

Investment Stewardship

Vote Bulletin: China Tower Corporation Limited

Company	China Tower Corporation Limited (HK: 00788)
Market and Sector	Hong Kong and China, Telecommunications
Meeting Date	14 January 2022
Key Resolutions ¹	Item 3: Re-elect Gao Tongqing as a non-executive director Item 7: Re-elect Deng Shiji as an independent non-executive director and authorize the board to determine his remuneration
Key Topics	Board quality and effectiveness; diversity, equity, and inclusion
Board Recommendation	The board recommends shareholders to vote FOR items 3 and 7
BlackRock Vote	BlackRock voted AGAINST the proposed director re-elections due to concerns about the lack of gender diversity on the board.

Overview

China Tower Corporation Limited (China Tower) is a state-owned telecommunications company and the world's largest telecommunications tower infrastructure service provider. China Tower was established in 2014 and listed in Hong Kong in 2018.² As of June 2021, China Tower operated and managed a total of 2.035 million tower sites.³

On 22 December 2021, China Tower announced that it would hold its first Extraordinary General Meeting of the year on 14 January 2022 to elect the entire board of directors. The proposed candidates for director positions – who will serve a three-year term if elected – include five incumbent directors and three new nominees, none of whom are female.

The board composition of China Tower is not an exceptional case but rather a reflection of the general lack of gender diversity in the board rooms of issuers listed in Hong Kong, including mainland Chinese companies listing on the exchange. According to Hong Kong Exchanges and Clearing Limited (HKEX), 32.9% of listed issuers in Hong Kong had no female directors on their boards as of December 2020.⁴

¹ China Tower Corporation Limited. "Proposed re-election and election of directors and supervisor and notice of the first extraordinary general meeting of 2022." 29 December 2021.

² China Tower was established when the three major telecommunications operators in China (China Telecom, China Unicom Corporation, and China Mobile Company) formed a single telecommunications tower company. The three companies hold approximately 69% equity interest in China Tower.

³ China Tower Corporation Limited. "5G development gains traction and Two Wings scales rapidly – Profit attributable to owners of the Company increased by 16.1%." Press Release. 9 August 2021.

⁴ HKEX. "Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments." 2021.

According to a separate analysis by the Asian Corporate Governance Association, among the top 100 HKEX-listed companies by market capitalization, there were 17 companies with male-only boards and only 16% female representation on all boards as of October 2021.⁵ On 10 December 2021, HKEX published the conclusion to its consultation on the Review of the Corporate Governance Code and Related Listing Rules.⁶ One of the major board diversity-related amendments specifies that a single gender board is no longer considered a diverse board as per Listing Rules 13.92. An existing listed issuer will have a three-year transition period to comply with the new rules, i.e., it will be required to appoint at least one director of a different gender no later than 31 December 2024.

Unless a female director is appointed in the next three years, China Tower will not be able to meet the board diversity requirements of HKEX by 2024 due to the proposed all-male slate of candidates up for (re)election and timing of the 14 January 2022 shareholder meeting. The next scheduled shareholder meeting where China Tower will hold elections for the board is in 2025.

Rationale for BlackRock's vote

Item 3: Re-elect Gao Tongqing as non-executive director

Item 7: Re-elect Deng Shiji as an independent non-executive director and authorize board to determine his remuneration

BIS voted AGAINST the re-election of the two incumbent directors on China Tower's Nomination Committee, whom we believe should be held accountable for the lack of gender diversity among proposed candidates.

As described in our [Global Principles](#), we are interested in diversity in the board as a means to promoting diversity of thought and avoiding 'group think.' In our experience, greater diversity in the board room contributes to more robust discussions and more innovative and resilient decisions. High-performing boards play an important role in developing strong management teams, on which the long-term success of companies depend. It is our view that diversity in the board room leads to better long-term economic outcomes for companies.

BlackRock recognizes that diversity has multiple dimensions, including personal factors such as gender, race, ethnicity, and age, as well as professional characteristics such as a director's industry, area of expertise, and geographic location. In identifying potential candidates, we expect boards consider the full breadth of diversity, including gender, and aspire to meaningful diversity of membership, at least consistent with local regulatory requirements and best practices. For 2022, BlackRock strengthened its expectation for gender diversity at the board level in several major markets in Asia, including Hong Kong, mainland China, and Singapore. As explained in our [proxy voting guidelines for Hong Kong securities](#), BlackRock generally would not consider single gender boards as diverse boards. We expect companies to have at least one female board director and may vote against the re-election of director(s) responsible for the lack of female representation on such boards.

In the case of China Tower, not only are we concerned that the lack of gender diversity on the company's board may undermine board effectiveness and hence potentially impact the company's ability to create long-term shareholder value. The proposed board composition also fails to comply with the local regulatory requirements of HKEX before the next scheduled election of the board, when these regulations would be in force. We have engaged with the company to communicate our concerns about the lack of gender diversity on the board. While the board will need to appoint a female director before the end of the transition period in 2024 to comply with HKEX's Listing Rules, **we are of the view that Nomination Committee members should take a more proactive approach toward achieving a minimal level of gender diversity and ensuring the diversity of perspective**

⁵ ACGA. "Old school mentality in the new economy: Board diversity at the top 100 in Hong Kong." 3 January 2022.

⁶ HKEX. "[Review of Corporate Governance Code & Related Listing Rules, and Housekeeping Rule Amendments.](#)" 2021.

and thought in the board room at the start of the three-year term, rather than waiting to later in the term to appoint a female director just to comply with the regulatory requirement. We are thus holding the two members of China Tower's Nomination Committee accountable.

BIS has observed significant progress in recent years towards advancing gender diversity in the boardroom in Asia Pacific. BIS will continue to engage with China Tower, and the companies we invest in on behalf of our clients in the region, to provide constructive feedback as companies seek to enhance diversity in the boardroom and to monitor progress.

About BlackRock Investment Stewardship (BIS)

BlackRock's purpose is to help more and more people experience financial well-being. We manage assets on behalf of institutional and individual clients, the majority of whom are investing to meet long-term financial goals, such as a secure retirement. Investment stewardship is central to our fiduciary responsibilities to our clients to advance their long-term economic interests. It is how we use our voice as an investor to promote sound corporate governance and sustainable business models to help maximize long-term shareholder value for our clients.

We look to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Our active and ongoing dialogue with the leaders of these companies provides us with the opportunity to improve our understanding of, and provide feedback on, the governance and sustainability (ESG) risks and opportunities that are material to their businesses and thus to their ability to generate long-term returns for our clients. For those clients who have given us authority, we vote proxies in their best long-term economic interests, in line with our public voting guidelines and informed by our analysis of company disclosures and, where relevant, our engagements.⁷

BlackRock looks to companies to provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or we believe the approach taken may be inconsistent with sustainable, long-term value creation, we will engage with a company and/or vote in a manner that signals our concerns.

We are committed to transparency in the stewardship work we do on behalf of clients. We inform clients about our engagement and voting policies and activities through direct communication and through disclosure on our website. For shareholder meetings where a vote might be of particular interest to clients, we may publish a vote bulletin after the meeting, disclosing and explaining votes cast on key proposals.

Want to know more? blackrock.com/stewardship
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⁷ As detailed in our [Global Principles](#), proxy voting involves logistical issues which can affect BlackRock's ability to vote such proxies, as well as the desirability of voting such proxies. As a consequence, BlackRock votes proxies on a "best-efforts" basis.