

PRI RESPONSE

CSRC LISTED COMPANIES CORPORATE GOVERNANCE CODE CONSULTATION

August 2025

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the China Securities Regulatory Commission's call for feedback on proposed revisions to the Corporate Governance Code.

ABOUT THIS CONSULTATION

The China Securities Regulatory Commission (CSRC) is calling for feedback on proposed revisions to the [Corporate Governance Code](#). The proposed revisions largely bring the Code up to date in alignment with the overhauls made to the Company Law, which came to effect in July 2024. The Code also reflects changes in market practices since its last revision in 2018. Corporate governance codes play an important role in the suite of sustainable finance policy tools, particularly where it creates an enabling environment for institutional investors to be active owners in supporting companies to generate long-term value. The 2018 version of Corporate Governance Code set out the framework of ESG related information disclosure, which largely promoted the transparency of listed companies and the data accessibility for investors. The updated Code has maintained a focus on the role that corporates play in the national development agenda, with green development being a strong focus. Revisions in this proposal build on these strengths by clarifying expectations regarding sustainability reporting.

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SUMMARY

The PRI supports the CSRC's proposed revisions, particularly the provisions below that clarify sustainability-related expectations. These developments promote transparency, accountability, and sustainable business practices, which can help to ensure the resilience and sustainability of business and economy.

- The introduction of Article 99 that emphasises the importance of sustainability reporting in line with stock exchange requirements.
- Maintaining Articles 3 and 90, which promote the importance of companies aligning their corporate governance measures with national development concepts, with green development being a key focus.
- Maintaining provisions under Chapter 7 that promote stakeholder rights, environmental protection, and social responsibility, which align with the double materiality approach adopted by the Ministry of Finance.

These revisions can be further strengthened by considering the additional clarification of sustainability-related expectations outlined below (in our detailed response that follows, we provide examples of such provisions from other Corporate Governance Codes).

- Article 3: Broaden the expectations regarding development concepts that listed companies should integrate by adding that they should consider the national strategy of sustainable development.
- Article 4: Within the list of expectations regarding the way board and senior management shall perform their duties, explicitly mention a focus on creating long-term sustainable growth for shareholders and providing long-term value for all stakeholders, assessing and managing long-term risks and opportunities (including environmental and social risks and opportunities).
- Article 58: Clarify that the expectations set under Chapter 7 regarding the integration of the national green development concept into corporate strategy and management should be a factor in setting performance-based remuneration policies under this Article (for example, aligning green development objectives with incentives).
- Article 82: Explicitly include collaborative engagement as a method institutional investors can take to participate in corporate governance – possibly highlighting the benefit this will have in enhancing the effectiveness of minority investors.
- Article 90: Broaden the expectations regarding green development to encompass sustainable development and consider specifying the national dual-carbon goal as a key objective for the concept of green development.

Corporate governance helps ensure that corporate management is accountable to shareholders and stakeholders and that their interests are aligned. An effective corporate governance structure allows issuers to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities)¹. Consideration of the factors above can contribute to the alignment of corporate responsibilities with those of institutional investors that seek to understand and address sustainability-related risks and opportunities.

¹ HKEX Appendix 14, https://www.hkex.com.hk/-/media/hkex-market/listing/rules-and-guidance/listing-rules-contingency/main-board-listing-rules/appendices/appendix_14

DETAILED RECOMMENDATIONS

Article 3 *Listed companies shall implement the development concepts of innovation, coordination, green development, openness, and sharing, promote the spirit of outstanding entrepreneurship, actively fulfill their social responsibilities, and establish sound corporate governance practices. Corporate governance of listed companies shall be sound, effective, and transparent, with strengthened internal and external oversight and checks and balances to safeguard the legitimate rights of shareholders and ensure they are treated fairly, respect the basic rights of stakeholders, and effectively enhance the overall value of the enterprise.*

PRI response:

The PRI supports the integration of development concepts of innovation, coordination, green development, openness and sharing. This provision can be further strengthened by additionally clarifying that listed companies should integrate the national strategy of sustainable development into their corporate development strategies and business management activities. In doing so, CSRC may also consider revising the concept of “overall value of the enterprise”, and instead clarify this as the “long-term value of the enterprise”. This would better align the concept of enterprise value with the long termism of development concepts, particularly highlighted under Chapter 7. Such provisions to focus on the long-term regarding enterprise value can be seen in other jurisdictions, such as in the UK Corporate Governance Code². These are also consistent with the stock exchanges’ rule on corporate sustainability reporting and IFRS S1 rules.

Example of practice: UK Corporate Governance Code 2025

Article 4 *Shareholders, actual controllers, directors, and senior management of listed companies shall exercise their rights and fulfill their obligations in accordance with laws, administrative regulations, departmental rules, normative documents (hereinafter collectively referred to as laws and regulations), and self-regulatory rules, and shall safeguard the interests of listed companies. Directors and senior management shall engage in continuous learning, continuously improve their ability to perform their duties, and perform their duties faithfully and diligently.*

PRI response:

This Article can align better with Chapter 7 expectations regarding the adoption of the concept of green development by corporates, which requires directors and senior management to commit to long-term growth and value creation. This alignment can be improved by explicitly adding that directors and senior management should focus on creating long-term sustainable growth for shareholders and providing long-term value for all stakeholders, assessing and managing long-term risks and opportunities (including environmental and social risks and opportunities).

Examples of practices: Hong Kong Exchange (HKEX) Appendix 14: Corporate Governance Code, G20/OECD Principles of Corporate Governance

Article 58 *Listed companies shall establish a remuneration management system, including mechanisms for determining total wage levels, remuneration structures for directors and senior management, performance evaluations, remuneration disbursements, and clawback provisions. The remuneration of directors and senior management of listed companies shall consist of basic*

² UK Corporate Governance Code 2025, section 1:
https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_FF6VFzi.pdf

remuneration, performance-based remuneration, and long-term incentive income, among which the proportion of performance-based remuneration shall in principle not be less than fifty percent of the total amount of basic remuneration and performance-based remuneration. The remuneration of directors and senior management of listed companies shall be consistent with market development, aligned with the company's operational performance and individual performance, and coordinated with the company's sustainable development.

PRI response:

The PRI particularly supports the alignment of director and senior management remuneration with the company's sustainable development. This provision can be further strengthened by clarifying that the dual carbon neutrality goals can serve as a guiding target and metric. Although beyond the scope of this Code, the CSRC can also consider further guidance on target setting and progress monitoring, including how corporates can improve transparency regarding remuneration policies.

Example of practices: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Article 82 *Institutional investors such as social security funds, corporate pension funds, insurance funds, public offering funds, and other investment entities regulated by national financial supervisory authorities are encouraged to reasonably participate in corporate governance by exercising their shareholder rights, such as voting rights, inquiry rights, and suggestion rights, in accordance with the law.*

PRI response:

The PRI supports this article as it reflects Principle 2 of the Principles for Responsible Investment and largely aligns with our [Active Ownership 2.0](#) framework and our [Stewardship in China](#) report. This Article can better reflect market practice where collaborative engagement is a key option that investors, particularly minority investors, have when exercising their shareholder rights. The Article can also align better with the G20/OECD Principles of Corporate Governance³ by encouraging dialogue between the company, its shareholders and stakeholders specifically on sustainability matters as relevant for the company's business strategy.

Article 90 *Listed companies shall actively implement the concept of green development, incorporate ecological and environmental protection requirements into their development strategies and corporate governance processes, actively participate in ecological civilization construction, and play an exemplary and leading role in pollution prevention and control, resource conservation, and ecological protection.*

PRI response:

The PRI supports this Article as it supports investor decision making regarding corporate management of risks and opportunities relevant to green development. As investors increasingly integrate climate-related risks and opportunities into their decision-making, it would be beneficial for a wide range of investors if this Article explicitly addressed China's dual carbon goals. In addition, as disclosure guidelines across China encompass a broader range of sustainability issues, including from a double materiality perspective, CSRC can promote policy coherence and alignment by incorporating the concept of sustainable development in this Article, rather than narrowing the scope to Green Development.

³ G20/OECD Principles of Corporate Governance 2023

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of CSRC further to promote the Corporate Governance Code in line with the global baseline in China.

Please send any questions or comments to policy@unpri.org.

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