13 July 2018

Mr. Guo Jun
Division Director
Department of Listed Company Supervision
China Securities Regulatory Commission
Focus Place, 19 Jin Rong Street
Xi Cheng District
Beijing 100023
People's Republic of China

By post and email:

Re: New Code of Corporate Governance for Listed Companies in China

Dear Director Guo,

The Asian Corporate Governance Association (ACGA) is a not-for-profit membership association chartered under the laws of Hong Kong and founded in 1999. The Association is dedicated to working in a constructive manner with regulators, listed companies and investors across Asia to improve corporate governance standards and practices, which we believe are a foundation for long-term economic development. We are guided by a practical, long-term approach that is relevant to each individual market. Our operations are supported by a membership base of institutional investors, Asian listed companies, insurance and accounting firms, and universities. ACGA has more than 110 corporate members, two thirds of which are global and regional institutional investors with more than US$30 trillion in assets under management globally. They are also significant investors in the China market.

We are pleased to have the opportunity to comment on the new Code of Corporate Governance for Listed Companies in China", published in draft form by the China Securities Regulatory Commission (CSRC) in June 2018. We believe the new Code, which replaces the first Code from 2002, marks an important landmark in China's corporate governance development and will be welcomed by both domestic and international investors, listed companies and other market participants.

New sections

We appreciate the focus in the revised Code on several new areas that are in alignment with modern standards of corporate governance and the expectations of shareholders and stakeholders. These include, among other things, the following:

- A greater emphasis on institutional investors playing an active role in corporate governance and encouragement that they exercise their voting, inquiry and proposal

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rights, as well as rights to recommend candidates for director or supervisor positions.

- Encouraging institutional investors to publicise their corporate governance principles and objectives, as well as their exercise of voting and shareholder rights.
- An emphasis on the important role played in the governance process by intermediaries such as securities companies, law firms and accounting firms when "providing professional services such as sponsorship and underwriting, financial advisory, legal and auditing for listed companies".
- An expanded section on stakeholders that includes a focus on environmental and social governance (ESG) factors. The reference to incorporating "environmental protection requirements into development strategies and corporate governance processes" brings this issue closer to the centre of a company's operations and board leadership. Meanwhile, the concept of social responsibility has been broadened to a range of more specific practical matters such as assisting communities, especially poorer ones, with community welfare, disaster relief, and industry development.
- A reminder to companies that they should also "actively reward shareholders" and provide more specific guidance on cash dividend policies.

Another significant amendment in the new Code is the requirement that boards of directors "shall" establish audit committees. While stock exchange listing rules were amended in April 2018 to mandate such committees, the heightened emphasis on them in the Code will help to underline their importance and effectiveness. Stronger audit committees will also improve the integrity of both internal and external audit.

We also believe that the inclusion of a reference to Party organisations at the beginning of the Code is important, especially following the article amendments carried out by state enterprises over the past couple of years. Investors welcome learning more about the unique role played by Party organisations in the governance of enterprises.

We would like to conclude our letter by informing the Commission that ACGA will shortly publish a new report on corporate governance in China. Titled "Awakening Governance: The evolution of corporate governance in China", the report is intended to be a helpful guide to foreign investors on the system of corporate governance in China and a practical reference for domestic listed companies and investors on ways to improve the implementation of corporate governance. We believe our report is line with the spirit of the new Code and we hope it will make a constructive contribution to the ongoing development of China's capital market and economy.

Yours truly,



Jamie Allen
Secretary General

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