

# Guangshen Railway Company Limited 2018 Social Responsibility Report



March 27, 2019

The board (the “Board”) of directors (the “Directors” or each “Director”) of Guangshen Railway Company Limited and all Directors hereby guarantee that there are no misrepresentations or misleading statements contained in, or material omissions from this report, and severally and jointly accept full responsibility for the authenticity, accuracy and completeness of the information contained herein.

The Board of Guangshen Railway Company Limited

March 27, 2019

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## **I. Chairman's Statement**

Dear Sirs/Madams,

The year 2018 marks the 40<sup>th</sup> anniversary of the reform and opening-up policy in China, and is also a critical year for Guangshen Railway Company Limited (the “Company” or “Guangshen Railway ” ) to make new achievements in its reform and development and step onto a new stage. As a railway Company rooted in Shenzhen and listed respectively in three cities, it has truly witnessed and practiced the reform and opening-up policy of China.

Adhering to the socialism thought with Chinese characteristics put forwarded by Xi Jinping in this new era, the Company has bravely undertaken the historical mission of “building China’s strength in transportation with the railway as the priority”, earnestly fulfilled its social responsibilities, and promoted the sustainable development of the economy, the society and the environment in railway passenger and freight transportation service areas.

As the Company focuses on its core competitiveness of railway passenger and freight transportation, it has made unremitting effort to improve the transportation service level, develop its

transportation capability, expand service areas, make innovations to the railway passenger transportation service mode, and implement the railway freight transportation system reform. In this year, the Company had achieved a passenger delivery volume of 89,348,400 people and freight transportation volume of 15,708,500 tons with a operation revenue of RMB 19.828 billion. The Company has consistently adhered to creating returns for shareholders, and implement a stable cash dividends policy. Since listing of H shares in 1996, the Company has paid out cash dividends of more than RMB11.4 billion accumulatively.

Guangshen Railway has always put an emphasis on transportation safety, and realized its safety responsibility target during the year. Besides, the Company has been involved in operating the Guangzhen intercity railway to channel Guangzhou and Shenzhen, provided various high-speed railways and intercity railways within Guangdong Province with corresponding operation services, and effectively promoted the connectivity of passenger flows and logistics in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, the Company has regulated its operation management, maintained the rights and interests of employees, actively participated in various community services, and a social contribution value of RMB 1.37 per share was realized.

By making full use of the railway transportation's advantages in low carbon, energy conservation and environmental protection, the Company has used multiple CRH6A EMU trains in large passenger volume, reduced the unit energy consumption of internal combustion locomotives, taken effective actions to protect the environment and renovate the station yard and implemented the energy conservation and emission reduction policy, realizing a remarkable decrease in the emission of sulfur dioxide, smoke and dust.

With an eye to 2019, Guangshen Railway will always stick to the overall development keynote of seeking progress which maintaining stability, implement new development ideas, highlight the theme of “strengthen foundation, obtain achievement, improve quality and raise efficiency”, safeguard the safety of railway transportation, and deepen and execute various supply-side structural reform measures of the railway transportation. I believe, with the support of China Railway Corporation, China Railway Guangzhou Railway Group Co., Ltd. and the efforts of entire staff of the Company, Guangshen Railway will definitely make better achievement in its reform and development course, and deliver a satisfactory report to celebrate the 70th anniversary of New China's founding.

Chairman: Wu Yong

March 27, 2019

## **II. Company Profile**

### **(I) General Information of the Company**

On 6 March 1996, Guangshen Railway was incorporated in Shenzhen, the People's Republic of China (the "PRC") pursuant to The Company Law of the PRC. In May 1996, the H shares (share code: 00525) and American Depositary Shares ("ADSs", ticket symbol: GSH) issued by the Company were listed on The Stock Exchange of Hong Kong Limited and the U.S. New York Stock Exchange, Inc., respectively. In December 2006, the A shares (share code: 601333) issued by the Company were listed on the Shanghai Stock Exchange. In January 2007, the Company used the fund raised from issuing A shares to acquire the Guangzhou-Pingshi Railway (Southbound Railway in the Beijing-Guangzhou Line), and the scope of its operations expanded from a regional railway to being part of the national backbone network, thus improving passenger and freight transportation capacities significantly. Guangshen Railway is currently the only PRC railway transportation enterprise with its shares listed in Shanghai, Hong Kong and New York.

Guangshen Railway is mainly engaged in the railway transportation businesses on the Shenzhen-Guangzhou-Pingshi Railway, and the operation of the Hong Kong Through Train

passenger services in cooperation with Hong Kong MTR Corporation Limited in Hong Kong. The Company is also entrusted with railway operating services for the WGPR, GZIR, GSHR, GZR, XSR, GSR, NGR, GGR, PRDIR and etc.

The Shenzhen-Guangzhou-Pingshi Railway, which runs 481.2 kilometers vertically through the entire Guangdong Province, is operated solely and independently by Guangshen Railway. Among which, the Guangzhou-Pingshi portion is the southern part of the Beijing-Guangzhou railway, which is an aorta connecting northern and southern China. The Guangzhou-Shenzhen Railway is currently the major railway that leads from the mainland China to Hong Kong. It connects with the Beijing-Guangzhou, the Beijing-Kowloon, the Sanshui-Maoming, the Pinghu-Nantou and the Pinghu-Yantian lines, as well as to the Xiamen-Shenzhen Railway and the East Rail Line in Hong Kong. It is an important component of the transportation network of China.

## **(II) Social responsibility management of the Company**

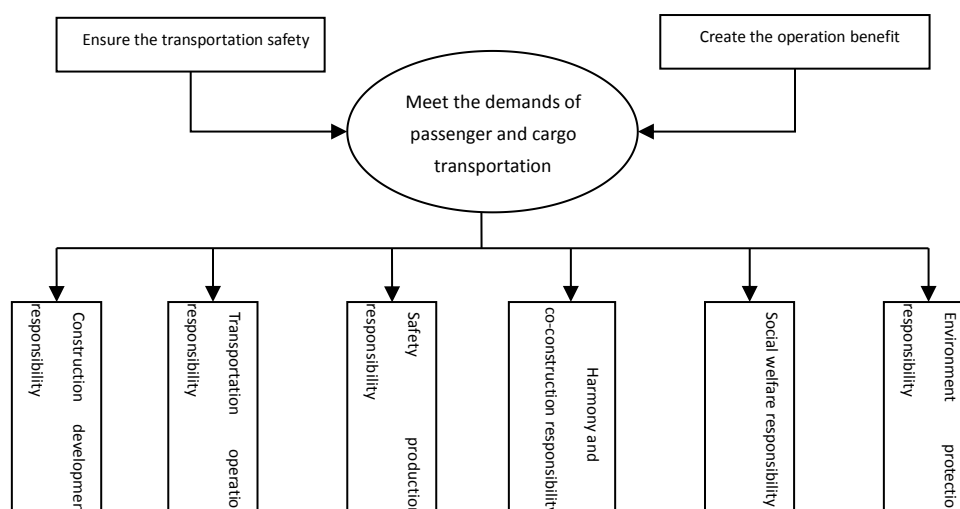
### **1. The social responsibility concept of the Company**

As a listed company providing comprehensive railway passenger and freight transportation, Guangshen Railway closely combines the operation and management with performance of social responsibility. While creating value for shareholders, the

Company is also committed to achieving the targets of overall social responsibility through the promotion of socio-economic and environmental sustainable developments.

The core social responsibility as fulfilled by Guangshen Railway is to meet the demands of passenger and freight transportation, with the premises of ensuring the transportation and production safety as well as producing the operation and management efficiency. Specifically, it comprises of six components of responsibilities in regards to construction and development, transportation operation, production safety, maintenance and reliability, public welfare and environmental protection, each of which interconnects and interacts with one another, serving the fundamental goal of satisfying passenger and freight service demands.

### **The social responsibility concept of Guangshen Railway**



## 2. Management structure

Guangshen Railway has established a management structure for corporate social responsibilities that is centered around the Board. The Board is responsible for decision making and management in relation to its social responsibility tasks and reports. The Chairman is the first person in charge of the Company's fulfillment of social responsibility. The management of the Company is responsible for leading the functional departments such as the Operation Department, Human Resources Department, Finance Department, Audit Department and General Management Department to carry out various types of work related to social responsibility. The Secretariat of the Board is responsible for the collection and disclosure of social responsibility information of the Company. Each railway station and section of the Company have set up specialized departments and offices in relation to labor safety, technical application, remuneration and benefits, staff training, and health and hygiene, etc., to perform the Company's corporate social responsibility.

## **III. Regulate Operation and Integrity Management**

### **(I) Corporate governance**

Throughout the year 2018, 1 general meeting, 5 Board meetings, 4 supervisory committee meetings, 7 audit committee meetings, and 37 general manager work meetings were held. In addition, the Company prepared Board Members Diversification System, revised Audit Committee Work Regulations and further improved the Company's governance system.

For details of the Company's corporate governance, Directors, supervisors and senior management, please refer to the 2018 annual report of the Company.

## **(II) Internal control**

The Company has set up a more refined internal control system so as to follow up and check the system's actual implementation situation and evaluate whether various management systems can be effectively carried out. In accordance with the requirements of laws and regulations such as Company Law, Securities Law, the Basic Regulations on Enterprise Internal Control and its related guidelines, Guidelines for Internal Control of Listed Companies, and the United States Sarbanes-Oxley Act, the Company focused on initiating the establishment and assessment works of its internal control. The scope of evaluation on its internal control covers 44 operation flows of the Company's headquarter and its subordinate 12 units. The Company's audit committee

formulated internal audit work plan, the Company's audit department oversees internal audit function.

For details of the Company's internal control, please refer to the 2018 annual report of the Company, the 2018 internal control assessment report and internal control audit report.

### **(III) The work of Party building**

The Company thoroughly studied and implemented the socialism thought with Chinese characteristics put forward by Xi Jinping in this new era, adhered to the Party's leadership, earnestly completed the task of party building, and implemented its main responsibility of comprehensive and strict governance by Party discipline. Besides, the Company further improved the Working Methods of the Working Committee of the Party, held 40 meetings of the Working Committee of the Party, studied and decided on various matters in relation to "Three Importance and One Greatness", and obeyed the pre-discussion procedures for issues related to board meetings and general manager work meetings. The Company strengthened the construction of party branches, initiated the "Three Meetings and One Party Class" quality year work, formulated and revised various party building systems, strengthened the Party's self-discipline, earnestly carried out the self-examination and rectification related to the Party's overall

responsibilities, and rectified 40 problems from 5 major aspects.

Further, the Company has implemented the central government's Eight Point Directives, reinforced the improvement of the Party conduct and uncorrupted governance and anti-corruption, improved various systems, and strictly inspected, supervised, formulated and revised various management policies involving travelling expenses, costs of unscheduled business trips abroad, official business communication and vehicles etc..

### Company's anti-corruption, anti-fraud measures and reporting procedures

Provisions and requirements	Preventive measures and supervision procedures	Reporting procedures
<i>Company's Employee Manual, Code of Professional Ethics and Code of Conduct for Senior Management and Anti-fraud (Trial) Regulations</i>	Company's senior management and key position staff signed the relevant declaration for the year	
<i>Management in relation to Corporate Legal matters and Model Contract</i>	the breach of bribery clause under a model contract	
<i>"Notice regarding the comprehensive and intensive of the works of the special items of "hidden reserves" investigation"</i>	"The guidelines for the prevention and management of the "hidden reserves" risks"; to implement regular inspection and regulation of regular management; to implement accountability system; and to carry the corruption warning education daily	Reporting channels for "hidden reserves" were announced.
<i>The Company's Rules for Implementing the</i>	Establish the responsibility assigning mechanism; set up the	Establish the important matters reporting system related to the

<i>Responsibility System for Improving the Party's Work Style and Clean Government Building</i>	leading group for the Party's work style and clean government building; carry out the self-inspection and report relevant details each year.	Party's work style and clean government building; The Company's discipline work committee shall report corresponding important matters.
<i>The Company's rules for implementing matters in relation to the "Three Importance and One Greatness"</i>	The working committee of the Party, the Board of Directors and the general manager's office meeting shall decide on matters in relation to "Three Importance and One Greatness", and inspect and supervise the responsibility assigning system.	When any individual has different opinions, any decision mistake occurs or any major loss cannot be remedied, and any serious problem arises from the use of fund of large amount, such situation must be reported to the superior.

In 2018, The Company had no concluded corruption lawsuits against the Company or its employees.

#### **(IV) Integrity management**

##### **1. Dividend Distribution**

The Company adopts the policy of long-term and stable cash dividend distribution to create value for shareholders. Since its listing in 1996, the accumulated cash dividends distributed by the Company has reached RMB11.46 billion (including tax), representing a dividend payout ratio of 56.7%. The Company has completed its 2017 cash dividend distribution to its domestic and foreign shareholders in August of 2018, the cash dividends was RMB0.08 per share (including tax), about RMB0.567 billion in total. The Board of the Company recommended the payment of 2018 final dividend of RMB 0.06 per share (RMB tax), about RMB 425

million in total.

## 2. Information disclosure

In 2018, the Company strictly followed the regulatory requirements in relation to information disclosure, and guaranteed the quality of the Company's information disclosure. The Company paid attention to the progress of land trading and storage and comprehensive land development, timely published announcements such as the Announcement on Signing the State-owned Land Use Right Reservation Compensation Agreement (the title of the announcement in H shares market: Transaction Required to Be Disclosed--State-owned Land Use Right Reservation Compensation Agreement), and the Announcement on Signing Comprehensive Land Development Project's Preliminary Work Assignment Agreement&Related Transaction (the title of the announcement in H shares market: Related Transaction--Land Development Project Preliminary Work Assignment Agreement).

In 2018, the Company issued 57 regular reports and provisional notices in the domestic and overseas market. For details please see the websites of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)), the HKEXnews of HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company website ([www.gsrc.com](http://www.gsrc.com)).

## 3. Investor relations

In June 2018, the Company held its 2017 annual general meeting, in which voting was held through combination of on-site voting and Internet voting together with the application of cumulative voting system in respect of the voting of 2 Directors so as to safeguard the rights of non-controlling shareholders. The Company held a global telephone conference in relation to its announcements of 2017 annual results and 2018 interim results, answered over 200 enquiries on telephone and 25 e-mails from investors during the year, received 15 investors' visits, and replied 58 questions raised on "e-interaction" platform.

#### 4.Operation Management

In 2018, the Company published a list of abolished and expired Company regulations and regulatory documents, and formulated and revised a number of internal management systems to improve relevant provisions on the use and management of official seal, canceled account balance management, the bidding and procurement management, vehicle maintenance, office supplies and low-value consumables. The Company organized the assets inspection, the land clearance, the bank account clearance and the special clearance of risky creditor's rights, standardized various procedures for handling the boarding card and foreign currency revenue and expenditure accounting, effectively regulated the

internal management procedures and improved the management efficiency. The Company completed 360 overhaul projects and 560 fixed assets investments, and signed 5,452 economic contracts of all kinds during this year.

#### 5. Legal Affairs

The Company promoted the development of rule of law, established the legal affairs management system in which the main Party leaders shall take the overall responsibility, various members shall implement the division of labor with individual responsibility, and all departments shall be involved, relied on the idea of the rule of law to legally promote various key works, and actively took up legal means to protect the Company's rights and interests. As a result, a total of 36 legal cases were settled in the year, avoiding and retrieving economic losses of RMB 24.54 million. At the same time, the Company promoted the construction of the legal affairs talent team, and 2 staffs were qualified as the Company's lawyer. Moreover, related legal affairs liaison officers were also assigned to various affiliated units and basic railway divisions in charge of daily legal affairs management.

#### 6. Cooperation and development

In 2018, Guangshen Railway, in the process of performing its corporate social responsibilities, had established its targets in the

concerted development of the economy, society and environment, and had strived to cooperate and communicate with different stakeholders in an effort to achieve mutual benefits, and to repay all stakeholders with the achievements of the Company's development, thereby achieving a win-win harmony.

**The Company and the government:** The Company cooperated with the government in strengthening anti-terrorism and security during holidays and major conferences, improving the environmental remediation along Guangshen Railway and conducting landscape works along the railways. The Company adhered to each of the technical specifications and standards of the railway industry and ensured the safety in transportation. The Company complied with the regulatory requirements of domestic and overseas securities and effectively fulfilled statutory information disclosure obligations. The Company paid tax and fees according to the laws, paying RMB0.574 billion during the year.

**The Company and its shareholders:** The Company proactively established operating results and implemented long-term stable cash dividend distribution to reward shareholders. The Board recommended the distribution of 2018 final dividend of RMB 0.06 per share (tax inclusive), totaling RMB 425.01 million. The Company also proactively developed the management of investors' relation,

held telephone conferences with institutional investors in relation to its announcement of results regularly, and enhanced the communication with shareholders through multiple channels.

The Company and its creditors: currently, the Company does not have any long-term debt with banks, and its relationship with banks with respect to other businesses are satisfactory.

The Company and its suppliers: The Company and its suppliers carried out fair and open collaboration and revised some provisions stipulated in "Tender Management Approach" to further regulate the bidding work and strengthen the supply chain and inventory management. In 2018, 69 projects were organized with tender invitations or negotiations projects by the Company, 169 projects were organized without tender invitations and 385 projects of procurement with sizeable amount by various units were audited and approved. The Company established sound cooperation with 69 suppliers and companies, of which 45 were in the Guangdong province while 24 were outside the Guangdong province. The procurement from the top five suppliers accounted for 19.56% of the total annual procurement.

The Company and the community: In 2018, the Company promoted the importance of railway in the communities and schools along the railway lines, and organized all kinds of activities

to jointly establish the harmonious railway community, including volunteer services, supporting the army and giving preferential treatment to the families of the armyman and martyrs and the retired etc.. Meanwhile, the Company communicated and coordinated with the local departments of public unities to continue the handover works relating to the public unities (water supply, electricity supply, heat supply and property management).

#### **IV. Transportation Safety and Passenger & Freight Service**

##### **(I) Transportation Safety**

Guangshen Railway always considers the safety of railway transportation as its utmost important social responsibility. In 2018, strictly adhering to the secure development idea of “Life and Safety are the Supreme”, the Company attached great importance to guarantee the safety of high-speed railways and passengers, strengthen the safety management mechanism, and innovate various safety supervision means, realizing the overall stable security situation, and achieving its safety responsibility target. Throughout the year, the Company completed 360 major maintenance and 560 fixed assets investments, including 248 fixed assets investment in traffic safety.

##### **1. Facility safety along the railway lines**

The Company invested in many major renovation projects, including reconstruction of automatic inter-locking equipment and computer interlocking from Guangzhou to Pingshi section, the improvements of system adaptability of the traction power supply system from Pingshi to Guangzhou section of the Beijing-Guangzhou railway, the reconstruction of the Guangzhou-Shenzhen Railway line from Guangzhou to Xintang section, and the expansion of the Guangzhou North vehicle section etc.. Moreover, the Company took special actions to renovate various devices along railway lines, implemented various flood protection measures and investigated potential safety hazards in the external environment, so as to further improve the equipment safety in the railway lines.

The works of high speed railway lines under the management  
of or entrusted by Guangshen Railway in 2017

Projects	Railways Lines under management	High speed railway lines	Subtotal
Replacement of steel tracks (km)	80.097	1.125	81.222
Replacement of flex abrasion tracks (km)	26.924	2.75	29.674
Turnout Installation and Replacement (Team)	96	32	128
Large machine tamper (km)	919.48	10.8	930.28

Maintenance of railway lines*(km)	596.984	44.642	641.626
Maintenance on number of spots of water damages (spots)	24	3	27

\*Maintenance mode of high speed railway lines is fine adjustment of the railway line.

## 2. Personal Safety

The Company strives to create safe stations and trains, enhance the security check and facilities, strengthen the station's closed-off management, and to carry out special inspections in relation to various passenger transportation facilities, fire control safety and food safety. In 2018, the Company newly added and improved 11,030 meters of isolation fences and 850 meters of protective walls and installed 29,806 meters of razor barb-wire on the fences. The Company took emergency responsive measures against the strong typhoon "Mangkhut", suspended passenger trains service and released announcement in relation to the suspension of passenger transportation service promptly so as to ensure the safety of travelling tourists.

Table of statistics of security check facilities and dangerous materials seized at key passenger stations of Guangshen Railway in 2018

Items	Guangzhou Station	Guangzhou East Station	Shenzhen Station	Subtotal
Security scans (number of machines)	16	17	13	46

Hand-held security scanners (number of pieces)	30	90	50	170
Number of dangerous goods seized	216,115	182,879	107,715	506,709

The Company attached great importance to the personal safety of employees, strict labor discipline and operational discipline, implemented on-site standardization operation requirements, and strengthened on-site construction safety inspections. Meanwhile, the Company provided labor insurance products for employees, strengthened safety knowledge training, and reduced the labor intensity of employees through remote monitoring, automatic warning, modular maintenance and other technical means to improve the safety level of employees.

In 2018, there was no job related fatalities of any employee of the Company. There were 51 company employees who were injured due to work tasks, the working days which were lost due to the occupational injuries accumulated to 3,382 days.

### 3. Other service responsibilities

The policies of the Company regarding to passengers' privacy, complaints and intellectual property rights are as follows:

(1) Protecting personal information and privacy of the passengers: passenger tickets are purchased on a real-name basis. For that reason, operational procedures are established to regulate

counter ticket sales, counter ticket issuance, ticket inspection, and ticket recycling, in order to reinforce the protection towards the information security on the Internet and to protect passengers' personal and identification information. The Company stipulates that staff should respect passengers' right of willful choice as well as other rights, and must protect the privacies of the customers by keeping personal information confidential in compliance with the laws, shall not release the customer information and confidential information without customers' consent. Corresponding protective measures also apply to network and telephone ticket sales channels. According to the *Regulations on the Administration of the Credit Investigation industry* promulgated by the State Council, *Advice on Strengthening Credit Investigation in the field of Transportation* promulgated by the Five ministries, including the National Development and Reform Commission, as well as other relevant laws and regulations, China Railway Corporation formulated the *Measures for the management of railway passenger credit records*. The Company will record and report the default of railway passenger according to the relevant requirements. The Company has complied with the relevant laws and regulations in protecting passenger information and privacy.

(2) Complaint channels and handling: The Company publicizes

the complaints monitoring hotline numbers in passenger stations, freight transportation stations and on trains, and accepts complaints about passengers and freight transportations through the 12306, 95306 websites and phone numbers. Station master offices or information desks are also available at major passenger stations to collect passenger inquiries and complaints. The Company also deals with investors' inquiries through Shanghai Stock Exchange of interaction, investor relations telephone, fax, e-mail and other channels.

(3) Intellectual property rights: The Company attaches great importance to the protection of intellectual property rights, and purchases, installs, and uses genuine software on office computers and information system. The Company established a system for the management of technology projects, with stipulations for project initiation and implementation, assessment and application. In 2018, the Company reviewed and approved 20 new R&D and technology promotion projects, continued 21 projects in the previous year and eventually concluded 4 projects. The company has also established a cultural assets management system to facilitate the centralized registration, management and protection of these assets.

## **(II) Passenger and freight service**

### **1. Passenger Transportation**

In 2018, the Guangshen Railway completed the transportation of 8,934.84 passenger-trips, with a passenger transportation revenue of RMB 8,108 million. As of December 31, 2018, the Company operated 252 pairs of passenger trains each day, of which 109 pairs of intercity high-speed passenger trains between Guangzhou and Shenzhen (including 99 pairs of inter-city trains between Guangzhou East to Shenzhen, 10 pairs of Guangzhou East to the Chaozhou-Shantou cross network EMU trains), 13 pairs of Hong Kong Through Trains (including 11 pairs of Guangzhou-Kowloon through trains, 1 pair of Zhaoqing-Kowloon through train, and 1 pair of Beijing-Shanghai-Kowloon through train) and 130 pairs of long-distance trains (including 11 pairs of Guangzhou-Foshan-Zhaoqing intercity trains, and 4 pairs of Guangzhou East to Guilin North, Nanning East, Guiyang North and Xiamen cross network EMU trains).

#### (1) Enhancement of passenger transportation capabilities

The Company implemented four passenger operation map adjustments throughout the year, dynamically optimized the operation of passenger trains during different periods including the Spring Festival and the summer holiday, and effectively utilized various passenger transportation resources. In addition, the six new CRH6 EMUs purchased by the Company also improved the

passenger capacity of the Guangzhou-Shenzhen inter-city railway line. Since July 1, 2018, a pair of EMUs from Guangzhou to Xiamen has been added to further enhance the carrying capacity and increase dispatched number of passengers. As of December 31, 2018, the Company was equipped with 2,295 passenger trains of various types and 32 EMUs.

## (2) Optimization of service environment

As the Company is always committed to continually optimizing the passenger service environment to meet the needs of passengers, it built and applied the passenger transportation safety production and command system to improve the organization efficiency and ensure the passengers' safety. Besides, additional waiting rooms and entrances were also established in some key passenger stations. By optimizing the passenger flow paths, improving the guide signs, upgrading the lighting system, renovating the sanitary environment and maintaining the passenger transportation facilities, and taking other measures, the Company further improved the environmental quality of passenger stations, updated various passenger trains, and conducted corresponding station and train cleaning, spare parts replacement and sanitation and epidemic prevention works.

In order to improve the travel experience of passengers, and

improve the efficiency of ticket sales, the Company updated the regional center server of the ticket system, improved the ticket security system and promoted the transformation of the comprehensive electronic ticket system along the Guangzhou-Shenzhen railway lines as planned. Nowadays, passengers can purchase tickets from the automatic ticket selling/printing machine in various railway stations along Guangzhou-Shenzhen railway lines by means of Union Pay and WeChat; passengers can also purchase tickets via ticket windows by scanning Wechat and Alipay QR Code; passengers can freely enter check-in gates via Wechat and Alipay APP. However, the Company has also purchased some supplementary ticket machines to facilitate passengers to buy tickets via WeChat and Alipay etc. on the train.

As of the end of 2018, passenger stations under the management of the Company had installed a total of 243 automatic ticket vending machines, 187 automatic ticket verification gates (including 181 ticket verification equipment featured face recognition technology), 239 Internet ticket dispensing machines, 46 reimbursement voucher printing terminals and 282 identity information verification devices. The Company also cooperated with banks and financial institutes to bind 776,000 Unionpay cards

(previous Guangshen Intercity IC debit cards transferred for Unionpay without counting the specific number) and completed 747,000 transactions in 2018.

### (3) Enhancement of service quality

The Company's passenger transportation department created the “U Cai” passenger transportation brand, formulated related service standards, unified the service identifier, and conducted corresponding service training. Meanwhile, the Company implemented the service management system for key passengers (requiring special care such as the old, the weak, the ill, the disabled, and the pregnant etc.), executed regulations on apologizing for train delays, comprehensively optimized the dining environment on the train, and further improved the service quality.

During the Spring Festival of 2018 (from February 1 to March 12, 2018), the Company resolutely met the working requirements during the Spring Festival of “Safe, Orderly and Warm Transportation Service during the Spring Festival Make Passengers Have A Better Experience”, and properly carried out various works related to the transportation safety, the carrying capacity arrangement, the ticket organization and the passenger transportation service etc. to successfully complete the transportation mission during the Spring Festival. At Guangzhou

Station, Guangzhou East Station and Shenzhen Station, a total of 3,322,000 passengers, 3,154,000 passengers and 2,096,000 passengers were delivered during the Spring Festival respectively. The punctual rate of trains reached 97%, 82% and 96.8% respectively.

## 2.Freight Transportation

In 2018, the Company implemented the reform of the freight forwarding system, and the railway freight transportation was changed from the previous segmented charging mode to the carrier mode, under which, the carrier would obtain the full freight income by delivery of the goods. In this year, the freight volume of Guangshen Railway was 15,708,500 tons, and the freight revenue was RMB1,849 million.

The company built the Dalang Station freight-traffic line, expanded the Jiangmen North Freight Yard, upgraded the handling capacity of Guotang Freight Yard and Tangxi Freight Yard, and built and improved the freight yard's safety inspection system and cargo loading status HD monitoring system to effectively improve the freight transportation capacity and the security level. Besides, the company implemented the "Freight Forwarding Advancement Campaign", strengthened the transportation service of bulk cargoes such as iron ore, coal and cement etc. by strengthening the

strategic cooperation, deepening the cooperation between roads and ports, and expanding the multimodal transportation, and operated fast trains, merchandise trains and international trains for freight transportation to improve the market competitiveness. In addition, the company piloted the electronic operation of railway freight bills, applied the “big data” analysis method to conduct the freight transportation marketing, strengthened the freight service management and assessment incentives, promoted the planning and construction of logistics parks, took various structural reform measures geared to the railway’s supply side, enhanced the freight transportation quality and largely reduced the logistics costs.

### 3. Railway Network Usage and Other Transportation Services

In 2018, the revenue of the Railway Network Usage and other transportation services of the Company reached RMB 8,866 million, with a year-on-year growth of 15.98%, with its contribution to the business revenue of the Company continually growing. As the Company provided railway passenger transportation operation and freight service to different railways including Wuhan-Guangzhou High-speed Railway, Guangzhou-Zhuhai Intercity Railway, Guangzhou-Shenzhen-HK High-speed Railway, Guangzhou-Zhuhai Railway, XSR, GSR, NGR, GGR and PRDIR and etc., it began to provide railway passenger transportation operation and freight

service to Mao-Zhan Railway. Meanwhile, the Company also signed the operation service assignment agreement with various operation companies along the railway lines to establish the mechanism for communication and coordination. Moreover, the Company was successful in the opening and operation of the Guangzhou-Shenzhen-Hong Kong high-speed high-speed railway (from Futian District to West Kowloon section), the operation and expansion of Fuxing Bullet Trains, and the safe environment improvement along the high-speed railway lines to achieve the mutual benefit and a win-win situation between the Company and various operation companies along the railway lines.

#### **4. Other business**

In 2018, the Company's other business mainly included train repair, on-board catering services, leasing, sale of materials and supplies, sale of goods and other business related to railway transportation. The annual revenue was RMB1,005 million.

### **V. Environmental Protection and Energy Saving & Emission Reduction**

In 2018, the Company carefully implemented various environmental protection and energy saving and emission

reduction measures, issued the annual energy conservation and environmental protection indicator plan, and maintained the normal operation of various environmental protection facilities, in which way, the emissions of sulfur dioxide and soot were greatly reduced. The Company also took remedial measures to improve the environment around the station, cleared 4,174 tons of garbage along the railway lines and stations, and transferred 282 tons of hazardous wastes.

Table of emission statistics of Guangshen Railway

Item	2018	2017	2018 as compared with 2017
Industrial waste water (thousand tons)	1666.04	1,715.01	-2.86%
Sulfur dioxide SO <sub>2</sub> emissions (tons)	0.515	1.212	-57.51%
Emission of chemical oxygen demand COD (tons)	46.573	40.764	+14.25%
Emission of smoke and dust (tons)	0.198	0.388	-48.97%
Emissions of petroleum type (tons)	1.784	1.591	+12.13%

The Company's resource consumption efficiency plan is about implementing the materials and energy budget management, to ensure the supply of required resources and energy for transportation and production, meanwhile greatly reducing the expenses on non-productive energy consumption. In 2018, the

Company's cost of material, water and power consumption was RMB1,658 million (2017: RMB 1,628 million), with a year-on-year increase of 1.84%. In 2018, the Company did not encounter any problems in its sourcing of appropriate water source. The Company's industrial water consumption was 1,955,370 tons in 2018, representing a decrease of 4.11% as compared to 2017. The Company's Guangzhou Locomotive Depot and Guangzhou Depot are two major pollutant discharge units announced by the government's environmental protection department. For details, please refer to the part “Explanation of environmental protection efforts” in the Company's 2018 Annual Report.

Table of energy consumption sheet for Guangshen Railway locomotives

Index	Diesel locomotives		Electric Automotives	
	2018	2017	2018	2017
Total amount of oil consumption (ton)	48,587.19	55,072.0	—	—
Energy consumption index (kg / ten thousand tons kilometers)	34.29	34.58	—	—
Total electricity consumption (KWH)	—	—	410,759,902	402,305,589
Energy consumption index (KWH /ten thousand tons kilometers)	—	—	143.5	152.34

Grease consumption (ton)	302.01	285.1	94.5	65.5
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The Company provides railway passenger and freight transportation services. Except for necessary protection of the freight in the process of freight transportation and the usage of strengthening material, no statistics of the usage and quantity of the packaging of the final products were included.

## **VI. Social Welfare and Employee Rights & Benefits**

### **(I) Social Welfare**

In 2018, the Company actively promoted its work in social welfare, providing medical, living and studying supports to employees in distress throughout the year, and financial assistances were provided to 7,502 employees through the Railway Industry Social Welfare project. In 2018, staff contributions to Railway Industry Social Welfare project amounted to RMB 2,229,700 whereas other charity donations amounted to RMB 200,300. Meanwhile, the company carried out various public welfare propaganda activities in relation to the promotion of legal knowledge, environmental protection and sanitation in different stations and office areas, and organized employees to actively participate in public welfare activities, including volunteer service

for passengers, donations geared to poverty-stricken areas and voluntary blood donation etc..

## **(II) Protection of employees' rights and interests**

Guangshen Railway makes real efforts to protect the rights and interests of employees and expands its staff size. By December 31, 2018, the total number of the Company's employees was 42,738 (2017: 43,767). The details of which were shown in the following table:

Item	Number of employees in 2018	Number of employees in 2017	2018 vs 2017 Increase/Decrease
Total number of employees	42,738	43,767	-2.35%
By gender			
--Male	32,352	32,899	-1.66%
--Female	10,386	10,868	-4.44%
By age			
--Under 30	14,529	15,094	-3.74%
--31 to 40	7,607	7,591	+0.21%
--41 to 50	10,981	11,297	-2.80%
-- Above 51	9,621	9,785	-1.68%
By education background			
--Postgraduate and above	161	162	-0.62%
--University graduate	4,443	4,168	+6.60%
--Vocational training and others	38,134	39,437	-3.30%
By region			
-- Shenzhen (by the location of the unit)	2,869	3,026	-5.20%
-- Other districts (by the location of the unit)	39,869	40,741	-2.14%
By job nature			
--Passenger transportation, freight transportation and transit operation	19,406	20,022	-3.08%
-- Engineering	5,587	5,467	+2.19%
--Vehicles	4,070	4,198	-3.05%

Item	Number of employees in 2018	Number of employees in 2017	2018 vs 2017 Increase/Decrease
-- Public works	3,788	4,014	-5.63%
-- Electricity	1,901	1,932	-1.60%
-- and water supplies	2,115	2,176	-2.80%
-- Building construction	1,244	1,149	+6.53%
-- Various operations subsidiaries and other subsidiaries	123	125	-1.60%
-- Technical, administration and management	4,504	4,669	-3.53%
-- Others	—	15	—

The Company has complied with provisions of relevant laws and regulations of the state, and formulated a series of human resources system, in which the Company's newly recruited employees are briefed on the Company's "Employee Manual" in which the Company's policies of promotion, work hours, holidays, equal opportunity, diversity developments, anti-discrimination policies and other remuneration and benefit are stipulated. The Company has not employed any child labour and forced labour. It is the Company's regulation that if an employee is forced to work by means of violence, threats, or illegal restriction of personal freedom, or if the employee is required by illegitimate directions to engage in dangerous operation which threatens the employee's personal safety, the employee may terminate the employment contract immediately, without prior notice to the employer.

## 1. Employee's remuneration and benefits

The company implements a salary distribution policy in which labor compensation is closely linked to economic efficiency, labor efficiency, and individual performance. The total amount of employee compensation is closely linked to the company's operating efficiency, and the employee salary distribution is based on the job evaluation and the employee performance appraisal. In 2018, the total remuneration and benefits expenditure for the year was RMB 7,446.41 million representing a growth of 8.83% as compared with that of 2017. The Company has established a mechanism ensuring the steady income growth of the employees in order to raise the income level of the frontline employees. The Company arranged various social securities and housing provident funds for the employees in full amounts, and implemented the staff holiday system.

The Company complies with the relevant provisions of the labor laws in the termination and release of employment contracts, the details of which are stipulated in the Company's "Employee Manual". Employees may unilaterally terminate the employment contract. If an employee has created great impact with respect to the completion of assigned tasks, such as refusal to accept requests for adjustments or deployment, severe violation of discipline or

involvement in criminal responsibilities, the Company may terminate the employment contract. In 2018, the Company terminated the employment contracts of 291 employees (278 employees resigned voluntarily), representing 0.68% of the total number of employees.

## 2. Building its workforce

The Company attaches great importance to building its workforce. According to the Company's business development needs, the Company recruited graduates of various majors, encouraged in-service employees to participate in continuing education and academic education, conducted the training of management staffs in rotation and the workers' professional skills competition, carried out various technical qualification appraisals, implemented the outstanding talent projects, and accelerated the training and selection of experts in various fields concentrating advanced productive forces including the high-speed railway to expand the career development space of employees. The Company has established a professional education and training base, formulated a special training system, invested in special training funds, regularly organized various professional skills training, as well as professional lectures on ideology and politics, science and technology, physical and mental health, and promoted the overall

quality of employees. The Company encourages employees to provide rationalization proposals for the Company's management and development, and financial support and incentives for scientific researches and new technology promotion projects will be provided.

In 2018, the Company recruited 903 graduates, including 20 postgraduates or above, 121 undergraduates and 671 specialist college graduates, which promoted the overall quality of workforce. At the end of the reporting period, the Company had 119 managers specialized in vocational education, and a total of 763,167 employees joined different kinds of occupational training (mainly including the post standardization training, the adaptive training, the qualification training and the continuing education etc.) with the proportion of employees recruited for a position after being qualified with certificates reached 100% and the training expenditures amounting to RMB 48.03 million.

Table of training hours received by the management  
of Guangshen Railway in 2018

Category of employees	Number of employees (persons)	Average training hours (hours)
Senior management of the Company	6	120
station masters	182	58
Other middle-level management	1,546	58

## National and industry honors awarded to the staff of Guangshen Railway as an individual or a group in 2018

Group	Units belonged	Honors awarded
Guangzhou Station	Guangzhou Station	2018 National Advanced Unit during the Spring Festival
Shenzhen Station	Shenzhen Station	The "Civilized station" of national railway
Ticket shop of "Bougainvillea" team	Shenzhen Station	The Leader of Railway Cup of General Union of Railway
Winter Jasmine Consulting and Information Desk of Passenger Transportation Shop	Shenzhen Station	Outstanding Young People's Community Organization of National Railway and Youth Civilization of National Railway
Shanguangwu Train Service Team (Shantou-Guangzhou Group 3)	Guangzhou-Kowloon Passenger Transportation Section	Youth Civilization of National Railway
Dalang Station	Jiangcun Station	Standardized Way Station of National Railway
Guangzhou South Station	Guangzhou South Station	The Guangdong Province May First Labor Awarding Certificate
Guangzhou-Kowloon Passenger Transportation Section	Guangzhou-Kowloon Passenger Transportation Section	
Guangzhou Vehicles Section	Guangzhou Vehicles Section	
Bridge Tunnel Overhaul Workshop (Bridge Tunnel Team I)	Guangzhou Work Section	National Credible Team
Guangzhou Incoming Inspection Workshop (Daily Shift)	Guangzhou Vehicle Section	National Outstanding Quality Management Team
Individuals	Units belonged	Honors awarded
Li Haotian	Jiangcun Station	Excellent Communist of National Railway
Zhu Bin	Jiangcun Station	National Railway Excellent League Member

Liang Haichao	Jiangcun Station	National Railway Technology Talent
Wang Hongbo	Guangzhou Work Section	All-round Champion of National Railway Electrical System Professional Skills Competition for Railway Way Men (Finals)
Chen Guohua	Guangzhou Electricity Supply	Model Worker in Guangdong Province

### 3.Improvement of production and living conditions

In 2018, there were 3 modifications of single apartments and 2 modifications of staff canteen in the Company. 7 single apartments were newly-built respectively Guangzhou South Region and Guangzhou East Region. All these greatly improved the accommodation and living condition of frontline staffs. The Company successfully held the 16<sup>th</sup> Session of the Staff Sports Meeting and the 1<sup>st</sup> Session of the Staff Culture and Art Festival, carried out speech contests, walking and other activities, and organized various calligraphy, painting and photography exhibitions to enrich the staff's amateur cultural life. Besides, the Company promoted the construction of safe and high-quality standard railway lines, and beautified the production environment of the station section. Through distributing labor insurance supplies and safety protection devices, and applying advanced equipment and management methods, the labor intensity of front-line staffs was relieved and the safety of staffs was guaranteed.

2018, Company has arranged 46,934 staff members to have body-check (include 8,965 female staff's inspection) and there are 3,451 approved sick leave.

## **VII. Explanatory Notes**

### **(I) Scope of this report**

Unless otherwise stated, all the data and information in this report comes from Guangshen Railway and its subordinate stations and railway sections. Unless otherwise stated, this report mainly covers the passenger and freight transportation operations and the economic, environmental and social activities of various businesses carried out by Guangshen Railway from 1 January 2018 to 31 December 2018 as well as a brief review of the relevant activities in the past. Unless otherwise stated, financial data in this report are expressed in RMB.

### **(II) Data collection**

In order to collect the comprehensive data and information of the performance of corporate social responsibilities of the Company, Guangshen Railway sent questionnaires to each unit (department) in respect to the performance of corporate social responsibilities. The collection of the relevant data was carried out through the Company's internal office network, the process of which has

demonstrated the realization of a “paperless office”.

This report aims at fully reflecting the work conducted by the Company in fulfilling its corporate social responsibilities. The Company will continue to refine and improve the information disclosed and its format. An updated social responsibility report will be issued on a yearly basis.

### **(III) Basis of preparation**

This report complies with the requirements set out in the “Preparation Guidelines of ‘Report on Fulfilling Social Responsibilities by a Company’”, “Manuscript of Review Work of ‘Report on Fulfilling Social Responsibilities by the Company’”, “Notice on Reinforcing Listed Companies to Fulfill their Social Responsibilities and Releasing ‘Disclosure Guidelines on Environmental Information of SSE Listed Companies’ issued by the Shanghai Stock Exchange (SSE), and Appendix 27 to the Listing Rules of the Hong Kong Stock Exchange “Environmental, Social and Governance Reporting Guide”, and has followed the relevant guidelines and requirements when making disclosures and finalizing the contents in the report.

This report is available in both Chinese and English languages. In case of discrepancies, the Chinese version shall prevail.

### **(IV) Social contribution value per share**

Pursuant to the “Notice on Reinforcing Social Responsibilities of Listed Companies” and “Releasing Disclosure Guidelines on Environmental Information of SSE Listed Companies”, and “Guidelines on Preparing Report of Companies Fulfilling Social Responsibilities” issued by the Shanghai Stock Exchange, Guangshen Railway continued to disclose the social contribution value per share and the calculation parameters in this report. In 2018, the Company created a social contribution value per share of RMB1.37 (2017: RMB1.32 per share), including earnings per share attributable to the shareholders of RMB0.11, added-value per share attributable to the society of RMB1.26 (annual tax payments to the nation of RMB 573,650,000 + wages and benefits paid for employees of RMB7,446,410,000 + charity donations of RMB 2,430,000 + Major Transportation Safety Investment RMB 878,350,000 - pollution costs calculated on the basis of pollution discharge fees RMB 5,840,000) / total number of shares (7,083,537,000 shares).

#### **(V) Contact information**

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