



GOVERNANCE & POLICIES



OPERATE AS BUSINESS



CONTRIBUTE TO SOCIETY



RECOGNITION

Corporate Responsibility

MTR's aim is to grow sustainably while contributing to the development of communities we serve. To achieve this, we aim to meet the needs of today in a way that also takes future needs into account.

Our contribution is beyond the profit we generate for our shareholders as illustrated in the Value Added and Distribution Statement below. We create economic value through the transport, property and other services provided to customers. Revenue generated from these services are

in turn distributed to stakeholders – suppliers, employees, capital providers, shareholders, Government and the community at large.

For the past 17 years, we have provided a detailed account of our approach and performances in the annual Sustainability Report, which is aligned with the disclosure recommendations of the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide.

Value Added And Distribution Statement In 2016 (HK\$ million)

Economic Value Generated

Revenue from Hong Kong Transport Operations	17,655
Revenue from Hong Kong Station Commercial Businesses	5,544
Revenue from Hong Kong Property Rental and Management Businesses	4,741
Revenue from Mainland of China and International Subsidiaries	14,826
Revenue from Other Businesses	2,423
Profit from Hong Kong Property Development ¹	337

Total: 45,526

Economic Value Distributed



Notes:

- Before taking into account staff costs of HK\$26 million.
- Excludes staff costs capitalised for asset creation of HK\$1,385 million.
- For simplicity reason, operating costs include interest income and share of profit or loss of associates, netted with profit attributable to other non-controlling interests.
- Excludes interest expenses capitalised for asset creation of HK\$632 million.
- Represents current income tax but excludes deferred tax for the year.
- Represents ordinary dividends payout during the year.
- Includes ordinary dividends paid to the Financial Secretary Incorporated of the HKSAR Government of HK\$4,701 million, but excludes the payment of the first tranche of special dividend under the XRL Agreement of HK\$12.9 billion.
- Includes donations, sponsorships and other community engagement contributions, but excludes ongoing fare concessions and promotions of HK\$2,536 million and in-kind donations of HK\$22 million.
- Economic value retained for reinvestment to generate future economic values. This represents underlying business profit attributable to shareholders of the Company (before depreciation, amortisation and deferred tax) for the year retained, after the amount distributed to our stakeholders, but before payment of the first tranche of special dividend under the XRL Agreement of HK\$12.9 billion.

Governance and Policies

Our Vision, Mission and Values embody the commitment we make to acting responsibly. They are supported by a strong corporate governance framework.

We follow clear policies and management directives under the Corporation General Instructions, and the Corporate Responsibility Policy and Corporate Sustainability Policy. The Board's Corporate Responsibility Committee provides guidance and reports to the Board of Directors on these issues.

We have been applying a Supplier Code of Practice since 2008. This provides a basic, compulsory behavioural framework for ethical standards, human and labour rights, and supply chain management. Full compliance with the code is a requirement of all procurement contracts. Suppliers are also responsible for ensuring that their own suppliers comply with the code. We are now updating the code to incorporate our Green Procurement Policy, which encourages sustainability practices among our suppliers. The revised code will also reference the new ISO Guidance on Sustainable Procurement when this is published in mid-2017.

How We Operate as a Business

Safety

Providing passengers with a safe and reliable service is at the very heart of our operations. Our Safety First culture covers customers, staff, contractors and anyone else who legitimately enters our facilities. We invest heavily in maintenance to ensure our assets contribute to better safety. We also carry out initiatives to address safety issues. Our efforts to ensure continuous improvement in safety led to a 9.1% reduction in reportable events on the Hong Kong heavy rail network in 2016 compared with 2015.

Escalator safety remains a key concern, especially with children and senior citizens. We continued to roll out many initiatives in 2016 to tackle this issue, often in conjunction with centres for the elderly, schools and other organisations. Safety messages were reinforced through public announcements, posters, videos and exhibitions as well as Escalator Safety Promotional Booths in stations. Up to the end of 2016, a total of 36 designated escalators in various stations had been installed with yellow brush skirt guards to deter passengers from standing too close to the step edge. The number of reportable events involving escalators on the Hong Kong heavy rail network fell by 11.6% in 2016.

Environment and Natural Resources

Our aim is to become one of the most resource-efficient and ecologically sustainable railways and property service providers in the world. An electrically-powered mass railway is regarded as the most environmentally sustainable way to transport millions of people in large cities. Therefore, our biggest contribution to the environment comes from avoiding pollution. The environmental benefits of rail transport are well established – we help to reduce roadside emission and road congestion, and make better use of limited land resources because many people travel by rail. Our new lines in Hong Kong are enhancing this contribution by adding to the number of journeys that can be made by train. In 2016 we issued our first Green Bond, bringing together our financial and environmental strategies as a low carbon business. Accessing finance in this way allows us to tap into a new investor base while providing cost-effective financing to invest in expansion and enhancement of our environmentally friendly services.

More broadly, our Climate Change Statement and Corporate Biodiversity Policy commit us to managing environmental issues. The independently audited ISO 14001 environmental management system certification process



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fosters accountability among employees and partners. We are also responding to climate change, guided by the latest recommendations from leading scientists, such as reviewing our design standard and preparing response procedures during extreme weather events.

Our approach to environmental issues begins with Environmental Impact Assessments we make before starting major construction and operations activities. We also implement comprehensive environmental management and monitoring plans for impacts relating to noise, air and water quality, waste, energy use, and biodiversity.

Improving energy efficiency is an important goal and we continue to find ways to reduce our energy consumption. Our target is to achieve a 21% reduction from 2008 levels by 2020 in the amount of electricity used for each passenger-kilometre in our heavy rail network. By the end of 2016, we had achieved a reduction of 16.1%. MTR is now investing in a large-scale chiller replacement programme that will

improve energy efficiency by installing more advanced and environmentally friendly equipment at stations and depots.

Our People

The dedication and commitment of our staff is at the heart of our success. To nurture talents and help them to reach their full potential, we provide many training and development opportunities. This also ensures that we have a professional workforce that can serve our customers and meet our future manpower needs as a company. Further details are set out in the section headed "Human Resources".

Our Customers

On average, 5.59 million passengers use MTR in Hong Kong each weekday and our train services have a big impact on the daily lives of many people in our city. We constantly try to understand the needs of our customers and improve the services we provide for them. Further details are set out in the section headed "Hong Kong Transport Operations".

How We Contribute to Society

Each year we run many different activities to contribute to society, drawing on the goodwill of our employees and our own assets. We mainly target young people and local communities.

Youth

MTR has worked with young people for many years to enable them to achieve their full potential. Our "Youth Connect" programme leverages our strengths to empower young people in creating a bright future for themselves and their communities.

To understand young people's needs and aspirations better, we have launched the MTR-CUHK Youth Quality of Life Index Survey since 2013. In addition, we have been seeking feedback from young people on early stage initiatives and exchange ideas with MTR management through our think tank, the Youth Forum. Through the Forum, young people contributed to the development of the name and logo

of "Rail Gen 2.0". Their ideas have also improved how we communicate, such as using humour to promote safety in our "Ride with Manners" campaign. Youth Forum members benefit from professional development opportunities we create for them.

Two major initiatives under Youth Connect are our "Train' for Life's Journeys" and "Friend' for Life's Journeys" programmes. Around 100 students took part in the "Train' for Life's Journeys" ten-day summer programme in 2016, while 135 students completed the six-month mentorship programme "Friend' for Life's Journeys" in the 2015-16 school year. We also continue to offer internships to tertiary-level students through our Customer Service and Tourist Ambassadors Internship Programme. In 2016, 200 students benefitted from these opportunities.

Our Pathways to Employment programme was launched at the end of 2015. Through an open innovation process, we encouraged young people, non-governmental organisations and other stakeholders to use their creative and critical thinking skills to develop solutions to inspire young people. In September 2016 we announced the funding of five projects in partnership with non-governmental organisations and social enterprises that aims to cultivate innovation, entrepreneurial and leadership skills as well as interest in Science, Technology, Engineering and Mathematics (“STEM”) subjects amongst young people. These projects were chosen with public input.

Supporting Our Communities

In 2016, the Corporation launched “Community Connect”, a new identity for outreach and community initiatives that provide caring service which reflects our commitment to the communities that we serve and live in. This identity comprises three main areas, namely Community Outreach, Art and Culture and Green and Healthy Living.

Community Outreach

At the heart of our “Community Connect” programme is our “More Time Reaching Community” scheme. A total of 263 community projects involving more than 6,200 volunteers were initiated and organised by our staff and retirees during the year, delivering care and assistance to thousands of people in the community. In addition, during 2016 around HK\$13.5 million was donated to charitable and

other organisations. There was a special donation of HK\$2 million to the families of the two brave fire fighters who died battling the Ngau Tau Kok blaze in Hong Kong in June 2016. For the arson incident in February 2017, MTR and our staff have contributed HK\$2 million towards the public donation campaign staged by the Tung Wah Group of Hospitals to assist those injured and hospitalised.

MTR also provided free advertising space to around 50 non-profit organisations to support their work, and a number of retail shops along the West Rail Line were available for lease by the social enterprises of non-governmental organisations at concessionary rates.

Art and Culture

Our Art in MTR programme enriches the MTR travelling environment through high quality works of art. A diverse range of activities was held in 2016 with over 60 events in stations across Hong Kong. The number of permanent artworks by local and international artists increased to 72 across 45 stations during the year.

Green and Healthy Living

MTR Hong Kong Race Walking 2016, which took place on 23 October, was the main event organised under our Green and Healthy Living programme. It raised more than HK\$1 million for the Hospital Authority’s Health InfoWorld, to support its work on enhancing disease management skills and promoting healthy living.

Recognition for Corporate Responsibility

We continued to receive global recognition for corporate responsibility in 2016.

The Company remains a constituent member of relevant investor indices, including the Dow Jones Sustainability Asia/

Pacific Index, the FTSE4Good Index, and the Hang Seng Corporate Sustainability Index. We also achieved a “AAA” rating in the MSCI Global Sustainability Indexes, making MTR a leader among the world’s road and rail transport companies.