

SUPPLEMENTAL OFFERING CIRCULAR DATED 24 October 2016



MTR Corporation Limited

(a company incorporated on 26th April 2000 in Hong Kong with company number 714016)

and

MTR Corporation (C.I.) Limited

(a company organised under the laws of the Cayman Islands on 30th October 2000)

(Unconditionally and Irrevocably Guaranteed by MTR Corporation Limited)

US\$4,000,000,000

Debt Issuance Programme

This supplemental Offering Circular (the “**Supplemental Offering Circular**”) is supplemental to, should be read in conjunction with and forms part of, the Offering Circular dated 6th November 2015 (the “**Offering Circular**”) and all other documents which are deemed to be incorporated by reference, in relation to the US\$4,000,000,000 Debt Issuance Programme established by MTR Corporation Limited (“**MTRCL**”), and MTR Corporation (C.I.) Limited (“**MTR Cayman**”) (each of MTRCL and MTR Cayman in such capacity an “**Issuer**” and together the “**Issuers**”). This Supplemental Offering Circular is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)) only. Terms defined in the Offering Circular have the same meaning when used in this Supplemental Offering Circular.

The purpose of this Supplemental Offering Circular is to incorporate by reference into the Offering Circular, the annual report and audited consolidated annual accounts of MTRCL and its subsidiaries (together referred to as the “**Group**”) for the year ended 31st December 2015, the audited annual accounts of MTR Cayman for the year ended 31st December 2015, and the unaudited interim financial report of the Group for the half year ended 30th June 2016.

Prospective investors should have regard to the factors described under the section headed “**Risk Factors**” in the Offering Circular.

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This Supplemental Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to each of the Issuers. The Issuers accept full responsibility for the accuracy of the information contained in this Supplemental Offering Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

New Documents Incorporated by Reference

The annual report and audited consolidated annual accounts of the Group for the year ended 31st December 2015, the audited annual accounts of MTR Cayman for the year ended 31st December 2015, and the unaudited interim financial report of the Group for the half year ended 30th June 2016, shall, by virtue of this Supplemental Offering Circular, be deemed to be incorporated in, and form part of, the Offering Circular.

The documents entitled “MTR Green Bond Framework” and “Framework Overview and Second Opinion by Sustainalytics”, the text of which are set out in Appendix I and Appendix II to this Supplemental Offering Circular respectively, are hereby incorporated in, and form part of, the Offering Circular.

The section headed “Documents Incorporated by Reference” on page 6 of the Offering Circular shall be amended by inclusion of the above.

Recent developments

The Kwun Tong Line Extension commenced service on 23rd October 2016 and runs from Yau Ma Tei Station on the Kwun Tong Line to the new Whampoa Station via the new Ho Man Tin Station. The total construction cost of the extension was approximately HK\$7.2 billion (before capitalised interest).

Appendix I

MTR Green Bond Framework

Please refer to the MTR Green Bond Framework on the next page.



THE INFORMATION CONTAINED HEREIN IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED TO BE, AND SHALL NOT BE CONSTRUED AS, AN OFFER, INDUCEMENT, INVITATION, SOLICITATION, COMMITMENT OR ADVERTISEMENT WITH RESPECT TO THE PURCHASE, SUBSCRIPTION OR SALE OF ANY SECURITY, AND NO PART OF IT SHALL FORM THE BASIS OF, OR BE RELIED UPON IN CONNECTION WITH, ANY CONTRACT OR COMMITMENT WHATSOEVER.

MTR Green Bond Framework

Dated 14 October 2016

1. Introduction

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

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

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

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

¹ World Urbanization Prospects, UN DESA, 2014

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



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

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

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

2. MTR Green Bonds Issuance

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

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

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

3. Use of Proceeds

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

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

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

Eligible Investments

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

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

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

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

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

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

4. Green Bond Governance

4.1 Project Evaluation and Selection

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

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

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

4.2 Management and “Earmarking” of the Proceeds of Issuance

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

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

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

4.3 Reporting on Use of Proceeds

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

The Green Bond Report will disclose for each period:



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

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

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

Appendix II

Framework Overview and Second Opinion by Sustainalytics

*Please refer to the Framework Overview and Second Opinion by Sustainalytics
on the next page.*

MTR CORPORATION LIMITED GREEN BOND

FRAMEWORK OVERVIEW AND SECOND OPINION BY SUSTAINALYTICS

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1. PREFACE

MTR Corporation Limited (“MTR”) and its subsidiaries (“MTR Group Entities”) are planning to issue multiple green bonds under its Green Bond Framework to finance projects aligned with MTR sustainability objectives. MTR has engaged Sustainalytics to provide a second opinion on the framework and its environmental credentials. As part of this engagement, Sustainalytics held conversations with various members of MTR’s management team to understand the sustainability impact of their business processes and planned use of proceeds for the bond issuance. Sustainalytics also reviewed relevant public and internal documents. This document contains two sections: Framework Overview – a summary of the MTR green bond framework; and Sustainalytics’ Opinion – an opinion on the framework.

2. INTRODUCTION

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

Established in 1975, MTR was formerly a Hong Kong government-owned entity constructing and operating an urban metro system to help meet Hong Kong's public transport requirements. MTR now has a diversified business profile focusing on railway construction and operations, station commercial, residential and commercial property development, property investment and management, and international consultancy services. MTR’s notable railway investment and operations include the Hong Kong railway network, the Hong Kong Airport Express and several railway lines in Beijing, Shenzhen, London, Melbourne and Stockholm. MTR’s shares have been listed on the Stock Exchange of Hong Kong since 2000 with the Hong Kong SAR Government owning 75.40% of its shares as at the end of June 2016.

MTR’s vision is to be a leading multinational company that connects and grows communities, with a focus on both the social and environmental benefits of rail and property networks to power the sustainable development of the communities it operates in and the wider society to which it belongs.

In its Sustainability Report, MTR states that it “strives to become one of the most resource-efficient and ecologically sustainable railway and property companies in the world.” In line with this overarching goal, MTR has developed a sustainability strategy that includes a Corporate Sustainability Policy, a Corporate Responsibility Policy, a Corporate Biodiversity Policy, and a commitment to combating climate change. Through these commitments, MTR has currently identified the following broad environmental sustainability objectives: (i) increase energy efficiency; (ii) use natural resources sustainably; and (iii) mitigate and adapt to climate change.

To invest in projects that further MTR’s sustainability commitments, the company is planning to issue green bonds to finance projects focussed on low carbon transportation, energy efficiency, sustainable transit stations and real estate properties, adaptation to climate change, biodiversity and conservation, water management, and pollution prevention that are eligible according to the eligibility criteria outlined in the Use of Proceeds section of the Framework Overview.

3. FRAMEWORK OVERVIEW

The following section summarizes MTR's green bond framework including the use of proceeds, process for project selection, the management of proceeds, and reporting.

3.1 Use of Proceeds

The proceeds of MTR Green Bonds will be allocated towards funding or refinancing, in whole or in part, MTR projects that meet the following eligibility criteria. In addition to defining eligibility criteria for the framework, MTR has committed that where project review and evaluation has been completed and the allocation of proceeds has been determined at time of issuance, it will disclose the specific projects funded through bond proceeds, and the relevant eligibility criteria the funded projects will fall under, on issuance of green bonds.

Eligibility Criteria

1. LOW CARBON TRANSPORTATION

Proceeds may be allocated towards (i) projects to build or operate electric, hybrid, public, urban metro, heavy or light rail, non-motorized, multi-modal transportation. Examples of projects funded include construction of new lines, network expansion of metro/heavy rail/light rail, "last mile" solutions (for example, buses and other potentially non-motorized transport); expansions and upgrades that result in improved service levels; (ii) projects that create or construct infrastructure to support low carbon transportation. Examples of projects funded include support infrastructure on capacity enhancements of metro/heavy rail/light rail (for example, signaling equipment, platform gates); network interfaces including passenger access, ancillary passenger services, facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure.

The context: In its 2015 Sustainability Report, MTR states a commitment to mitigate climate change by providing low carbon transportation. MTR aims to realize this commitment through the provision of electrically powered mass transit railway, including the building of new networks, expansion of current networks, and construction of supporting infrastructure.

2. ENERGY EFFICIENCY

Proceeds may be allocated towards the design, manufacture and installation of systems, products and technology that reduce energy consumption or mitigate greenhouse gas emissions in (a) railway construction and operation; (b) property management.

a. ENERGY EFFICIENCY IN RAILWAY CONSTRUCTION AND OPERATION

This includes allocation towards projects that:

- Enable energy performance monitoring and modelling such as design and installation of computer controls, sensors, or information systems
- Optimise the amount and timing of energy consumption and minimise peak loads such as design and installation of metering, peak load shedding, regenerative braking systems, or trackside energy storage system
- Deployment of new and energy-efficient trains, light rail vehicles and buses

The context: MTR has a publicly available Climate Change Statement in which the organisation commits to a continuous reduction in its Greenhouse Gas (GHG) emissions. The majority of MTR's GHG emissions stem from purchased energy for its railway construction and operations as well as property management operations. With respect to energy efficiency in its railway construction and operations, MTR has set a target to reduce the amount of electricity consumed per passenger-kilometer in its heavy rail network by 21% as compared to the 2008 levels by 2020. In line with this commitment, energy efficiency in railway construction and operation is an important sustainability goal for MTR.

b. ENERGY EFFICIENCY IN PROPERTY MANAGEMENT

This includes allocation towards projects that:

- Have the objective of installation, maintenance, or replacement of energy efficient systems/technologies, such as heating, ventilation, air-conditioning, cooling, lighting and electrical equipment in properties

The context: MTR is a signatory of the World Business Council for Sustainable Development Manifesto for Energy Efficiency in Buildings. Being a signatory requires MTR to set and report to an energy efficiency target. MTR has disclosed that it will report on its progress towards this target starting in 2017. In line with this commitment, energy efficiency in property management is an important sustainability goal for MTR.

3. SUSTAINABLE TRANSIT STATIONS AND REAL ESTATE PROPERTIES

Proceeds may be allocated towards financing existing or new buildings that have received, or expects to receive based on its design, construction and operational plans, certification according to third party verified green building standards. Eligible third party certifications that verify green building standards are: LEED, BEAM, BREEAM and ISCA and other appropriate and equivalent standards¹ in the relevant jurisdictions where MTR has its operations.

¹ MTR considers a standard equivalent if it requires, at minimum, a demonstration of energy and water efficiency in certified buildings.

The context: In addition to its commitment to reduce GHG emissions, MTR also has a commitment to certify new residential property developments with a minimum Hong Kong BEAM Plus Gold certification, where this standard is relevant. In line with these commitments, green buildings are an important climate change mitigation goal for MTR.

4. ADAPTATION TO CLIMATE CHANGE

Proceeds may be allocated towards financing projects for the design, construction, maintenance and upgrades of infrastructure for adapting to extreme weather events caused by climate change. This includes, but is not limited to, infrastructure for flood prevention, flood defence, or storm water management. Examples of such projects include maintenance of wetlands and lagoons; construction of retention berms, reservoirs, sluice gates, drainage systems, tunnels and channels; infrastructure to protect from heat-stress caused by increased temperatures and landslide prevention.

The context: MTR has a publicly available Climate Change Statement in which the organisation commits to adapting to risks stemming from climate change. MTR has identified heavy rain and flooding and rising temperatures as two key risks to its railway operations. The company discloses that it regularly reviews its Design Standard Manual for new railway projects and its existing railway infrastructure on a regular basis to integrate adaptation to extreme weather events. As such, adaptation to climate change is an important and ongoing sustainability objective for MTR.

5. BIODIVERSITY AND CONSERVATION

Proceeds may be allocated towards reforestation, and ecological restoration of forests and wetlands, and soil remediation.

The context: MTR has a publicly available Corporate Responsibility Policy, in which it states that the company has a commitment to protecting the environment. This policy includes a commitment to protect natural habitats and areas with high ecological sensitivity during the construction of new railway projects. In line with this commitment, biodiversity and conservation is an important sustainability goal for MTR to manage its business operation risks.

6. WATER MANAGEMENT

Proceeds may be allocated towards rainwater collection, installation/upgrade of technologies to increase water efficiency, alternatively sourced water treatment facilities.

The context: MTR discloses in its sustainability report that water is an important component of their railway operations business, and is used for cleaning trains, and for construction of infrastructure and stations. Due to the nature of its business operations and the dependency of Hong Kong on a single river basin for 80% of its water supply, MTR recognizes a water supply risk. As such, water management is an important sustainability goal for the company.

7. WASTE MANAGEMENT

Proceeds may be allocated towards waste management support infrastructure within MTR premises such as recycling collection areas, and technologies that enable the separation, handling and processing of waste to recycled materials.

The context: MTR has a publicly available Corporate Responsibility Policy, in which it states that the company has a commitment to preventing pollution caused by waste generated from both MTR's railway and property management operations.

8. POLLUTION PREVENTION: IMPROVEMENT OF AIR QUALITY AND NOISE REDUCTION

Proceeds may be allocated towards technologies related to enhancing air quality such as, but not limited to, technologies that increase air circulation and air filtration; and noise reduction technologies such as noise barriers, modification of turnouts, rail dampers and insulation booths.

The context: MTR's Corporate Responsibility Policy also states a commitment to preventing air pollution caused by MTR trains at railway stations. Additionally, MTR's sustainability report outlines a commitment to noise mitigation initiatives, as required by environmental regulators in Hong Kong. Given this commitment, MTR has identified pollution prevention through improvement of air quality and noise reduction as sustainability objectives.

3.2 Project Evaluation and Selection Process

Projects will be selected for funding through bond proceeds if they fall under one or more of the use of proceeds eligibility criteria outlined in section 3.1. MTR's Treasury Department and the Corporate Responsibility Department will review and approve (as appropriate) each proposed use of proceeds based on this evaluation. Additionally, projects will also be evaluated by MTR's Corporate Responsibility Department for their alignment with MTR's sustainability framework and potential to reduce environmental impacts or create positive environmental benefits.

3.3 Management of Proceeds

The proceeds of MTR Green Bonds will be credited to the general funding account of the MTR issuing entity. MTR will maintain a Green Bond Register to track the use of proceeds for MTR Green Bond issuance. The Register will contain details of MTR Green Bonds issued and projects identified for funding through earmarking of proceeds of MTR Green Bonds. The Register will contain, for MTR Green Bonds issued, information on:

MTR Green Bond details, including ISIN, the principal amount outstanding, pricing date, and maturity;

- (i) Earmarking of proceeds to eligible projects, including:
 - a. Eligible investment category of eligible project funded,
 - b. Summary details of eligible project funded
 - c. Amount allocated to eligible project

- d. Issuer estimate of the impact of the eligible project

Pending allocation to eligible projects, proceeds may be invested in accordance with MTR's Investment Guidelines, including in cash and money market instruments, or used to repay existing borrowings under MTR's general credit facilities, in whole or part.

3.4 Reporting

Allocation and Impact Reporting

MTR has committed to preparing an annual Green Bond Report that will report on both allocation of proceeds and the impact of proceeds. The Green Bond Report will be published on the MTR website and within the MTR Sustainability Report annually, throughout the term of each green bond issued under this framework. The Green Bond Report will be reviewed by the MTR Executive Committee. MTR has also committed to engage an independent third party to review the allocation of proceeds in the Green Bond Report.

Annually, the Green Bond Report will disclose:

- (i) A list of MTR green bonds outstanding, including the issuing entity, ISIN Reference and outstanding amounts at the beginning and end of the annual period
- (ii) MTR green bonds issued and repaid/redeemed during the annual period
- (iii) Details of allocation of proceeds for each MTR green bond in issuance during the annual period, including:
 - a. Amount of proceeds allocated, in aggregate, to all projects under each eligibility criterion
 - b. Description of the projects funded under each eligibility criterion
 - c. Balance of unallocated proceeds at the end of the reporting period
- (iv) When feasible, an estimate of the impact of projects funded through the Key Performance Indicators (KPIs) specified in Table 1.

Table 1: KPIs by Eligibility Criterion

Eligibility Criterion	KPI
Low Carbon Transportation	Tons of fuel saved/reduced
	Tons CO2 emissions or equivalent avoided
Energy Efficiency	Kwh saved/reduced
	Tons CO2 emissions or equivalent avoided
Sustainable transit stations and real estate properties	Kwh saved/reduced
	Tons CO2 emissions or equivalent avoided
Water Management	Cubic meter of water (m ³) saved / reduced
	Cubic meter of water (m ³) collected / stored / treated
Biodiversity and Conservation	Hectares of land/area reforested or protected
Waste Management	Tons of waste reduced or recycled

4 SUSTAINALYTICS' OPINION

A strong and comprehensive environmental strategy:

MTR has a comprehensive environmental strategy, as supported by the company's commitments in its Code of Conduct, Corporate Sustainability Policy, Corporate Responsibility Policy, Corporate Biodiversity Policy, and Climate Change Statement. Through these statements and policies, MTR makes a commitment to address a wide range of environmental risks stemming from its business operations, ranging from pollution prevention to climate change mitigation and adaptation.

In addition to its comprehensive nature, Sustainalytics has assessed MTR's overall environmental strategy to be robust. The strength of this strategy derives from three factors: (i) MTR's environmental policy includes a commitment not only to improve the environmental performance of its own operations, but also to promote greater environmental responsibility among its stakeholders including employees, contractors and suppliers; (ii) MTR's environmental strategy is approved by the board of directors; and (iii) MTR regularly reports on its progress towards achieving its commitments and targets.

Track record of delivering on its commitments:

Sustainalytics is of the opinion that MTR's track record is in line with its commitments. An example of this is MTR's "Rail Gen 2.0" initiative that launched in early 2016. MTR states that a key focus of the "Rail Gen 2.0" initiative is to enhance its railway service, enabling an increase in the use of its network. This initiative also integrates the improvement of the company's environmental performance, in accordance with the commitments outlined in its various policies and statements, with its business operations. For example, as a part of the "Rail Gen 2.0" initiative, MTR is replacing 160 chillers in stations and depots with more energy efficient models. Some other examples of MTR's performance through the "Rail Gen 2.0" initiative include retrofitting platform gates in operational railways, and installation of new trains and signalling systems in order to increase capacity and/or energy efficiency of its rail operations.

Well positioned to mitigate common environmental and social risks:

Sustainalytics recognizes common environmental and social risks posed by infrastructure development projects, such as pollution, loss of biodiversity, and poor health and safety conditions for construction workers. However, Sustainalytics is of the opinion that MTR is well positioned to mitigate these risks through its robust internal processes.

With respect to mitigating environmental risks, Sustainalytics reviewed internal MTR documents that reflect a robust internal process for environmental site management. The robustness of this process derives from: (i) the need for a mandatory environmental impact assessment for all projects in order to receive approval from the EPD; (ii) continuous monitoring and audits of environmental impact; and (iii)

an agreement that requires mandatory Environmental Management Plan (EMP) and Waste Management Plan (WMP) for all construction and demolition carried out by MTR contractors.

With respect to mitigating social risks, MTR has in place a Human and Labour Rights requirement that aligns with international norms such as the United Nations (UN) Universal Declaration of Human Rights, and the UN Global Compact. The requirement addresses several areas, including the use of child and forced labour, health and safety, and wages of workers for all MTR suppliers, contractors, and consultants. Additionally, MTR also engages external auditors to evaluate safety standards on its construction sites. Lastly, MTR has in place a comprehensive stakeholder engagement process that identifies all stakeholders, and maintains an issue register to capture current and anticipated stakeholder concerns and engagements. The stakeholder engagement process also includes a step to regularly monitor and update the list of identified stakeholders.

Sustainalytics is of the opinion that the environmental and social risk mitigation processes described above are comprehensive and strong, and that MTR is well positioned to mitigate the risks identified above.

Impact of Use of Proceeds

In general, Sustainalytics is of the opinion that all the use of proceeds outlined by MTR have an environmental benefit, specifically in the context of Hong Kong. Sustainalytics has outlined the contextual relevance of this impact for Hong Kong for the low carbon transportation and energy efficiency criteria in the sections below. In addition, Sustainalytics' opinion on three specific eligibility criteria – sustainable transit stations and real estate properties, climate change adaptation and noise pollution – are detailed in the paragraphs below.

With respect to sustainable transit stations and real estate properties, Sustainalytics is of the opinion that although all levels of LEED, BEAM, BREEAM and equivalent certifications result in additional energy and water efficiency, funding the equivalent of Hong Kong BEAM Plus Gold or Platinum/LEED Gold or Platinum certified buildings represents best practice, and MTR should make best efforts to achieve this standard. MTR already has a commitment to certify new residential property developments with a minimum Hong Kong BEAM Plus Gold certification, where this standard is relevant. It has demonstrated meeting this best practice standard.

With respect to climate change adaptation, Sustainalytics has reviewed internal MTR documents that confirm that the company has conducted a study to identify risks posed by climate change. The study specifically identifies flooding due to increased rainfall and rising sea levels, as well as increased landslides, as risks faced by various MTR sites due to climate change. Sustainalytics is of the opinion that basing the adaptation eligibility criterion on specific risk studies strengthens the impact of the use of proceeds, as it establishes a clear case that the adaptation infrastructure is being funded as a direct response to climate change risks.

While Sustainalytics recognizes that prevention of noise pollution can be considered to have clearer links to health and social impacts, noise pollution is classified by the Hong Kong Environmental Protection Department (EPD) as an environmental issue. Given the contextual relevance of noise

pollution as an environmental issue in Hong Kong, projects related to noise pollution have been included under MTR's eligibility criteria for this bond.

Importance of energy efficiency in mitigating climate change in Hong Kong

Hong Kong is a service-based city and does not have energy-intensive industries. Electricity accounts for 54% of the city's total energy consumption. Since 1997, the Hong Kong government banned the construction of new coal-fired generating units in favour of natural gas, which emits less greenhouse gas per unit of electricity produced. Nonetheless, the major source of power generation in Hong Kong remains fossil fuels. As a result, as per the Hong Kong Government's EPD, electricity generation is the largest source of local GHG emissions, accounting for about 68% of the total.

Hong Kong's access to alternative energy sources is limited, due to its geographical conditions and the constraint of land areas. Although companies in Hong Kong are exploring the feasibility of developing large-scale offshore wind farms, it is estimated to meet merely 1 to 2% of total electricity demand by 2020. Hong Kong's current targets are to reduce the carbon intensity by 50-60% from the 2005 level by 2020; and to reduce the city's energy intensity from the 2005 level by 40% by 2025. Therefore, energy efficiency becomes top priority in mitigating climate change. With buildings accounting for 89% of the total electricity consumption at end-use level in Hong Kong (and 60% of GHGs), MTR's effort to promote energy efficiency of its constructions and existing properties would have the potential to make significant contributions to the reduction of Hong Kong's overall energy and carbon intensities. In addition, given MTR is the largest single electricity user in Hong Kong², due to its railway operations, enhancing energy efficiency of its railway system would also generate significant impact on energy conservation in Hong Kong.

Importance of low carbon transportation in mitigating climate change in Hong Kong

Hong Kong is a highly populated city, with average of over 12 million passenger journeys made on public transport every day (including railways, trams, buses, minibuses, taxis and ferries). Transportation is the second largest source of GHG emissions, representing about 17% of the total, mainly arising from fuel usage in commercial diesel vehicles and petrol private cars³. Over the past 10 years, the number of licensed private cars has increased dramatically from 345,000 in 2004 to about 495,000 in 2014, which led to an overall rise in the total number of vehicles.

The most direct and effective way to mitigate carbon emissions from transportation in the context of Hong Kong is to promote public transport, including buses, but especially rail. The government is planning to extensively expand the city's rail system, aiming to increase railway's share in the public transport patronage to 45% ~ 50% by 2031². By then, 75% of Hong Kong's population will have convenient access to rail as a means of daily transport. While more electricity will be needed to power all these new rail-lines, in total it will account for a very small share of Hong Kong's overall electricity consumption, and therefore rail transport is still the lowest carbon way to provide mass mobility. Given

² <http://www.enb.gov.hk/sites/default/files/pdf/EnergySavingPlanEn.pdf>

³ <http://www.enb.gov.hk/sites/default/files/pdf/ClimateChangeEng.pdf>

this scenario, it is clear that MTR has a large role to play in Hong Kong in mitigating carbon emissions from the transportation sector.

Alignment with Green Bond Principles 2016

Sustainalytics has determined that MTR’s green bond aligns with the four pillars of the Green Bond Principles, and is credible and robust. See Appendix 1 for details.

APPENDICES

Appendix 1: Alignment with Green Bond Principles (GBP)

Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

- Issuer name: MTR Corporation Ltd.
- Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:
- Review provider’s name: Sustainalytics
- Completion date of this form: October 14th, 2016
- Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The review assessed the following elements and confirmed their alignment with the GBPs:

- Use of Proceeds
- Management of Proceeds
- Process for Project Evaluation and Selection
- Reporting

ROLE(S) OF REVIEW PROVIDER

- Consultancy (incl. 2nd opinion)
- Verification
- Other (please specify):
- Certification
- Rating

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section (if applicable):

Sustainalytics is of the opinion that all the use of proceeds outlined by MTR have a clear environmental benefit, specifically in the context of Hong Kong. While Sustainalytics recognizes that prevention of noise pollution can be considered to have clearer links to health and social impacts, noise pollution is classified by the Hong Kong Environmental Protection Department (EPD) as an environmental issue. Given the contextual relevance of noise pollution as an environmental issue in Hong Kong, projects related to noise pollution have been included under MTR's eligibility criteria for this bond.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Sustainable management of living natural resources |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes | <input checked="" type="checkbox"/> Other (please specify): Waste Management |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):
Projects will be selected in accordance with the eligibility criteria outlined in the framework. In addition, projects will also be evaluated based on alignment with MTR’s sustainability commitments, and potential to create positive environmental benefit or reduce negative environmental impact. Sustainalytics is of the opinion that the process to select this building for use of green bond proceeds is robust.

Evaluation and selection

- Defined and transparent criteria for projects eligible for Green Bond proceeds
- Documented process to determine that projects fit within defined categories
- Summary criteria for project evaluation and selection publicly available
- Other (please specify):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):
MTR’s Treasury Department has sufficient oversight over the management of proceeds. MTR has established an internal process to track the disbursement of proceeds to eligible projects through a Green Bonds Registry; this is in line with industry norms.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in a systematic manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input checked="" type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

MTR will annually disclose the number of green bonds issued, amount of proceeds that have been allocated to eligible project categories, amount of unallocated proceeds, and on verification of allocation of proceeds conducted by an independent third party. MTR has also committed to reporting on the impact of the bond, where feasible. This is in line with industry norms.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> GB financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Other ESG indicators (please specify): See Table 1 in second opinion for a full list of KPIs

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): Allocation reporting subject to verification by independent third party

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS

MTR website: <http://www.mtr.com.hk/>
MTR sustainability report: https://www.mtr.com.hk/en/corporate/sustainability/sustainability_reporting.html
LEED certification website: <http://www.usgbc.org/leed>
HK-BEAM certification website: http://www.beamsociety.org.hk/en_index.php
BREEAM certification website: <http://www.breeam.com/>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating

Other (please specify):

Review provider(s):

Date of publication:

Appendix 2: MTR’s overall ESG performance (as assessed by Sustainalytics)

Overall performance



Overall ESG Score
Leader
Outperformer
Average Performer
Underperformer
Laggard



Relative Position
Outperformer



Percentile
Outperformer



Environment
Outperformer



Social
Outperformer



Governance
Leader

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The client is fully responsible for certifying and ensuring its commitments` compliance, implementation and monitoring.

SUSTAINALYTICS

Sustainalytics is the largest independent provider of sustainability research, analysis, and services to investors. We serve over 250 institutional investors which include some of the world's largest asset owners and asset managers. Through over 20 years of experience serving the responsible investment (RI) market, we have gained a reputation for providing high-quality ESG research solutions and excellent client service.

Sustainalytics is headed by seasoned professionals in the field of business, finance, and sustainability, with a wealth of experience in the Responsible Investment area. After more than 20 years of local experience and expertise in the Responsible Investment (RI) market Sustainalytics has developed a comprehensive understanding of trends and best practices and a solid process to assist organisations in integrating ESG considerations into their policies and strategies. We have worked with some of the world's financial institutions including pension plans, investment managers and banks providing customised support to help them achieve their RI objectives. Clients include ABN AMRO, APG, BBVA, BNP Paribas, Deutsche Bank, ING Bank, Lombard Odier, Lloyds Bank, Triodos Bank, UBS and over 250 other financial institutions and organisations.

Sustainalytics now has a staff of 250 employees globally, including over 120 analysts, with operations in Amsterdam, Boston, Bucharest, Frankfurt, New York, Paris, London, Singapore, Sydney, Timisoara, and Toronto, and representation in Brussels and Washington DC.



SUSTAINALYTICS
At a Glance



Our Coverage

- Company ESG Research
4,500 Issuers
- Corporate Governance Research
4,000 Issuers
- Global Compact Research
20,000+ Issuers
- Product Involvement
40,000 Issuers
- Controversial Weapons Radar
40,000 Issuers
- Sector Research
42 Peer Groups

Our Team
Michael Jantzi, CEO

More than 250 staff members, including over 120 analysts with multidisciplinary and industry expertise

Shareholders: ABN AMRO MeesPierson, Michael Jantzi and senior staff, Mooncrest Holdings Limited, PGGM, Renewal Partners, Silver Box Holdings Limited and Triodos

Board Members:
Elsje Bos, CEO, PGGM

Alan Broadbent, CEO, Avana Capital Corporation

Melissa Brown, Partner, Daobridge Capital

Mike Musuraca, Managing Director, Blue Wolf Capital Partners LLC

Glen Saunders, Former board member and current senior adviser, Principals for Responsible Investment (PRI)

Georg Schürmann, Managing Director of Triodos Bank Germany

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Our Clients
Our 300+ clients worldwide include financial institutions, asset managers, mutual funds, pension funds, banks, insurance companies, international organizations and academic networks

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In 2015, Sustainalytics was named the Best SRI or Green Bond Research Firm by GlobalCapital. In December 2014, for the third year in a row, Sustainalytics was named best sustainable and responsible investment research firm in the Independent Research in Responsible Investment (IRRI) Survey, conducted by Thomson Reuters and SRI-CONNECT.

