

MTR Corporation Sustainability Report 2003



" Despite a trying year in 2003, we have maintained our membership of the Dow Jones Sustainability Index and the FTSE4Good Global Index, and expanded our participation in the World Economic Forum Corporate Citizenship Initiative through our involvement with the Global Reporting Initiative. We have also expanded our support for the Union of International Transport Providers ' Charter for Sustainable Development.

In this report we are presenting the results of several new initiatives including sustainability accounting and an inventory of our green house gas emissions. We are also reporting on the first steps of a three-year programme to provide full assurance of our sustainability reports.

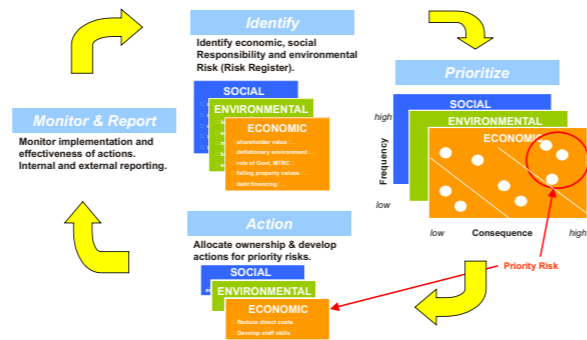
These are exciting times for MTR Corporation and our sustainability efforts are critical to ensuring long-term shareholder value."

CK Chow, Chief Executive Officer,  
MTR Corporation Limited.  
Please visit [www.mtr.com.hk](http://www.mtr.com.hk) for the full report

## Corporate Sustainability

By making a major contribution to the prosperity and well-being of Hong Kong and by raising the standards of corporate responsibility and risk management amongst listed companies, MTR is a leader in shaping and delivering a more sustainable society.

### Risk Management



As a responsible corporation, MTR seeks to identify and manage risks which may materially affect its business and by implication, the interests of our shareholders, customers and staff. By likening risk management to sustainability, MTR gains greater insights into the creation of long-term

## Developing our Reporting and Assurance

This year at MTR we are embarking on a journey to develop and improve our reporting and assurance. In terms of reporting we have made a number of changes and improvements including our first efforts at sustainability accounting and an inventory of our green house gas emissions.

MTR also conducted a review of our assurance arrangements to gain enhanced comfort over the quality of our reported sustainability information.

PricewaterhouseCoopers conducted a programme of interview with management, reviewed documentation and carried out analytical review supplemented, where necessary with data testing. In relation to all the information selected for assurance they also reviewed the whole report to confirm there are no inconsistencies with the findings of their work. This work is consistent with a limited assurance assignment as defined by the IFAC international standards.

Going forward we plan to work proactively with our stakeholders and our assurance providers to:

- Identify the material aspects of our sustainability performance;
- Focus future target setting, reporting and assurance efforts on these areas in the coming years; and
- Build up our reporting systems and controls to enhance the quality and credibility of our reported sustainability information

## MTR Corporation's 2004 Sustainability Targets

Prepare a Corporate Social Responsibility Policy and communicate the policy to all stakeholders.

Review vision, mission, core values and implement changes if any.

Continue implementing assurance in governing sustainability issues.

Review position on Corporate Social Responsibility. Review Code of Conduct and implement recommendations.

Maintain membership with DJSI, FTSE4Good & WEF. Complete participation with AccountAbility on impacts reporting.

Maintain Sustainability Advisory Board for the Cable Car Project.

Develop a climate change strategy.

Further develop sustainability accounting to include Capital and Revenue investments.

Maintain open staff communication and consultation particularly with regards to the progress of the possible merger.

Follow-up on the 2003 Staff Attitude Survey results.

**MTR's Priority Business Risks**

**Priority Business Risk      Performance**

**Economic**

- Maintaining business in deflationary economy  
Growth of shareholder value in developed market
  - Total shareholder return outperformed the Hang Seng Index by 11.8%
- Clarity of roles between Government, regulator and central provider.  
Ensure continued impartiality of the Board
  - A full description of the Board and Executive Committees is included in the report.  
Extension Projects – No fatalities

**Social Responsibility**

- Maintaining passenger numbers
  - Passenger numbers maintained, 100% of all Customer Service Pledges achieved
- Developing and retaining motivated and skilled staff
  - Voluntary staff turnover rate was 2.9% as compared to 7.9% in Hong Kong.
- Ensuring the health and safety of passengers, staff and contractors
  - Passenger Safety - 1 Fatality
  - Staff Safety on the Operating Railway – No fatalities
  - Contractor Safety on the Operating Railway – No fatalities
  - Management of Construction Activities on the Operation Railway – No fatalities
  - Construction Safety for Railway Extension Projects – No fatalities

**Environmental**

- Breaches of Statutory Environmental Requirements
  - Legal Compliance (MTR) – No prosecution of fines
  - Self-Monitoring Results (Operations) - No prosecutions
  - Legal Compliance (Project Contractors) – No prosecutions
- Long-term energy supply without renewables
  - Greenhouse Gas (GHG) inventory completed
  - Targets achieved
- Management of Assets
  - Contractor Safety on the Operating

**Economic**

MTR directly employs about 6,629 people and indirectly supports the employment of many more in Hong Kong, the region and globally through the hiring of contractors for projects, the purchase of supplies and energy and our involvement in joint property development ventures. MTR ' s services play an important role in the Hong Kong economy.

MTR is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort identifying and formalizing the best practices. MTR ' s inclusion in the Hang Seng Index (which represents Hong Kong ' s 33 blue chip companies), MSCI and FTSE Index series has brought additional quality and diversity to Hong Kong ' s equity capital market.

MTR ' s approach to corporate sustainability has been recognised by our inclusion in the Dow Jones Sustainability Index (DJSI World) and the FTSE4Good Global Index.

**MTR's Economic Contribution**

	2003	2002
<b>Financial Performance</b>		
Turnover	HK\$ 7,594m	HK\$ 7,686m
Profit for the year attributable to shareholders	HK\$ 4,450m	HK\$ 4,212m
Return on Shareholder's Fund	8.0%	7.6%
<b>Interaction with Economy</b>		
Number of Staff	6,629	6,891
Staff costs & related expenses	HK\$ 1,643m	HK\$ 1,579m
Energy & Utilities	HK\$ 502m	HK\$ 502m
Repairs & Maintenance	HK\$ 477m	HK\$ 435m
Stores & Spares Consumed	HK\$ 128m	HK\$ 121m
Railway Capital Expenditure	HK\$ 2,582m	HK\$ 5,196m
Total number of passengers	777m	786m
Share of franchised public transport in HK	24.3%	23.5%
Interest payment on borrowings	HK\$ 1,551m	HK\$ 1,153m
Dividend Payment	HK\$ 2,215m	HK\$ 2,161m
Taxes paid	HK\$ 4m	HK\$ 1m
Subsidies received	219	HK\$ 219m

**Social Responsibility**

MTR delivers a world-class railway service, transporting over 2.3 million passengers every day. In addition, MTR plays a pivotal role in establishing new communities centered on rail access through its property development activities.

We are committed to the long-term development and retention of our staff, maintaining excellent relations with all our stakeholders and playing our part as a corporate citizen.

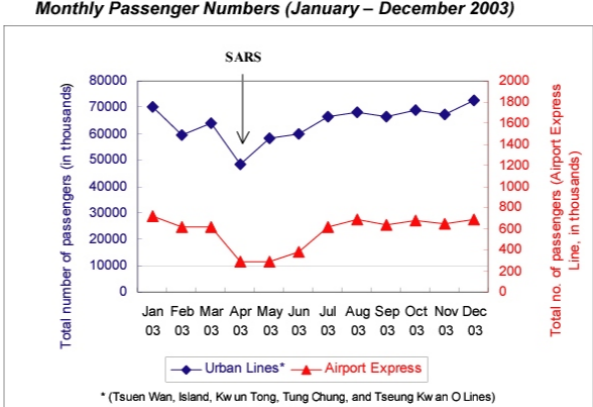
Case study: Outbreak of SARS in Hong Kong

In March 2003, the outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong caused serious concern as the disease was developing rapidly. The World Health Organisation issued a global alert on SARS and MTR operations were impacted with a drastic downturn. Ridership fell by 25% during the peak months of SARS.

Following the outbreak of SARS, MTR proactively set up an internal infrastructure for disseminating health information to staff and protecting particularly vulnerable employees.

To protect its passengers, MTR took a number of precautionary measures to prevent spread of the disease. These included the employment of 150 additional cleaners; enhancement of ventilation; and deployment of additional manpower to inspect the ventilation systems of trains.

In order to prevent the resurgence, MTR prepared a Corporate Master Plan for Combating SARS in December 2003.



**Environmental**

MTR makes a significant contribution to reducing traffic congestion, noise and air emissions in the densely populated urban surroundings of Hong Kong.

MTR received ISO14001 certification for “ provision of railway project management, operation, maintenance and relevant administrative services ” in March 2003 and has maintained this certification during the course of 2003.

In 2003, we achieved 92% of our 121 environment targets.

**MTR's Environmental Performance**

Issue	Division	2003	2002
Greenhouse Gas Emissions (CO <sub>2</sub> equivalent)		639,984	
Electricity ( Mwh)	Operations	782,273	726,390
Traction Energy(kWh/trainkm)	Operations	2.29	2.46
Metals recycled (tonnes)	Operations	1,204	941
Waste Oil recycled (litres)	Operations	15,800	9,414
Water Usage ( m <sup>3</sup> )	Operations	253,579	187,031

As one of MTR ' s most significant direct costs, electricity consumption is constantly monitored and opportunities for further efficiencies actively sought and assessed.

**MTR Green House Gas Emissions Inventory 2003 (based on the WBCSD / WRI Protocol)**

