Preface

by

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This year marks the 20th anniversary of the Chinese capital market. In the past two decades, it has started from scratch and experienced an extraordinary growth with market size increasing from small to big and market coverage from regional to nationwide, playing an important role in the national economic and social development. The development of the capital market has promoted the establishment of a modern enterprise system in China. Listed companies, outstanding representatives of Chinese enterprises, are the corner stone of sound capital market development. The improved governance system and higher governance level of listed companies have consolidated the foundation of the capital market, increased its attractiveness and vitality, given an effective boost to the capital market's role in optimising resource allocation and promoted the healthy and steady development of the Chinese capital market.

Corporate governance in China has been explored and established in the process of state-owned enterprises reform and private enterprises growth. Corporate governance experience and model with Chinese characteristics have come into being in light of the actual situation in China. It has developed under the joint effort of the government and market participants, with the former playing a leading role in the construction and improvement of the corporate governance legal framework. Although China has started the creation of a legal system for corporate governance rather lately, the system has developed fairly quickly and increasingly full-fledged. The China Securities Regulatory Commission (CSRC) has all along identified the improvement of corporate governance as a priority, adopted various strong measures in the areas of independent directorship, information disclosure, interest related party transaction, general shareholders’ meeting, merger and acquisition and reorganization and investor protection within the framework of the Company Law and the Securities Law, and issued a series of department rules and normative documents, including Code of Corporate Governance of Listed Companies, Regulations on Information Disclosure of Listed Companies, Guidelines on Articles of Association of Listed Companies, Rules on Shareholders’ Meetings of Listed Companies, Guiding Opinions on the Establishment of the System of Independent directors in Listed Companies, Provisions on Strengthening the Protection of the Rights and Interests of Public Shareholders, Regulations on the Takeover of Listed Companies, Regulations on Major Asset Reorganization of Listed Companies, and Regulations on Option Incentives of Listed Companies (Trial) etc. The formulation and implementation of these regulatory provisions and normative documents have greatly promoted the corporate governance reform process and facilitated the improvement of corporate governance level of listed companies. Meanwhile, pushed by the CSRC, a special campaign was launched as of 2005 for listed companies to conduct non-tradable share reform, clear off outstanding
debts from controlling shareholders and improve corporate governance. The campaign has consolidated the market foundation and is of great practical significance to build up market confidence and encourage steady investment growth.

The development of corporate governance practices in China and the constant improvement of the relevant legal system offer useful information for other countries. China also needs to further draw upon mature experiences of other countries and relevant international organizations and objectively evaluate achievements and gaps. For this reason, the CSRC and the Organisation for Economic Co-operation and Development (OECD) reached an agreement to cooperate on a joint corporate governance assessment programme. As an international organization born to deal with challenges of economic globalization, the OECD has all along committed itself to providing a platform for governments to explore, develop and improve economic and social policies. The organization has long-term experience in the field of corporate governance. Its Principles of Corporate Governance provide a set of international standards for corporate governance and have extensive influence in member states as one of the most influential guidance on corporate governance in the world. The cooperation between the CSRC and the OECD is designed to advance dialogue and communication between Chinese corporate governance legal system and internationally accepted rules and therefore of special significance for the exploration into a mode of compatibility between Chinese and foreign corporate governances.

The OECD-China corporate governance joint assessment programme was formally launched in 2009. Upon consulted arrangement between the two sides, the CSRC working group completed a self-assessment report after meticulous discussions and revisions, i.e., the present China Listed Company Corporate Governance Report. The English edition of the report was presented to the OECD, which then provided feedbacks and conducted a discussion about the report at its Corporate Governance Committee meeting. The now finalized report describes the status of corporate governance in China, covering shareholders’ rights, equal treatment of shareholders, information disclosure, responsibility and supervision of the board of directors and the supervisory board, stakeholders and corporate social responsibility. It features a detailed comparison between Chinese corporate governance system and practices and the relevant OECD principles.

The creation and development of Chinese corporate governance and other legal systems governing companies have moved from drawing upon experiences of other countries to finding its own corporate governance model. For a long time, China has humbly learned from others on the basis of its national conditions and made active efforts to integrate itself into the world economic system. Looking into the future, China will take an active part in international rule-making. Dialogue and communication between China and the world including cooperation between the CSRC and international institutions will continue and expand comprehensively, which will be very much beneficial for Chinese enterprises to go global and for foreign enterprises to invest in China.

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