kwan O Laboratory, Traxcomm and telecommunications services.

(6) Includes consumption at site offices for network expansion projects, but excludes that for construction activities.

(7) Includes Cable Car Ngong Ping 360.

(8) Includes all properties owned/developed/managed by the corporation (refer to page 4).

(9) Excludes staff clubhouse at Trackside Villas.

(10) Restated since 2011 to include refrigerants previously unaccounted for.

**Sustainability Priorities**  
**1. Resources Management**  
**2. Customer Services**  
**3. Health and Safety**

**4. Environmental Management**  
**5. Supply Chain Sustainability**  
**6. Sustained and Dynamic Engagement**

**7. Societal Development**  
**8. Climate Change**

Social Performance	Sustainability Priority	2010	2011	2012	
Total number of passenger trips (weekday average in million)	2, 6, 7	4.62	4.85	5.07	
Total number of passenger trips - Hong Kong passenger services (million)		1,605	1,688	1,767	
Share of franchised public transport in Hong Kong (%)		44.3	45.4	46.4	
Total employees	1, 6, 7	13,829	14,444	15,200	
Persons with disabilities employed		731	851	916	
Women employees (%)		19.1	19.3	19.7	
Women on the Board (%)		17	17	17	
Voluntary staff turnover rate (%)		2.6	3.3	4.2	
Vacant posts filled internally either by promotion or transfer (%)		47	49	48	
Training days per employee		6.4	6.0	6.3	
Total staff training days - Management training (man-day)		22,664	21,578	23,211	
<b>Charitable Contributions</b>					
Cash donations (HK\$ thousand)	1, 6, 7	2,401	2,700	3,800	
Gifts in kind (HK\$ thousand)		20,400	25,600	17,300	
Employee fundraising (HK\$ thousand)		310	355	399	
Employee volunteering (no. of projects)		198	206	239	
Employee volunteering (no. of volunteers)		4,400	5,600	5,800	
<b>Legal Compliance</b>					
Convicted cases of corruption		0	0	0	
<b>Number of Environmental Non-compliance Cases</b>					
• MTR Corporation	4, 5	0	1	0	
• Main contractors		2	1	4 <sup>(11)</sup>	
<b>Environmental Fines (HK\$)</b>					
• MTR Corporation		0	15,000	0	
• Main contractors		10,000	2,000	232,000 <sup>(11)</sup>	
<b>Customer Service Pledge Items Achieved</b>					
<b>(A) TRAIN SERVICE DELIVERY (%)</b>					
• Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung and Disney Resort lines and Airport Express	2	99.8	99.9	99.9	
• East Rail Line (including Ma On Shan Line)		99.9	99.9	99.9	
• West Rail Line		99.9	99.9	99.9	
• Light Rail		99.9	99.9	99.9	
<b>(B) PASSENGER JOURNEYS ON TIME (%)</b>					
• Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung and Disney Resort lines		99.9	99.9	99.9	
• Airport Express		99.9	99.9	99.9	
• East Rail Line (including Ma On Shan Line)		99.9	99.9	99.9	
• West Rail Line		99.9	99.9	99.9	
<b>(C) TRAIN PUNCTUALITY (%)</b>					
• Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung and Disney Resort lines	99.7	99.7	99.8		
• Airport Express	99.9	99.9	99.9		
• East Rail Line (including Ma On Shan Line)	99.9	99.8	99.9		
• West Rail Line	99.8	99.8	99.9		
• Light Rail	99.9	99.9	99.9		
<b>(D) TRAIN RELIABILITY (Revenue car-km/Incident)</b>					
• Island, Kwun Tong, Tseung Kwan O, Tsuen Wan, Tung Chung and Disney Resort lines and Airport Express		2,459,083	1,841,882	4,203,807	
• East Rail Line (including Ma On Shan Line) and West Rail line		3,813,015	3,292,956	7,113,301	

(11) Four incidents occurred involving non-compliance with the Noise Control Ordinance. Total fines: HK\$232,000.

Safety Targets and Performance			2010	2011	2012	
<b>Passenger and Public Safety</b>						
Fatality	• Heavy rail	Target Performance	0 0	0 0	0 0	
	• Light rail	Target Performance	0 1	0 1	0 0	
	• Bus	Target Performance	0 0	0 0	0 0	
No. of injuries requiring hospitalisation per 100 million passenger journeys	• Heavy rail	Target Performance	7.65 7.94	7.65 9.38	9.72 9.72	
	• Light rail	Target Performance	14.50 12.30	13.78 7.44	8.59 13.76 <sup>(12)</sup>	
	• Bus	Target Performance	10.60 7.51	10.07 7.05	9.60 5.07	
<b>Staff Safety</b>						
Fatality	• Corporate support functions	Target Performance	0 0	0 0	0 0	
	• Operations Division	Target Performance	0 0	0 0	0 0	
	• Projects Division	Target Performance	0 0	0 0	0 0	
	• Property Division	Target Performance	0 0	0 0	0 0	
	• China and International Business Division	Target Performance	0 0	0 0	0 0	
Lost time injuries per 100,000 man-hours	• Corporate support functions	Target Performance	0.13 0.12	0.10 0.26	0.10 0.19	
	• Operations Division	Target Performance	0.56 0.48	0.49 0.42	0.49 0.54	
	• Projects Division	Target Performance	0.10 0.10	0.10 0.05	0.10 0.07	
	• Property Division	Target Performance	0.45 0.20	0.41 0.15	0.33 0.24	
	• China and International Business Division	Target Performance	1.35 0.85	0.94 0.55	0.00 0.00	
<b>Contractor Safety</b>						
Fatality	• Corporate support functions	Target Performance	- -	- -	0 0	
	• Operations railway	Target Performance	0 0	0 0	0 0	
	• Hong Kong project construction - Railway extension projects	Target Performance	0 0	0 2	0 0	
	• Hong Kong property development and investment projects	Target Performance	0 0	0 0	0 0	
	• Hong Kong property investment and management (up to 2011)	Target Performance	0 0	0 0	- -	
	• Hong Kong investment property (2012 onward)	Target Performance	- -	- -	0 0	
	• Hong Kong management property (2012 onward)	Target Performance	- -	- -	0 0	
	• China and International Business Division	Target Performance	0 1	0 0	0 0	
	Reportable accidents per 100,000 man-hours	• Corporate support functions	Target Performance	- -	- -	0.16 0.18
		• Operations railway	Target Performance	0.34 0.12	0.25 0.21	0.21 0.21
• Hong Kong project construction - Railway extension projects		Target Performance	0.40 0.22	0.30 0.41	0.30 0.47	
• Hong Kong property development and investment projects		Target Performance	0.52 0.21	0.47 0.20	0.38 0.17	
• Hong Kong property investment and management (up to 2011)		Target Performance	0.27 0.16	0.25 0.17	- -	
• Hong Kong investment property (2012 onward)		Target Performance	- -	- -	0.20 0.15	
• Hong Kong management property (2012 onward)		Target Performance	- -	- -	0.20 0.17	
• China and International Business Division		Target Performance	0.50 0.07	0.50 0.07	0.00 0.00	

(12) Light rail safety indicators were revised from 2012 onwards to exclude unforeseeable accidents due to external factors over which MTR has a low degree of control. This includes train collision not caused by staff error or MTR equipment fault; trespassing onto tracks due to individual's unsafe behavior; and, intrusion of external objects into light rail reserve.

## Environmental, Social and Safety Performance (Mainland China and International)

	Sustainability Priority	2012 MTRS	2012 SZMTR	2012 MTM
<b>Environmental Performance</b>				
<b>Energy Use for Railway Operations</b>		<b>1, 4</b>		
• Total electricity purchased (MWh)		184,308 <sup>(13)</sup>	66,740	433,983
<b>Water Consumption (m<sup>3</sup>)</b>		n/a	233,108	141,835
<b>Waste Recycling from Railway Operations</b>				
• Metals recycled (tonnes)		n/a	3.8	40.2
• Spent oil recycled - Amount (litres)		n/a	3,000	n/a
<b>Total GHG Emissions (tonnes CO<sub>2</sub>e)</b>		<b>1, 8</b>		
• Fuel consumption	1	42	52,343	464,386
• Electricity purchased	2	38	285	694
		4	52,057	463,692
<b>Social Performance</b>				
Total number of passenger trips (million)	<b>2, 6, 7</b>	322	117	227
Total employees <sup>(14)</sup>	<b>1, 6, 7</b>	2,714	1,245 <sup>(15)</sup>	4,283
Women employees (%)		29.9	34.9	16.6
Voluntary staff turnover rate (%)		6.0	11.2	0.4
Vacant posts filled internally either by promotion or transfer (%)		17.0	98.8	33.5
Training per employee (average man-day)		3.1	1.6	10.2
<b>Charitable Contributions</b>				
• Cash donations (HK\$)		259,710	132,012	20,501
<b>Legal Compliance</b>		<b>3, 5</b>		
• Convicted cases of corruption		0	0	0
<b>Number of Environmental Non-compliance Cases</b>		<b>4, 5</b>		
• MTR subsidiary		0	0	0
• Main contractors		0	0	0
<b>Environmental Fines (HK\$)</b>				
• MTR subsidiary		0	0	0
• Main contractors		0	0	0
<b>Safety Performance</b>				
<b>Passenger and Public Safety</b>				
• Fatality	Target Performance	0 5 <sup>(16)</sup>	0 0	0 10 <sup>(16)</sup>
• Number of injuries per million passenger journeys	Target Performance	1.00 1.33	1.47 1.46	3.60 2.76
<b>Staff Safety</b>				
• Fatality	Target Performance	0 0	0 0	0 0
• Lost time injuries per 100,000 man-hours	Target Performance	0.63 <sup>(17)</sup> 0.47 <sup>(17)</sup>	0.29 0.15	1.00 0.80
<b>Contractor Safety</b>				
• Fatality	Target Performance	0 0	0 0	0 0
• Lost time injuries per 100,000 man-hours	Target Performance	- -	0.48 0.33	0.45 0.11

(13) September 2011 to August 2012.

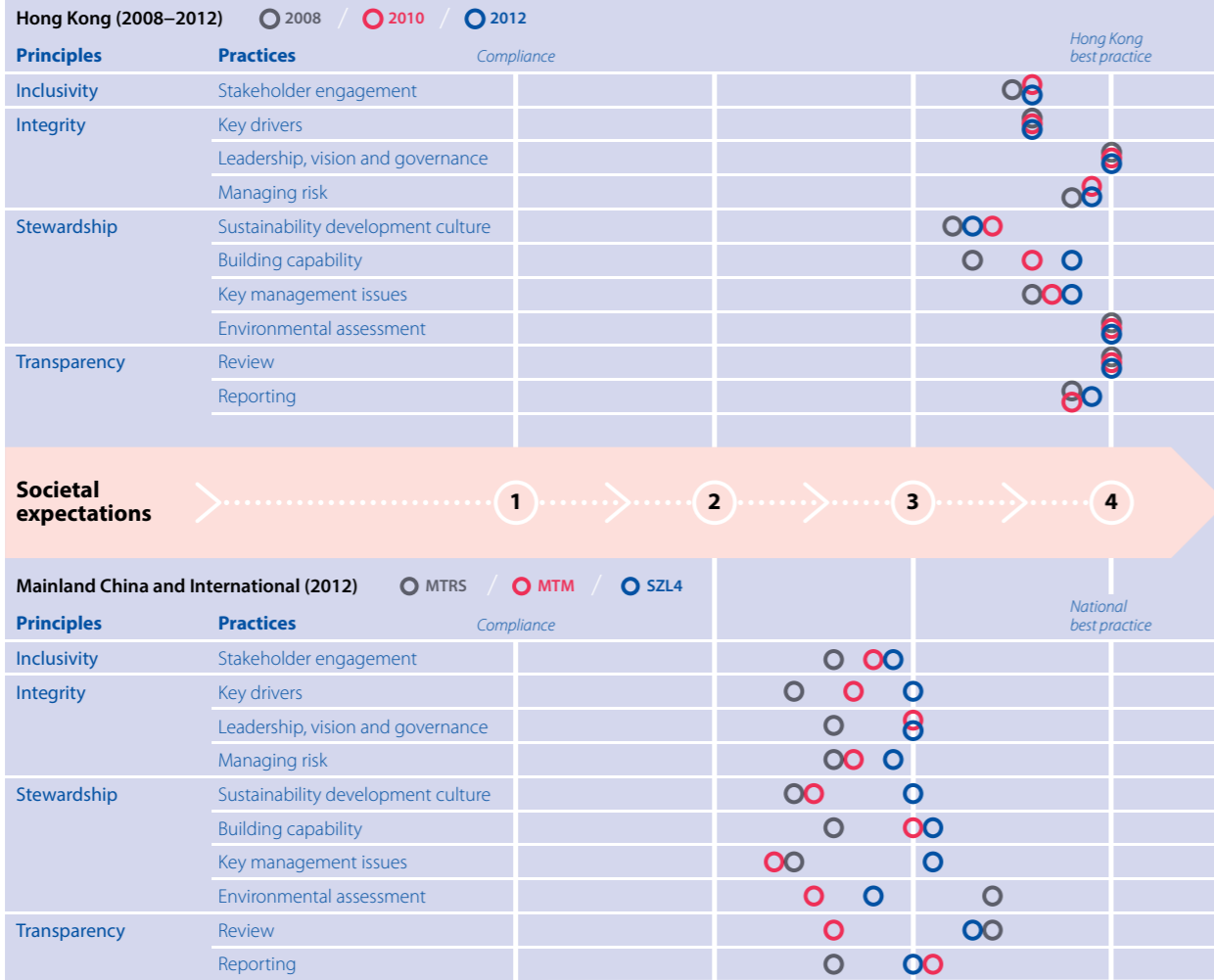
(14) Includes both full-time and part-time employees.

(15) Includes property management/property projects.

(16) Refer to page 20 for details.

(17) Includes both MTRS and Tunnelbanan Teknik Stockholm (TBT).

## Maturity Matrix BS 8900:2006 GUIDANCE FOR MANAGING SUSTAINABLE DEVELOPMENT



The progressive steps from Compliance to National best practice are defined by sets of initiatives within the Materiality Map of the BS 8900:2006 Guidance for Managing Sustainable Development, [www.bsigroup.com](http://www.bsigroup.com)

## Maturity Matrix Performance 2008–2012



Monitoring and performance reporting provides senior management with a snapshot of the effectiveness of management action and resource use.

## CoMET Benchmarking Results 2011

The corporation participates in the Community of Metros (CoMET) programme that annually collects data from large metro system operators around the world to compare performance in a number of common areas. The 2012 (data for 2011) benchmarking exercise included large metro systems from 14 cities: Beijing, Berlin, Guangzhou, Hong Kong, London, Mexico City, Madrid, Moscow, New York, Paris, Santiago, Shanghai, Sao Paulo and Taipei.

The benchmarking process uses 36 Key Performance Indicators (KPIs), which measure the performance through six categories: growth and learning, customer, internal processes, safety and security, financial performance and environmental performance. Being conducted over several years, trends and best practices can be reliably tracked. This helps identify which members are changing their practices and shows what improvements are relatively achievable. Where clear differences or improvements in performance amongst participants have been identified, detailed analysis is carried out through case studies and member sharing meetings.

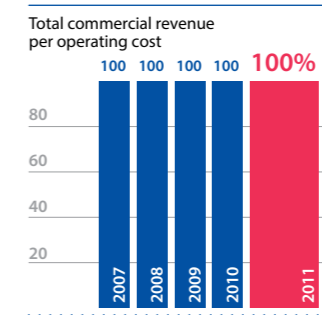
Participation in the programme is a valuable industry activity. We learn and share with colleagues the best practices, innovation and new technologies that are raising performance bars. Through the many case studies, we understand how response is structured, what tools are employed and how different metro operators are working towards optimal performance.

Analysing our results for 2011, we see a number of learning areas to explore. Performance overall ranked on a par with the previous year. However, we have improved our ranking to be amongst the top three participants in four out of the nine KPIs reported. In areas of no change or decline for the year, we remain competitive and recognise the improvements made by our industry colleagues. We acknowledge that standing still is not an option.

In service costs (operating costs per car km), our ranking declined for a second consecutive year, due to improvements by participating metros and our own modest internal operating cost increases against revenues. Safety, although improving in actual performance year on year, declined slightly in ranking against best performers.

We also recognise the drop in our Energy Consumption ranking, despite our continued improvement against best-in-class over the last two years. While we are already highly efficient as an operator, we note that the best performing CoMET colleagues use newer technologies and operating assets. Under our internal Energy Steering Committee, we continuously optimise energy efficiencies within the rail network and internally monitor our electricity consumption. MTR's electricity efficiency ratio has steadily improved over time, with only incremental improvements in the last few years due to the asset improvement programme schedule and available applicable technologies.

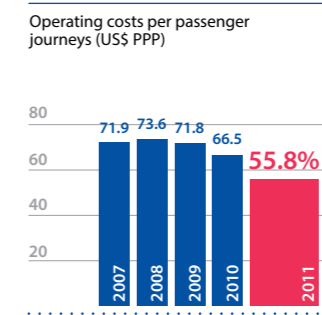
### Profitability



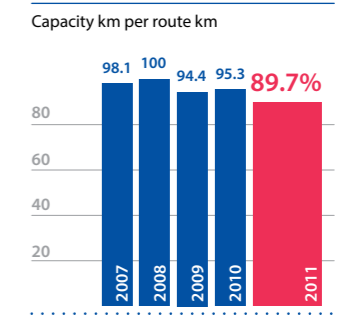
### Customer Service



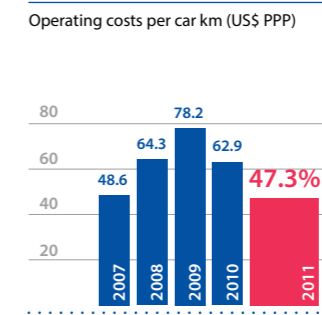
### Cost per Journey



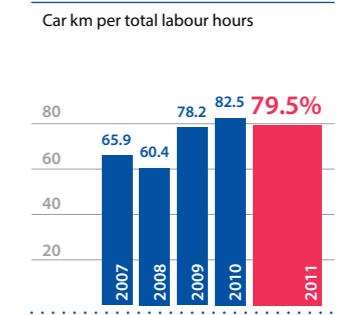
### Asset Utilisation



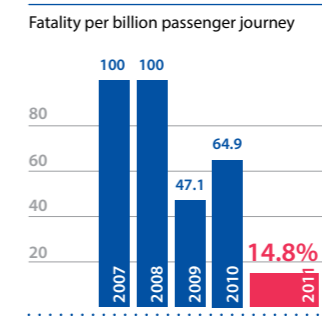
### Service Costs



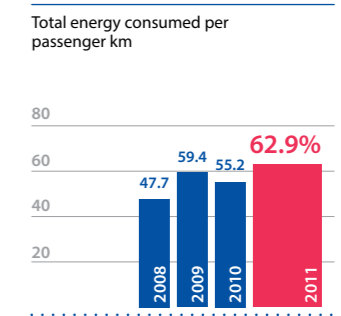
### Staff Efficiency



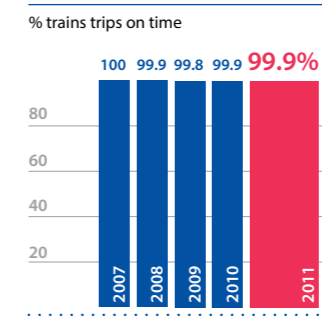
### Safety Ratio



### Energy Consumption



### Trouble-Free Journey



The results measured in these charts are calculated based on MTR's performance against best performance. The best performer within a particular category corresponds to a 100% achievement.

# Independent Assurance Report



To the board of Directors of MTR Corporation Limited

### What we did

MTR Corporation Limited engaged us to perform a limited assurance engagement on the selected subject matter within the MTR Corporation Limited Sustainability Report 2012 (the "SR") for the year ended 31 December 2012.

### Selected subject matter

The selected subject matter is the 2012 performance data below in the SR:

- Total EBITDA as per annual report in table "Economic, Environmental, Social and Safety Performance (Hong Kong)" on page 35
- GHG emissions of corporate functions and main office buildings, transport operations, network expansion, properties and other businesses; and annual review of climate change – risk assessment and continuous risk management action in table "Economic, Environmental, Social and Safety Performance (Hong Kong)" on page 36
- Total number of passenger trips (weekday average in million), voluntary staff turnover rate (%), voluntary posts filled internally either by promotion or transfer (%), number of environmental non-compliance cases, environmental fines (HK\$) and customer service pledge items achieved in table "Social Performance" on page 37
- Performance data in table "Safety Targets and Performance" on page 38
- Passenger fatality, staff fatality, contractor fatality, number of passenger injuries per million passenger journeys, staff lost time injuries per 100,000 man-hours and contractor lost time injuries per 100,000 man-hours of MTRS, SZ MTR and MTM in section "Safety Performance" of table "Environmental, Social and Safety Performance (Mainland China and International)" on page 39.

### Reporting criteria

The selected subject matter above have been assessed against the definitions presented on page 43 in the SR (the "reporting criteria").

### Responsibilities

#### PricewaterhouseCoopers

Our responsibility is to express a conclusion on the selected subject matter for the year ended 31 December 2012 based on the work we performed.

### What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the selected subject matter for the year ended 31 December 2012 has not been prepared, in all material respects, in accordance with the reporting criteria.

### MTR Corporation Limited

MTR Corporation Limited's management is responsible for the preparation and presentation of the selected subject matter in accordance with the reporting criteria. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the subject matter and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

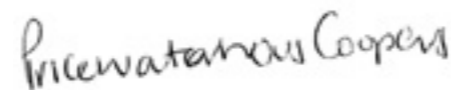
### What our work involved

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with independence and ethical requirements and plan and perform the assurance engagement to obtain limited assurance as to whether any matters come to our attention that causes us to believe that the selected subject matter is not prepared, in all material respects, in accordance with the reporting criteria.

### Main procedures performed

The procedures selected depend on the independent accountant's judgement. Within the scope of our work we performed amongst others the following procedures:

- Interviews with management and personnel in Operations, Property, Projects, China & International Business, Finance, Legal & Procurement, Human Resources & Administration divisions and Sustainability Development Department involved in providing information for inclusion in the SR in relation to the subject matter
- Examination on a test basis of documentary evidence relating to the subject matter on which we report
- Assessment of the relevant sections of the SR relating to the subject matter to check for consistency with the findings of our work.



PricewaterhouseCoopers  
Certified Public Accountants  
Hong Kong  
25 April 2013

### Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

### Restriction on use

Our report has been prepared for and only for the board of Directors of MTR Corporation Limited to assist them in reporting on MTR Corporation Limited's sustainability performance and activities and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

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# Definitions

<b>Contractor Staff Reportable Accidents</b>	Work-related injuries of primary contractor staff that resulted in more than three days' sick leave.
<b>Corporate Support Functions</b>	Corporate Support Functions include the Finance Division, Human Resources and Administration Division, Legal and Procurement Division, Commercial and Marketing Division, Corporate Relationships Department and Internal Audit Department.
<b>Legal Environmental Compliance (Contractors)</b>	The number of successful environmental prosecutions in Hong Kong incurred by all contractors directly appointed by the corporation for the reporting year.
<b>Passenger Fatality</b>	Number of passenger fatalities that have occurred in the MTR network in Hong Kong. Figure excludes suicides, attempted suicides, brawls between passengers and injuries due to passengers' own medical conditions.
<b>Passenger Injuries Requiring Hospitalisation</b>	Injuries that require admission to hospital for observation or treatment immediately after an accident. Figure excludes suicides, attempted suicides, brawls between passengers and injuries due to passengers' own medical conditions.
<b>Passenger Journeys on Time</b>	Calculated as percentage applying formula: $\frac{[(\text{Incoming patronage in a month}) - (\text{passengers in a month delayed by at least 5 minutes})]}{[\text{Incoming patronage in a month}]}$ x 100%. Calculated monthly over operating period and then calculating the mean thereof. [Kwun Tong Line (KTL), Tsuen Wan Line (TWL), Island Line (ISL), Tseung Kwan O Line (TKL), Tung Chung Line (TCL), Disneyland Resort Line (DRL)], Airport Express (AEL), East Rail Line (ERL) and West Rail Line (WRL) passenger journeys on time calculated separately using same formula.
<b>Passenger Trips</b>	Fare-paying passengers entering the railway network and boarding the bus. A passenger transiting between Tsim Sha Tsui station and Tsim Sha Tsui East station within 30 minutes using the same Octopus card is treated as an interchanging passenger whereby these two separate entries to the railway network are counted as one fare-paying passenger. The number of annual average passenger trips per weekday is reported.
<b>Property Development and Investment Projects</b>	Property development and investment projects include the foundation, building, alteration and addition works for the property developments at Austin, Che Kung Temple, Hang Hau, LOHAS Park, Tai Wai, Tseung Kwan O, Tsing Yi, Tsuen Wan West and Tuen Mun station, and Nam Cheong.
<b>Railway Extension Projects</b>	Railway extension projects include all civil and electrical and mechanical works for Kwun Tong Line Extension, Shatin to Central Link, South Island Line (East), West Island Line and Express Rail Link (Hong Kong Section).
<b>Staff Lost Time Injuries</b>	Any work-related injuries of staff that resulted in one or more days' sick leave being granted.
<b>Staff Turnover Rate</b>	Sum of 12-monthly turnovers calculated as number of voluntary staff resignations/total staff strength by month-end. Figure excludes temporary and part-time staff, staff of UK offices and MTR Corporation subsidiaries.
<b>Train Punctuality</b>	Calculated as percentage applying formula: $\frac{[(\text{Actual train trips in a month}) - (\text{train trips in a month delayed by at least "y" minutes})]}{[\text{actual train trips in a month}]}$ x 100%, where "y" = 2 for (KTL, TWL, ISL, TKL, TCL & DRL), 3 for ERL and WRL, and 5 for AEL and Light Rail. Calculated monthly over operating period and then calculating the mean thereof. Punctuality of different train systems calculated separately using respective formulae.
<b>Train Reliability</b>	Calculated as revenue car-km per incident applying formula: $\frac{(\text{Actual revenue car-km run in a month})}{(\text{total number of train failure incidents with trains delayed by at least 5 minutes in a month})}$ . Calculated monthly over operating period and then calculating the mean thereof. (KTL, TWL, ISL, TKL, TCL & DRL & AEL) and (ERL and WRL) train reliabilities calculated separately using same formula.
<b>Train Service Delivery</b>	Calculated as percentage applying formula: $\frac{[(\text{Actual train trips in a month})]}{(\text{scheduled train trips in a month})}$ x 100%. Calculated monthly over operating period and then calculating the mean thereof. (KTL, TWL, ISL, TKL, TCL, DRL & AEL), ERL, WRL and Light Rail train service delivery calculated separately using the same formula.
<b>Train Trip</b>	Journeys run by a train from one end of a line or an intermediate point on a line to the point on a line that is scheduled by the corporation to be the destination for that train. In the event of a train being withdrawn from service before reaching its destination point, train trip shall be determined by the corporation on a pro-rata basis based on the distance run by that train between its starting point and the point at which it is withdrawn from service and the distance between its starting point and its destination point.
<b>Vacant Posts Filled Internally</b>	Number of job vacancies filled by internal candidates through job promotion or cross-departmental/sectional transfer or redeployment. Figure excludes temporary and part-time staff, staff of UK offices and MTR Corporation subsidiaries.
<b>Waste Disposed to Landfill</b>	Waste generated from railway extension projects, excluding waste from railway operations, property development projects and managed properties owned by the corporation.

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