



22 August 2025

Department of Listed Company Supervision
China Securities Regulatory Commission
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People's Republic of China

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Subject: Response to the “Code of Corporate Governance for Listed Companies (Draft for Revision and Comments)”

Dear Sir or Madam,

We are pleased to have the opportunity to comment on the “Code of Corporate Governance for Listed Companies (Draft for Revision and Comments)” (“Draft CG Code”), published by the China Securities Regulatory Commission (CSRC) on 25 July 2025.

The Asian Corporate Governance Association (ACGA) is a non-profit membership organisation chartered under the laws of Hong Kong and founded in 1999. We conduct research on corporate governance and ESG in 12 markets in Asia-Pacific and advocate at the regulatory and corporate levels across the region to improve standards and practices. Our operations are supported by a network of 102 organisations, of which 80% are institutional investors with global assets under management (AUM) exceeding US\$40 trillion. These investors are also significant participants in China’s capital markets.

High-Level Comments

The Draft CG Code, together with the earlier version released in March 2025, represents a significant and positive upgrade to China’s corporate governance framework. We note that the Draft CG Code is closely and extensively aligned with the Company Law (2024) and other relevant domestic regulations. This alignment introduces several positive changes, particularly in improving regulatory oversight of directors, senior executives, controlling shareholders and de facto controllers—collectively known as the “critical few” (*guanjian shaoshu* 关键少数). These amendments provide greater clarity regarding their core statutory duties, reinforce accountability, and establish more rigorous measures to prevent unsuitable individuals from serving as directors and senior executives.

We also welcome the introduction of internationally recognised concepts and practices in the remuneration section. Notably, provisions addressing R&D-intensive companies and top tech talent reflect distinctive Chinese characteristics that may further support the development of China’s “new quality productive forces” (*xinzhì shengchǎn lì* 新质生产力).

In summary, we fully support the proposed amendments in the Draft CG Code, recognising them as a timely and important step toward greater alignment with both domestic regulatory requirements and international corporate governance standards. We believe its introduction will be well received by domestic and international investors, listed companies and other stakeholders.

Specific Comments

To further elevate China's corporate governance standards, we would like to provide the following specific comments:

Board independence

Concentrated ownership—often described as the “dominance of a single shareholder” (*yigu dada* 一股独大)—remains prevalent in China's stock market. In this context, we commend the CSRC's ongoing efforts to enhance the regulatory framework for independent non-executive directors (INEDs), as evidenced by the issuance of the “Measures for the Administration of Independent Directors of Listed Companies” in August 2023.

Building on this progress, we recommend further enhancing the influence of INEDs to reinforce checks and balances within Chinese listed companies. First, the audit committee could be encouraged or required to be composed solely of INEDs, and the nomination and remuneration committee, where established, should strive to achieve full independence over time. This approach is consistent with international best practices, such as those outlined in the UK Corporate Governance Code (2024), and aligns with the expectations of global institutional investors.

Second, issuers should be encouraged to appoint a Lead Independent Director (Lead INED) when the board chairman is not independent. A Lead INED can serve not only as a point of liaison for shareholders generally, but also play an important role in areas such as assessing the board chair's performance and succession planning. Across the Asia Pacific, the Lead INED concept has been implemented in Singapore, Australia and Malaysia. More recently, in its revision of the CG Code in 2024, the Hong Kong Exchanges and Clearing (HKEX) recommended issuers appoint a Lead INED in the absence of an independent board chair.

Board effectiveness

Board effectiveness is another area that warrants further enhancement. Our review of 15 large companies in the A-share market for CG Watch 2023 revealed deficiencies in board evaluation practices: most issuers did not disclose their assessment methodologies or results. Regular board evaluations, especially those conducted by independent third-party assessors, are essential for strengthening board effectiveness. We recommend that external evaluations of the board and individual directors be carried out for large companies at least every three years, with findings and recommendations for improvement disclosed to the investing public.

Additionally, ongoing director training is crucial for effective board performance. We advocate a combination of formal training by professional or educational bodies and in-house company briefings for director training, with appropriate disclosures provided to investors. This approach would better equip directors to address emerging risks and opportunities in sustainability, AI and geopolitics.

Board diversity

Asian markets have continued to enhance board diversity requirements, despite recent pushback in certain other global markets. For instance, as a result of its CG Code revision, HKEX now mandates an annual review of board diversity policy implementation and requires, on a comply-or-explain basis, the appointment of at least one female director to the nomination committee.

We note that Article 31 of the Draft CG Code retains a general encouragement of “diversity of board members” as a guiding principle. In CG Watch 2023, we also identified a lack of robust board diversity policies among the 15 large A-share companies. As an initial step, we recommend making this provision more actionable by encouraging companies to develop and disclose a formal board diversity policy.

Minority shareholder protection in major transactions

Article 80 of the Draft CG Code strengthens board oversight of related-party transactions (RPTs) and requires strict compliance with abstention voting rules. While these amendments are significant, we further recommend the adoption of a “majority of minority” rule for material RPTs, explicitly requiring approval by a majority of disinterested shareholders. This mechanism, already implemented in markets such as Japan and Singapore, would provide enhanced safeguards for minority shareholders. Additionally, we suggest establishing a special committee, led by INEDs, to review major RPTs involving controlling shareholders or de facto controllers.

With respect to change of control transactions, tender offers, and significant asset disposals, we advise obtaining independent fairness opinions to enhance transparency and better safeguard the interests of minority shareholders.

Investor stewardship

China has made notable progress in advancing investor stewardship in recent years. The CSRC issued the “Guidelines for Managing Investor Relations at Listed Companies” in April 2022, requiring issuers to take a more proactive approach to investor relations and outlining topics that may be addressed in investor-company dialogue. More significantly, in May 2025, the Asset Management Association of China (AMAC) released the “Administrative Rules for Publicly Offered Securities Investment Fund Managers’ Participation in the Corporate Governance of Listed Companies”—China’s equivalent of a stewardship code for the mutual fund industry. Through our communication with members, we have observed that these positive regulatory developments have attracted considerable interest from global institutional investors.

We believe that investor stewardship, a previously dormant force in China’s corporate governance ecosystem, has now emerged as a catalyst for elevating the governance of Chinese listed companies. In this context, we recommend further enhancements to Chapter Six of the Draft CG Code, which remains largely unchanged in the current consultation. Specifically, Article 83 could be enhanced by explicitly including board-level communication or engagement as part of investors’ stewardship toolkit. Ideally, stewardship considerations and responsibilities would also be mirrored in the sections of the Draft CG Code relating to the obligations of independent directors.

Sustainability reporting

The proposed amendment to Article 99 delegates requirements for sustainability reporting to the stock exchanges. Currently, the exchanges’ climate reporting rules are based on the Task Force on Climate-related Financial Disclosures (TCFD). We recommend a gradual alignment of these rules with ISSB standards. Such convergence would enable international investors to more effectively compare the sustainability risks, opportunities and initiatives of Chinese companies with those of their regional and international peers.

Transparency regarding Party committees

The recent guidelines on improving China’s modern corporate system clearly underscore the significance of Party leadership, especially in state-owned enterprises.¹ We fully recognise the important and unique role that the Party organisation or committee plays in the governance of Chinese listed companies. However, the operations of the Party organisation or committee are less visible to global investors than those of the board. Greater transparency in this area would be strongly welcomed by the international investment community.

ACGA has previously advocated for annual disclosure of the Party committee’s membership, structure and major activities during the year.² Such disclosure would provide greater transparency and shed light on this distinctive aspect of China’s corporate governance system. Ideally, this information would be presented as a standalone

¹ See ACGA’s analysis: <https://www.acga-asia.org/blog-detail.php?date=2025&cid=&country=&id=103>

² See ACGA’s special report, “Awakening Governance: The evolution of corporate governance in China”, available at: <https://www.acga-asia.org/thematic-research-detail.php?id=158>



report, similar to the board's annual working report. Alternatively, a detailed narrative in the corporate governance section of the annual report would also be beneficial.

Thank you for your attention. We would be pleased to answer any questions you may have and look forward to continuing our dialogue to further advance corporate governance in China.

Yours faithfully,

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