

social RESPONSIBILITY

MTR's operations make a major contribution to the prosperity and well-being of Hong Kong. MTR is committed to taking a leading role in raising standards of social responsibility among listed companies, not just in Hong Kong but across Asia.

The case for sustainability

In all of our operations, MTR aims at providing a framework to promote sustainability. For MTR rail operations, this means providing equitable access to affordable, safe, effective and reliable transportation while minimising consumption of non-renewable resources, generation of noise, and emissions to air and water. For our property business, it means reducing environmental impacts during construction and taking care in our designs and management to account for social and environmental needs, where practicable.

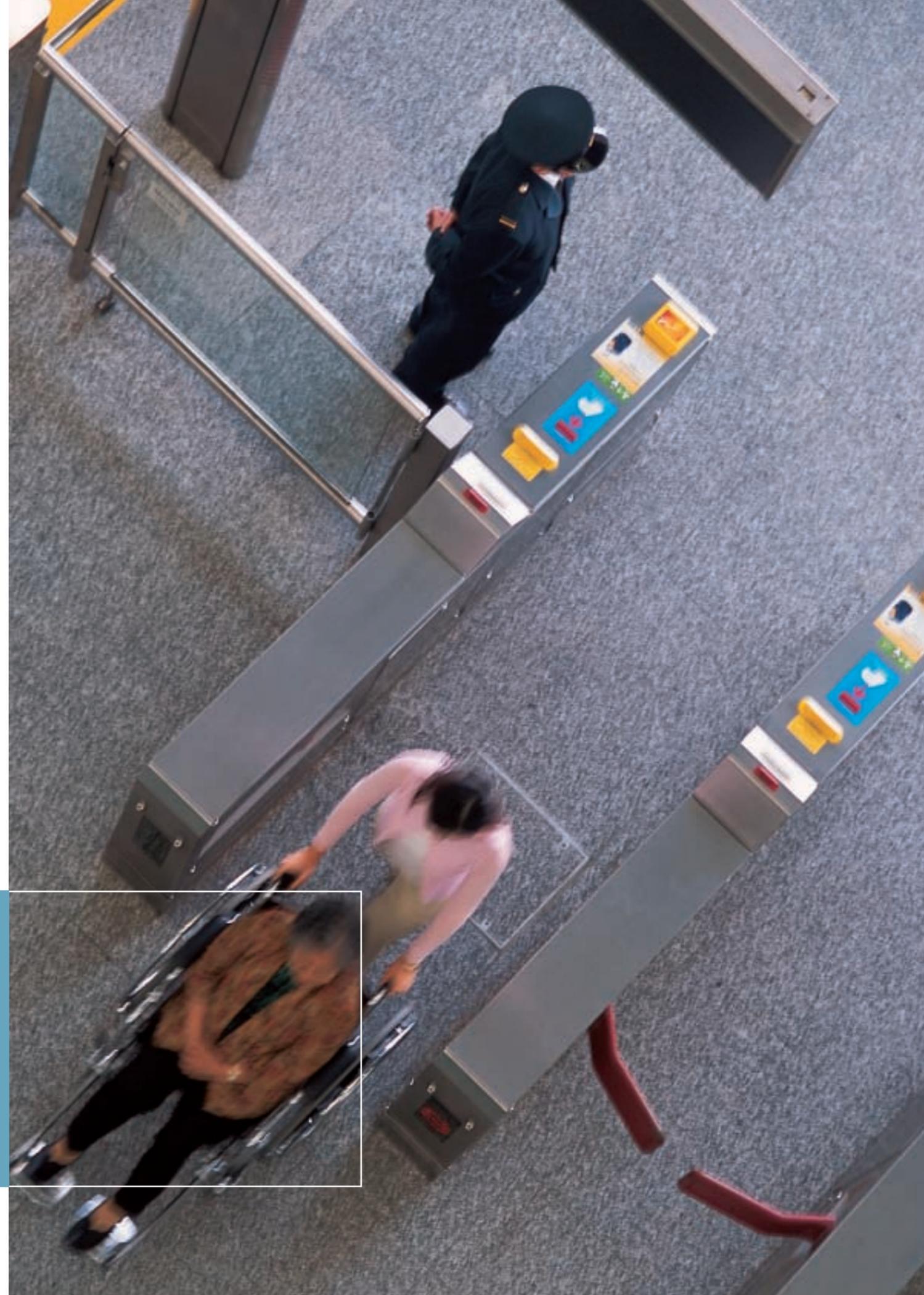
There are a number of compelling business reasons for this approach, including:

- Reducing energy costs.
- Reducing potential liabilities, through reducing risks to the environment and to the safety of customers and staff. During 2001 we undertook 219 environmental audits and 206 health and safety audits, helping us to maintain our excellent records in these areas.
- Improving productivity by encouraging staff to implement best practices.
- Ensuring construction projects proceed with minimal delays and with the support of nearby communities.

- Attracting socially responsible investors. In response to the growth in this sector of investment, efforts have been made to approach such investors to understand their disclosure requirements and obtain feedback that will help us improve our operations. In 2001 we became a Founding Member of the Association for Socially Responsible Investment in Asia (ASrIA). This is the first not-for-profit membership association dedicated to promoting sustainable and responsible investment in the region.

barrier free

In 2001, our railway network was voted Hong Kong's "Most Barrier Free Public Transport Facilities" by the Hong Kong Physically Handicapped and Able-Bodied Association, a body comprising disabled people, senior citizens and care givers.



To demonstrate our continued commitment to sustainability and transparency, MTR plans to publish in April 2002 a corporate sustainability report – the first such initiative in Hong Kong. The web-based report provides further details describing how sustainability influences our strategic planning and how sustainability issues are managed on a day-to-day basis. It also reports on progress against last year's targets, sets sustainability targets for 2002 and challenges readers to provide their feedback on sustainability and the MTR. The report, which covers our rail and property activities, notes that we have made greater progress with our rail activities, although acknowledging that we seek to replicate such progress for our property interests over the coming years.

Environment

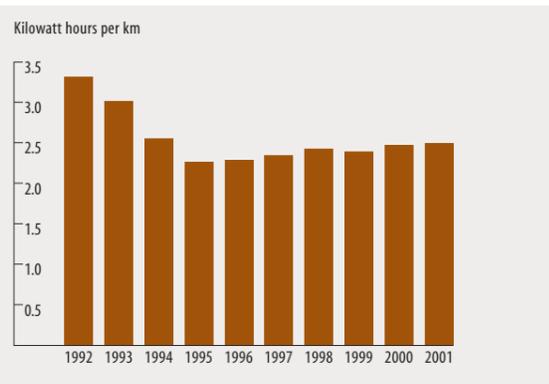
As the operator of a railway system in a densely populated city, MTR plays a significant role in reducing the environmental cost of moving 2.23 million people every weekday. Compared with the MTR, taxis and buses produce respectively 100 times and 10 times more atmospheric pollution.

Management of environmental issues

Last year, each department set its own environmental targets within the overall corporate framework and monitored progress towards achieving them using our corporate Environmental Management System.

We strive to reduce as far as possible the environmental impact of our operations. Each year we look for ways to reduce our consumption of electricity. The traction energy consumption measured in kilowatt hours per kilometre has increased by 0.7% as compared to last year due to changes in train schedules and performance criteria. This increase is significantly less than the general trend over the past five years, supporting our efforts to fine-tune the energy use by optimising the signaling system, the trains and our services.

Traction power consumption



Over the past 10 years MTR has reduced the consumption of electricity, including traction power. This saves costs and benefits the environment.

Noise during construction and operation of our railways is a key concern for us. We have worked hard to reduce complaints and incidents exceeding regulatory limits. We will continue to work closely with the Government and local communities on this issue. Highlights of our noise reduction program were removal of a further 30 track joints and the purchase of a second high capacity rail grinder.

Wastewater from our railway operations is another important issue. The Company had planned during 2001 to complete its drainage and effluent treatment programme to comply with the relevant ordinance. In support of this project, eight new water treatment plants and extensive pipeline diversions were required. During the course of this work, 11 additional sewerage connections were discovered. As a result, completion of this enlarged project has been extended into 2002.

In addition to improvements to our infrastructure, we promote recycling throughout our operations. 100% of scrap metal and oil was recycled this year, resulting in recovery of 720 tonnes of metal and 3,150 litres of oil.

Property

We have also taken an environmental lead as a co-developer and manager of properties. Market sentiment is generating demand for increasingly efficient, well-built and "green" developments. We review and where appropriate use more effective construction methods and materials, such as metal formwork and dry wall systems. Examples of an environmentally friendly approach can be seen in our innovative planning for the large Area 86 site centered on the future Tseung Kwan O South Station and the use of sky gardens and balconies in the Kowloon Station Development Package 3.

Contractors and Procurement

In support of raising environmental awareness within the construction and contracting sector, during the year we introduced the Contractor Project Environmental Awards. A contractor's environmental performance is measured by compiling the results of monthly environmental site audits, the monitoring of specific environmental impacts at the contractors' sites and the contractors' efforts in training and in achieving agreed environmental targets. They are the first awards of this type in Hong Kong.

All suppliers have completed an environmental assessment to ensure that all goods and services supplied meet standards for materials, recycling and sustainability.

Environmental accounting

During the year, we initiated a pilot scheme to determine the extent of spending on environmental issues based on the existing Activity Based Costing structure. The results will be reviewed in 2002.

In recognition of our environmental initiatives, MTR won the Award in the Green Office category for 2001, presented by the Hong Kong Eco-Business Awards.

Community

By providing an efficient transport system linked to high quality property developments, MTR provides people with "more time for life" – for their families, recreation and work.

Accessibility

We strive to make our railways accessible to all including children, seniors and the physically impaired. To enhance the physical mobility of our passengers, we have installed a variety of features in stations to help the elderly and the physically impaired. These include lifts and ramps, by which 70% of our platforms can now be reached, Braille route maps and bi-directional wide ticket gates. In December, the Company, together with 11 other public transport operators in Hong Kong, supported the annual "International Disabled Persons Day", providing free unlimited travel on the MTR for the disabled and their care-takers. In 2001, our network was voted Hong Kong's "Most Barrier Free Public Transport Facility" by the Hong Kong Physically Handicapped and Able-Bodied Association.

Outreach

In our relations with the wider community, MTR also seeks to identify areas of need where the Company can devote some of its resources for health, humanitarian and other social benefits. The Company's commitment to the community has helped foster an attitude of care among employees. In addition to corporate giving, our staff donated to different causes during 2001. Many also devoted leisure time to helping the less fortunate, in part through events organised by our Association of Voluntary Workers, a unique grass-roots organisation whose activities MTR supports.

In particular, we aim to interact with the people around us in ways that promote a wider integration of the activities of the Company with that of the SAR. To enable the public to celebrate a

milestone in the transport heritage of Hong Kong, as well as to promote the benefits of the train modernisation scheme, we organised events in August to commemorate the last day in service of first generation MTR trains. Two thousand people bought charity tickets for the last journey of such trains from Central Station to the Kowloon Bay Depot, where they joined a further 6,000 people at the depot's open day.

Health and safety

We are committed to ensuring the health and safety of employees, customers, contractors and the public on our premises. We take care to enhance safety awareness in all areas and strive for continuous improvement in safety performance. Our efforts during 2001 once again resulted in safety records that are among the best in the world for our type of operations.

Raising awareness

Education on the safe use of the railway under our Passenger Behaviour Education programme continued throughout the year. MTR employees gave a total of 39 talks in schools, centres for the elderly and other institutions. Trips were organised to the MTR and Airport Railway facilities. Public commitment to safety was also enhanced by our annual Model Passenger Awards, Escalator Safety Campaign, Safety Month and participation in Transport Day.

Awareness of safety among employees was advanced during the year through regular training, events such as the Corporate Safety Week and the Inter-company safety quiz. A pilot Behavioural Accident Prevention Protection Process was introduced at the Airport Railway, with the aim of improving working practices from a safety perspective. We also continued to refine our Contractor Safety Management System that helps ensure tight standards in both continuing operations and new construction work.

Improving risk management

All new equipment destined for MTR continued to be evaluated for its health and safety performance and station modernisation also contributed to improved conditions. Our risk management system, which seeks to identify and mitigate potential hazards, was improved through the upgrading of the Hazard Registration System which now offers faster retrieval of data, analysis and reporting.