



Competitor and major shareholder again seeks board representation

Company/ASX Code	Cromwell Property Group/CMW
AGM date	Friday 18 October 2020
Time and location	10.30am Online NSW (also venue in Sydney and Brisbane)
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Fiona Balzer assisted by Kelly Buchanan
Pre AGM Meeting?	NA

This is the third company meeting since and including the AGM held in November 2019, where shareholders are being asked to consider adding ARA representative, Dr Weiss, to the Cromwell Property Board.

ARA Real Estate Investors (ARA), is a competitor and substantial shareholder of Cromwell with a current security holding of 26.7%.

ARA is also currently making a proportional bid for 29% of shareholders' Cromwell securities at \$0.92 per Cromwell Security on the terms set out in the replacement bidder's statement on 1 September 2020. If successful, ARA's shareholding would reach 45.7%.

ASA prefers acquirers to make a full takeover bid when seeking control of another company, and to pay a full premium for control. While ARA is currently targeting less than 51% holding, given the number of shareholders who typically vote their shares, if successful, ARA may represent more than 50% of votes for most resolutions proposed at future AGMs.

We also note at 45.7% of the shares, ARA would hold more than the other substantial shareholders in aggregate. The next largest shareholder is Haiyi Holding Pte with 16.6% of the shares, with two other substantial shareholders, Vanguard and Blackrock, holding 8% and 5% respectively.

At this meeting, called by ARA, shareholders are asked once again to vote on the election of Dr Gary Weiss and also now to vote on the election of a second ARA representative, Mr Gersh, to the board.

At the two prior meetings we voted against the election of Dr Weiss to the board because ARA is a competitor to Cromwell and his addition to the board is not supported by the other directors. We note ARA was the underbidder to the 400 George Street, Brisbane site, which was won by Cromwell, so is a direct competitor for some sites.

We see the potential conflict as being difficult to manage in the boardroom. Usually, where a representative shareholding is sought, there is a clear delineation of jurisdiction or strategy between the two entities, which shareholders are aware of and may even be compensated for. Such a delineation would lead to a limited number of conflicted transactions arising, where the major shareholder representatives are required to leave the room when transactions are considered by the board.

Item 1	Appointment of Dr Gary Weiss AM as a director
ASA Vote	Against

Summary of ASA Position

Dr Weiss is currently Chairman of Estia Health Ltd and Ardent Leisure Group Limited, an Executive Director of Ariadne Australia Limited and a Non-Executive Director of Thorney Opportunities Ltd and The Straits Trading Company Ltd (a substantial holder in ARA). Dr Weiss is also a Commissioner of the Australian Rugby League Commission.

ASA guidelines count the role of chair as equivalent to 2 non-executive directorships and considers directors are at capacity at 5 equivalent roles. Dr Weiss's equivalent roles exceed 5 by some margin.

Dr Weiss has indicated he will step down from the board of The Straits Trading Company Ltd if he is appointed to the Cromwell board as a way to remove the perceived conflict. Given Dr Weiss has been nominated by ARA and has previously acted as their representative on the board, we believe there will need to be additional measures to manage perceived conflicts in carrying out his role as non-executive director.

Item 2	Appointment of Mr Joseph Gersh AM as a director
ASA Vote	Against

Summary of ASA Position

Mr Gersh is currently Executive Chairman of Gersh Investment Partners Ltd and a government appointed Non-Executive Director of the Australian Broadcasting Corporation (ABC). Mr Gersh is also a Director of The Sydney Institute in an honorary capacity.

Mr Gersh has substantial experience as a director for Commonwealth Government boards but appears not to have held directorships with any listed company in the past. The role of representative director at a listed company requires management of perceived conflicts, by the company (usually through the independent directors who are not nominated by the major shareholder meeting separately to consider various matters or report to all shareholders) and the individual director.

We believe there will need to be additional measures to manage perceived conflicts in carrying out his role as non-executive director and look forward to hearing what is planned.

Please note any potential conflict as follows: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

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