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CORPORATE GOVERNANCE PROBLEMS AND SOLUTIONS OF CHINESE LISTED COMPANIES

The number of listed companies in China has reached nearly 4,700, with a total market value ranking second in the world. China is making efforts to improve the corporate governance of listed companies and improve corporate social responsibility behavior.

1. Basic information of listed companies in China. As of December 31, 2021, there are 4,697 listed companies in China's stock market. The number of companies in the three exchanges is 2,037 in the Shanghai Stock Exchange (including 377 in the Science and Technology Innovation Board), 2,578 in the Shenzhen Stock Exchange (including 1,090 in the Growth Enterprise Board) and 82 in the Beijing Stock Exchange. The largest number of manufacturers was 3,051, accounting for nearly 65 percent. Information transmission, software and information technology services ranked second with 383 companies, accounting for 8.2 percent. The third is retail 187, accounting for 3.98%.

2. Problems in corporate governance of listed companies in China.

1) Type I agency problems in state-owned enterprises. The main performance is "absence of owner", the long agency chain brings the performance decline. Because the interests of managers and shareholders may be inconsistent, it is inevitable to generate agency costs. The dispersion of equity makes it impossible for shareholders to centrally exercise their rights and reach a consensus. In this case, shareholders are unable to have an effective influence on corporate decisions or effectively supervise

managers, leading to the risk of a lack of supervision. Managers who want to control more resources will lead to more investment. Managers who are too conservative will avoid investing in risky, long-term projects that will benefit the company's long-term development. Both cases will lead to an increase in agency costs.

2) Type II agency problems of non-state-owned enterprises. The main performance is that the major shareholders hollowed out the listed company through the "tunnel" and violated the rights and interests of minority shareholders. The agency relationship between the controlling shareholder and the minority shareholder entrusts the controlling shareholder with great rights. On the one hand, controlling shareholders can decisively influence the company's operational decisions through the control of the general meeting of shareholders and the board of directors. On the other hand, the controlling shareholder can break the assumption of same share and same rights, separate the right of control from the right of cash flow through pyramid structure or cross-shareholding, and use the right of control to chase private returns. Therefore, in the governance environment of concentrated equity, the core of corporate governance changes to how to regulate and reduce the interest encroachment of controlling shareholders, and alleviate the conflict of interest between controlling shareholders and minority shareholders.

3) Selectively fulfill social responsibilities. It is mainly manifested as the selective fulfillment of social responsibility by the listed companies held by African countries. For example, some enterprises choose to participate in one-off public welfare activities and donation activities with less investment, while neglecting to invest more in improving employee welfare and treatment.

4) The Board of supervisors is not effective enough. The main performance is that the board of supervisors is not capable of performing their duties and can not play a supervisory role.

3. Suggestions for solving corporate governance problems

1) Suggestions for Type I agency problems in state-owned enterprises. Reduce the proportion of state-owned shares to solve the negative impact of "owner absence" and high agency costs. We will continue to separate government functions from enterprises and reduce the negative impact of multiple business objectives on the performance of soes. Seek a balance between incentives and constraints for managers of state-owned enterprises.

2) Suggestions for the Type II agency problems existing in non-state-

owned enterprises. We will improve regulatory requirements, strengthen pre-disclosure and post-audit of the behaviors of listed companies, and eliminate risks caused by information asymmetry. The scope of minority shareholders' right to know should be expanded, and the supervision ability of minority shareholders should be strengthened to avoid the abuse of controlling shares. The internal supervision role of independent directors and the board of supervisors should be strengthened by law to restrict the hollowing out of major shareholders [1]. Step up efforts to crack down and raise the cost of violations.

3) Suggestions on the selective performance of social responsibilities. We will improve the legal requirements for mandatory information disclosure, and encourage enterprises to assume corresponding social responsibilities by strengthening information disclosure. Establish a social responsibility audit system, improve the construction of corporate responsibility credit system [2]. For enterprises classified management, put forward specific social responsibility information disclosure scheme. We will improve guidelines for the disclosure of social responsibility information and make them more operable [3].

4) Suggestions on the insufficient effectiveness of the Board of supervisors. It is suggested to strengthen the capacity of the supervisory board. One is to give the supervisory board greater power to make decisions in major corporate matters. Second, clarify the scope of responsibilities of the board of supervisors and independent directors to avoid buck-passing leading to ineffective supervision.

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