



国务院国有资产监督管理委员会

State-owned Assets Supervision and Administration
Commission of the State Council



Performance Assessment of the Board

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Good afternoon! Ladies and Gentlemen:
It is my great honor to attend the 6th meeting of the Asia Network on Corporate Governance of State-Owned Enterprises. My presentation is about the performance assessment of the board in Chinese SOEs.



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After 32 years of reforms and opening up, there are 4 types of SOEs in China now:

1. Wholly State-owned enterprises;
2. Wholly State-owned companies;
3. State-owned listed companies;
4. State-owned limited liability companies;



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As a specially established authority directly subordinated to the State Council, State-owned Assets Supervision and Administration Commission of the State Council (SASAC) was established in April, 2003, according to laws and regulations, such as “The Company Law” and “Law of the People’s Republic of China on the State-owned Assets of the Enterprises”. SASAC currently performs investor’s responsibilities for 121 central SOEs.



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Since 2005, 30 central SOEs including Bao Steel, China Datang Corporation, China Chengtong Holding, etc. were chosen by SASAC to build up standard BOD. A responsible, well-running, and balanced corporate governance structure was established in order to implement modern enterprise system by clarifying the responsibilities of shareholders' meeting, board of directors, board of supervisors and executive management.



Build Up Standard BOD

- Establish systems of external directors, in which external directors account for more than half of the board members.
- Separate the function of policymakers from that of executive management.
- Clarify the responsibilities of the Chairman of the Board and the General Manager.
- Recruit employees' representatives to the board to improve the staff democracy.
- Dispatch supervisory panels to SOEs by SASAC to supervise and evaluate the board.



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Main responsibilities of BOD

- Strategic Planning
- Decision Making for Big Investment or Financing
- Risk Control
- Executive Management: Recruitment, Assessment, and Remuneration
- Supervision and Guidance



Committees under Board of Directors

- Nominating Committee: external directors account for the majority
- Compensation and Performance Assessment Committee: all external directors
- Audit Committee: all external directors
- Strategy Committee or Standing Committee: external directors account for the majority



Performance Evaluation of BOD

SASAC will review the annual report and evaluate the performance of central SOEs' BOD yearly.

The evaluation is divided into 3 levels:

- Self-evaluation by the board members and board secretary
- Evaluation by executive management and employees' representatives
- Evaluation by SASAC (including supervisory panels)



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Performance Evaluation of the Board

- Standard operation of BOD.
- Effective operation of BOD.



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Standard Operation of the Board

I . Organization and Institutional Improvement

- Reasonable Organization: sound operating mechanism to meet the requirement of the company.
- Clear Responsibilities: clear responsibilities of board of directors, board of supervisors and executive management; clear responsibilities between Chairman of the Board and executive management.
- Institutional Improvement: complete work systems and regulations; sound system of recruiting, assessing, stimulating and supervising executive management; sound basic management system of the company.



Standard Operation of the Board

II .Daily Operation

- Legitimacy: operate according to articles of association.
- Compliance: make decisions according to procedures; coordinate with executive management and perform its own functions without interference or ultra vires to executive management.
- Communications: communicate with investors, managers, workers' union and other stakeholders efficiently and effectively; provide valuable information on the operational status to investors; make sure that the board could collect sufficient information for decision-making and could give enough concern to big issues of the company.



Effective Operation of BOD

I . Effectiveness of Decision Making

- For the benefit of investors: make sure that the strategic planning, management principle, investment & financing, reform and restructuring, property right management of the company are in accordance with the national policy; make sure that the decisions made by the board will meet the requirements of investors.
- Scientific decision-making: make feasible, legal and operable decisions by comprehensive, objective and thorough argumentation.



- Push forward development: realize the preservation of and increase in the value of State-owned assets to meet the requirement of investors; significant increase in the aspect of value creation, management expertise and core competitiveness.
- Risk control: proper review and evaluation of decisions made by BOD; take active measures such as legal management and internal control against policy errors; adjust its strategy according to market variation in order to maximize the benefit of investors and the company.



Effective Operation of BOD

II. Supervision and Administration

- Executive Management: recruit top executives globally and dismiss the unqualified; assess and stimulate the general manager according to the requirement of investors; cultivate backups for the general manager in a planned way.
- Policy Implementation: make sure all the decisions made by the board, such as strategic planning, budget, etc. would be implemented seriously by the executive management.
- Consultation and Guidance: provide consultation and guidance; share knowledge or experiences in different areas.



Performance Evaluation of BOD

There are 3 levels of performance evaluation results:

- Well-performed: recognize and stimulate
- Need to improve: give advices and urge them to improve within a specified time
- Need to make restructuring: make restructuring plan and implement it after approval



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Assessment

Categories			Results		
			Excellent	Middle	Poor
Standard Operation of BOD	Organization	Organization			
		Responsibility			
		System			
	Daily operation	Legitimacy			
		Compliance			
		Communication			
Effective Operation of BOD	Effectiveness of Decision- making	Benefit of Investors			
		Decision-making			
		Development			
		Risk Control			
	Supervision and Management	Management			
		Implementation			
		Consultation			



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Thank you!