

**CHINESE COMMUNIST PARTY'S
GRASS-ROOTS ORGANISATIONS
IN STATE-OWNED ENTERPRISES**

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Executive Summary

1. Since the launch of the modern corporate system (MCS) in 1993, the Communist Party of China (CPC) has adjusted the roles and functions of its grass-roots party organisation (GPO) in state-owned enterprises (SOEs) to strengthen and promote the development of MCS with Chinese characteristics (MCSCC).
2. To realise GPOs' functions in SOEs in the 1990s and 2000s, CPC had tried to enhance GPOs within the MCSCC, strengthen GPOs' relationship with the management team and improve GPOs' participation in the decision-making process.
3. Since the early 2010s, further efforts have been made for the GPOs to play a leading role in not only politics, but also all aspects of the enterprises.
4. All SOEs, including those listed in the Hong Kong Stock Market, are now required to incorporate party development work in their company's articles of association. Regional Party committees are to provide locally registered SOEs with the template for incorporating CPC-related contents in their company's articles of association.
5. GPOs handle major issues including micro business matters, such as the distribution of pay, organisational structure and adjustments, production safety, supervision of managers and so on. The investigation and discussion by GPO committees are to investigate and discuss such issues before submitting them to the board of directors and managers for their decisions.
6. Party secretaries now also hold the position of board chairman of the SOE under their charge, an elective arrangement before.
7. In 2017, these requirements were first applied to all central enterprises before they were gradually applied to important subsidiaries of SOEs. As of September 2018, 123 SOEs and central enterprises listed in Hong Kong had revised their articles of association and clarified the status of party committees.

8. Foreign and domestic private investors have voiced concerns about the increasing impact of GPO on activities such as budget allocation, freedom in decision making and so on, within state-controlled enterprises, especially those listed on the stock markets.
9. To continue consolidating its leading role in the Chinese economy as well as promoting the development of MCSCC, the CPC has indicated its intention to continue with the development of GPOs, including the adjustment and corresponding efforts of GPOs' functions in SOEs.