

Vote Bulletin: New World Development Company Limited

Company	New World Development Company Limited (HK: 0017)
Market and Sector	Hong Kong, Real Estate
Meeting Date	22 November 2022
Key Resolutions ¹	Item 3(e): To re-elect Mr. Lee Luen-Wai, John as Director
Key Topics	Board quality and effectiveness; diversity, equity, and inclusion
Board Recommendation	The board recommended shareholders vote FOR item 3(e)
BlackRockVote	BlackRockvoted FOR item 3(e)

Overview

New World Development Company Limited (NWD) is a holding company primarily engaged in property development and investment businesses with operations in Greater China. NWD is 45%-controlled by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited² and had a total asset value of approximately HKD 635.9 billion as of 30 June 2022.³

BlackRock Investment Stewardship (BIS) engages with companies to provide a long-term investor perspective on corporate governance practices and to better understand how company leadership identifies and manages the material sustainability-related risks and opportunities that we believe can impact their ability to deliver sustained financial performance for long-term investors like BlackRock's clients. Our prior engagement with NWD included discussions with management and members of the board of directors on a variety of topics, including core corporate governance matters such as board composition, business oversight, and the company's approach to material sustainability-related risks and opportunities.

The agenda for NWD's November 2022 annual general meeting (AGM) included resolutions from management for the re-election of members to the company's board of directors. Historically, NWD's board of directors has been composed of a number of long-tenured independent non-executive directors (INEDs). In Hong Kong, INEDs who have served on a board for more than nine years are considered by the Hong Kong Exchanges and

¹ New World Development, [Notice of Annual General Meeting](#)

² New World Development, [2022 Annual Report](#)

³ New World Development, [Company Profile](#)

Clearing (HKEX) as “long serving INEDs”, whose re-election is subject to an explanation by the board or nomination committee of why the director is still considered independent and should be re-elected.^{4,5}

At NWD’s 2021 AGM, four out of six INEDs had served on the board for 17 or more years, and one INED had a 36-year long tenure. The reclassification of these INEDs as non-independent directors would reduce NWD’s board independence level from 40% to 13%, leaving the audit, remuneration, and nominations committees without independent chairs or majority independent membership. BIS engaged with the company in June 2021 to communicate our concerns and explain our [related voting policy](#) on director independence and board composition.

In September 2022, NWD announced that three of their four long-tenured INEDs, including the longest-tenured INED, would be retiring after the 2022 AGM. The announcement included the appointment of three new female INEDs, which increased the percentage of female directors on the board to 35.3%. In the 2022 AGM, six incumbent directors stood for re-election, including the remaining long-tenured INED, Mr. Lee Luen-Wai, John.

Rationale for BlackRock’s vote

Item 3(e): To re-elect Mr. Lee Luen-Wai, John as Director (FOR)

BIS supported the re-election of Mr. Lee Luen-Wai, John, despite his long tenure on the board, because we believe shareholders would be well served by an orderly renewal of the board, rather than replacing all four experienced INEDs at once. We note that NWD has been responsive to shareholder concerns, including BIS’, regarding the tenure and related independence of their INEDs and we believe the company is moving in the right direction.

As described in our [Global Principles](#), BIS seeks a balance between the knowledge and experience of longer-serving INEDs and the fresher perspectives of newer INEDs. We believe shareholders, including BlackRock’s clients, are best served when there is orderly renewal of the board, resulting in directors with accumulated experience while at the same time introducing fresh perspective to the board as well as providing adequate succession planning. An effective renewal process will ensure INEDs do not serve for such lengths of time that their independence may be impaired.

As explained in our [proxy voting guidelines for Hong Kong securities](#), where a company considers a director who has served for nine or more years to be independent, we look to the board to disclose how and why that director can be so classified. We believe INEDs who have served on boards for 12 or more years should generally be reclassified as non-independent directors, though we note that these directors may still have an important role to play on the board. Where we assess the level of independence on the board to be insufficient, we may vote to not support the election of relevant directors for failing to ensure sufficient board and/or committee independence.

We note that NWD has proactively addressed shareholder concerns about long-tenured INEDs by refreshing their board and replacing three long-tenured INEDs with three female INEDs. We believe this renewal will give NWD’s board fresh and diverse perspectives, as well as enhance the independence and robustness of their decision-making process. We also note that, apart from Mr. John Lee, NWD’s other two incumbent INEDs are relatively new to the NWD board, with respective tenures of one and four years. We believe INEDs in their early tenure should build the necessary relationships, knowledge, and authority to be effective. Shareholders would

⁴ HKEX, [Corporate Governance Code](#)

⁵ HKEX, Consultation Conclusions: [Review of Corporate Governance Code and Related Listing Rules, and Housekeeping Rule Amendments](#)

be well served by an orderly board renewal with a sufficient level of continuity. In our assessment, the replacement of all four INEDs this year would not be conducive to shareholder value, and support for Mr. John Lee's re-election was warranted.

While we recognize NWD's recent actions to enhance their board composition, we will continue to look for the enhancement of their board independence, including the composition and leadership of the board and key committees. We consider this to be important in light of NWD's recent addition of one executive director and one non-independent non-executive director, which reduced the percentage of INED representation.

We also maintain that long-term investors like our clients would benefit were NWD to appoint a Lead Independent Director (Lead INED) to strengthen their independent board leadership. BIS finds that boards are most effective at overseeing management and providing checks and balances that serve the interests of minority, as well as controlling, shareholders when there is a senior independent board leader. This director may chair the board, or where the chair is not independent, be designated as a Lead INED. The role of this director is to enhance the effectiveness of the independent members of the board through shaping the agenda, ensuring adequate information is provided to the board, and encouraging independent participation in board deliberations. We find it helpful when the Lead INED or another appropriate director is available to shareholders in those situations where an INED is best placed to explain and contextualize a company's approach.⁶ We have engaged with NWD to communicate our views on the appointment of a Lead INED. Given the shareholding structure of NWD, we believe institutionalizing the role of a Lead INED could help empower INEDs to provide more effective independent oversight and foster their accountability to the broader shareholder base, which would strengthen shareholders' confidence in NWD's commitment to protect minority shareholder interests and support long-term value creation for shareholders generally.

⁶ For more details, please refer to our [Global Principles](#) and commentary on [board quality and effectiveness](#).

About BlackRock Investment Stewardship (BIS)

Our clients depend on BlackRock to help them achieve their investment goals. These clients include public and private pension plans, governments, insurance companies, endowments, universities, charities and ultimately individual investors, among others. Consistent with BlackRock's fiduciary duty as an asset manager, BIS' purpose is to support companies which we invest for our clients in their efforts to create long term durable financial performance.

BIS serves as an important link between our clients and the companies they invest in – and the trust our clients place in us gives us a great responsibility to advocate on their behalf. That is why we are interested in hearing from companies about their strategies for navigating the challenges and capturing the opportunities they face. As we are long-term investors on behalf of our clients, the business and governance decisions that companies make will have a direct impact on our clients' investment outcomes and financial well-being.

We look to boards and executive management to demonstrate that they are taking into consideration the interests of long-term shareholders and other stakeholders. Our, often multi-year, dialogue with the leaders of these companies provides us 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 financial interests, in line with our public [voting guidelines](#) and informed by our analysis of company disclosures and, where relevant, our engagements.⁷

To support investors' assessment, it is helpful when companies provide timely, accurate, and comprehensive disclosure on all material governance and business matters, including sustainability-related issues. This transparency allows shareholders to better 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 how we voted 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.