Seemingly Conflicting but Substantively Reconcilable: Corporate Purpose in Chinese Law and The Institutionalization of CSR

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Directly incorporating corporate social responsibility into the 2005 Company Law was once considered a major innovation in Chinese corporate law. This article examines the different provisions regarding corporate purpose and corporate social responsibility in various branches of Chinese law, such as the Civil Code, Company Law, and financial regulatory rules, thereby revealing the evolving logic and relationship of corporate social responsibility within the context of Chinese statutory law. China's Civil Code (2020) adopts a profit-oriented criterion for classifying legal persons, dividing them into a binary of for-profit and non-profit entities and corporation is the classic example of legal persons for-profit. This dichotomy has generated uncertainty as to whether a company's profit-seeking purpose can be reconciled with social-responsibility objectives, and, if so, how such responsibility should be operationalized. Although the revised Company Law (2023) further specifies the substantive content of corporate social responsibility (CSR) and treats CSR as an implicit thread running through the statute, it still fails to directly address concerns regarding concrete implementation mechanisms. Profit-making remains the sole legally recognized corporate purpose, and the provisions on CSR remain comparatively conservative. Moreover, while the revised Company Law (2023) proposes encouraging companies to disclose CSR reports to strengthen social oversight, it does not eliminate the risk that CSR norms will become a "toothless tiger." The Company Law (2023) itself also lacks detailed rules on annual reporting and supervision mechanisms. By contrast, CSIRC'S corporate governance guidelines and regulatory rules for the financial situations have clearer implementation mechanisms to enforce the CSR.

Traditional theory holds that the shareholder-wealth-maximization principle—deriving from corporate profit orientation—and managers' fiduciary duties impede the effective implementation of CSR. Yet closer examination of Chinese China's Civil Code (2020) and Company Law (2023) suggests that the locus of corporate "profit orientation" lies not in corporate purpose per se, but in value distribution—a conclusion that aligns with the Chinese China's Civil Code (2020)'s definition of for-profit legal persons. Corporate profit orientation is primarily manifested internally through the distribution of residual profits and residual value to members, which leaves room for CSR to be meaningfully implemented. In theory, whether a company's purpose is profit-seeking, public-benefit-oriented, or hybrid is a matter of internal autonomy; the law should not impose a rigid binary classification, so long as the share price reasonably reflects the company's objectives. From the perspective of corporate value distribution, shareholder wealth maximization is highly compatible with stakeholder interests. Shareholders and stakeholders are not inherently in conflict because they occupy different positions in the value-distribution sequence; expanding the "size of the pie" serves both. Multiple coordination pathways exist to solving the conflicts, including allowing shareholders to enhancing corporate purpose to including more CSR consideration and deferring to managers' business judgment grounded in the firm's long-term interests. This article has long

–term policy implications that the legislature should permit companies to adopt mixed purposes—such as a combination of for-profit and non-profit—would more directly facilitate the implementation of the CSR regime.