



Well-managed and well-governed, CMW navigates the pandemic with apparent ease

Company/ASX Code	Cromwell Property Group (CMW)
AGM date	Wednesday 18 November 2020
Time and location	2:00 pm (AEST) Level 19, 200 Mary Street, Brisbane, and online (hybrid meeting)
Registry	Link Market Services
Webcast	Hybrid meeting
Poll or show of hands	Poll on all items
Monitor	Kelly Buchanan assisted by Mike Stalley and Michael Leyland
Pre AGM Meeting?	Yes, with Chair Leon Blitz, Rem Committee Chair Tanya Cox, Former Rem Committee Chair Andy Fay and Head of Investor Relations Ross McGlade

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.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Introduction

The Cromwell Property Group is both an investor and manager of commercial real estate with significant investments in Australia and Europe.

The COVID-19 pandemic is a substantial issue, affecting companies all around the world to varying degrees. CMW’s risk is somewhat mitigated by the nature of the business being predominately asset-based with a geographic spread. However, limited tenant income is at stake, and CMW has waived or provided rent deferral in some instances, an amount of less than 4% of all rent. Management has also taken timely and appropriate action to increase the liquidity position of the balance sheet.

Governance and culture

A corporate governance statement lists the recommendations about each principle of the Statement which are comprehensive and relevant to the operation of the Company. The Statement includes several cultural objectives for the Company that are consistent with the Values Statement. The Group Foundation Report provides a commentary about the support provided to each beneficiary.

Financial Performance

The audited Financials provided show the company has continued the stable growth path from previous years which are highlighted in the table below.

The cash balance at the FY20 year-end has been increased to \$194.1m, up from \$101.6m FY19. The Company has increased its liquidity due to the uncertainty surrounding the COVID-19 situation. Additionally, the Company has an undrawn bank facility of \$472.9m.

Operating profit (underlying) as assessed by the Directors, which is not audited or compliant with accounting standards, for FY20 was \$221.2m, an increase of 27% compared to \$174.2m in FY19.

Statutory profit per stapled security 2020 is 6.96 cents compared to 7.53 cents in 2019.

The Cromwell Property Group is well placed to manage any future issues as a consequence of the COVID-19 and to continue to grow the core businesses.

Key Events

An additional 376.2 million stapled securities were issued at \$1.15.

Key Board or Senior Management Changes

The board has undergone significant renewal in the last 18 months. NED David Blight, CEO and director of ARA Australia, the Australian arm of ARA Group which is a major shareholder and competitor, resigned in July 2019 after CMW deemed ARA a related party and refused to allocate shares to ARA as part of a \$375m institutional placement. Ms Tanya Cox and Ms Lisa Scenna were appointed as NED's in October 2019 and elected at the subsequent AGM. NED Michelle McKellar retired at the 2019 AGM. Mr Geoffrey Levy retired in February 2020. Since year-end, Mr Gary Weiss and Mr Joseph Gersch were elected to the board at an EGM in October 2020 over the objections of the company. Despite the many changes, the current chairman assured us in our meeting that it is *not* a dysfunctional board, there is *not* an air of 'them and us' and that all board members are committed to the best interests of shareholders going forward.

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	\$181.1m	\$159.9m	\$204.2m	\$277.5m	\$329.6m
UPAT (\$m)	\$221.2m	\$174.2m	\$156.8m	\$152m	\$164.5m
Share price (\$)	\$0.90	\$1.555	\$1.1128	\$0.9439	\$1.0084
Dividend (cents)	\$0.075	\$0.0725	\$0.0834	\$0.083	\$0.082
TSR (%)	-15.6%	11.31%	29.8%	-9.2%	6.5%
EPS (cents)	\$0.069	\$0.075	\$0.1085	\$0.1574	\$0.1881
CEO total remuneration, actual (\$m)	\$3.67m	\$3.127m	\$3.553m	\$3.792m	\$2.705m

For FY20, the CEO's total actual remuneration was 39 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Item 2	Re-election of Leon Blitz as a Director
ASA Vote	For

Summary of ASA Position

Mr Leon Blitz was appointed as a director of Cromwell on 30 June 2017 and stepped into the Chairman's role last year. He has a financial background. He is the cofounder and CEO of Grovepoint, a London based private equity and FCA regulated investment management firm which manages and invests principal, institutional and family office funds. Mr Blitz is the Chair of an international London based chamber of commerce and plays a leadership role in a number of charitable and communal organisations.

Mr Blitz was involved in property, banking and risk management through his over 20 year role at Investec Bank. He also managed acquisition and integration processes for the Investec Group in UK and European jurisdictions. He has acted as a Nonexecutive Director of a number of companies in the UK and Europe and is on the governance and advisory board of a London based industrial investment holding company, as well as playing a role in governing a number of LLP investment and GP management partnerships.

He is Member of the Investment Committee and after only three years on the board holds shares to the value of more than 300% of his director's fees.

Item 3	Re-election of Andrew Fay as a Director
ASA Vote	For

Mr Andrew Fay was appointed director of Cromwell on 17 October 2018. He has a financial background.

Mr Fay has been directly involved in advising and determining the strategic direction of businesses including being involved in a range of merger and acquisition activities. These businesses come from a diverse range of industries, including internet, medical devices, microbiology, renewable energy, financial services and property, and have given him experience in operating in international markets. During his 14 years at Deutsche Asset Management (Australia) Ltd he held a number of senior positions including Chair, CEO Australia, Regional Chief Investment Officer (CIO) Asia Pacific and CIO Australia. He was also Chair of Deutsche Managed Investments Ltd, Tasman Lifestyle Continuum Ltd and a Nonexecutive Director of Gateway Lifestyle Group. Mr Fay is a former Director of DB Real Estate Australia Ltd and South Australian Power Networks Pty Ltd. Earlier in his career, he held various investment roles at AMP Capital and was also a member of the Investment Board Committee of the Financial Services Council from 1998 to 2006.

Mr Fay is the Non-Executive Deputy Chair. He is member of Risk Committee and Investment Committee and holds shares in CMW in excess of five times his director's fees.

Mr Fay is currently a Nonexecutive Director of J O Hambro Capital Management Holdings Ltd, and is a consultant to Microbiogen Pty Ltd. Currently he is Nonexecutive Director of Pental Group Limited and Spark Infrastructure Group.

Item 4	Re-election of John Humphrey as a Director
ASA Vote	For

Mr John Humphrey was appointed director of Cromwell on 10 September 2020. He has a corporate law background with more than 40 years of experience specialising in mergers and acquisitions, major commercial transactions and capital raisings in Australia and globally, as well as over 30 years of experience serving on listed company boards. He has advised on many commercial transactions and has experience with markets in China through his work as a Nonexecutive Director of ASX listed Downer Group Limited, Chair of ASX listed Horizon Oil Limited and Chair of Villa World Limited. Mr Humphrey is a former member of the Takeovers Panel.

Mr Humphrey is currently a Nonexecutive Director of ASX listed Lynas Corporation Limited and Chair of ASX listed Auswide Bank Ltd, and Chair of Spotless Group Holdings Limited. He is also a member of the Board of Trustees of the Brisbane Grammar School. We expressed our apprehension to the board about Mr Humphrey's busy-ness. We were assured that he was more than available and prepared for the twice weekly online board meetings that have occurred since he joined; he has even added to his responsibilities at CMW by volunteering to participate in many extra projects. Although we are concerned about his extensive commitments and would be pleased if he were able to devote more time to CMW, on balance, we believe his skills, experience and availability outweigh those concerns.

Item 5	Adoption of Remuneration Report
ASA Vote	For

CEO rem. framework	Target* \$	% of Total	Max. Opportunity \$	% of Total
Fixed Remuneration	\$1,600,000	40.0%	\$1,600,000	40.1%
STI - Cash	\$900,000	22.5%	\$900,000	22.5%
STI - Equity	\$0 (CEO already owns >26.6m CMW Stapled Securities)	0	\$0 (CEO already owns >26.6m CMW Stapled Securities)	0
LTI	\$1.5m	37.5%	\$1.5m	37.5%
Total	\$4m	100%	\$4m	100%

CMW was not materially impacted by Covid-19 in FY20. It has not laid-off or furloughed any employees, has not sought Government assistance and has maintained the health and safety of its employees and the integrity of its assets. Accordingly there were no Covid-19 related cuts to remuneration.

The CMW remuneration scheme continues to improve. Given the CEO's significant holding (>26m stapled securities) his pay is structured differently from other KMP's and has been progressively shifted over the years away from fixed cash remuneration and toward equity-based at-risk awards.

CEO REM

The CEO receives fixed cash remuneration, cash-based STI (56% of fixed rem) and equity-based LTI (93.75% of fixed rem) which is awarded on a face value basis

Eighty per cent of STI hurdles are based on financial metrics such as FUM, income and NOI growth. Twenty per cent of STI hurdles are non-financial but measurable although the company doesn't specifically disclose the targets. Given his large shareholding, the CEO's STI is paid in cash. For FY20 the CEO took home \$561,000 (62%) of his possible \$900,000 cash bonus.

The CEO's LTI is measured over three years (ASA prefers four years). Three evenly weighted hurdles include Total Return and ROCE of 8.5% to 11.5% each, and Relative TSR. For the first two hurdles, vesting starts at 25% at the lower bound with straight-line vesting to the upper bound. Once the LTI rights vest, they are held in a trading lock for one year and are eligible to receive distributions. The Relative TSR hurdle was added this year. The CEO achieved 94% of the LTI rights granted in FY18 and 75% of the LTI rights granted in FY17.

OTHER KMP REM

Other KMP receive fixed and STI remuneration based on their respective positions. STI is between 50% and 100% of fixed remuneration. Fifty to eighty per cent of hurdles are financial with the majority of non-financial hurdles being measurable. Fifty per cent of the STI award is deferred as securities for one year and is eligible to receive distributions during that deferral period.

LTI is set at 50% of fixed remuneration. Three equally weighted hurdles are (1) Total Return with an 8.5% minimum gateway measured as an average of each of the three years, (2) Return on Contributed Equity with an 8.5% minimum gateway measured as an average of each of the three years and (3) Relative TSR (added this year) measured over the three year period with 0% vesting if below the median.

KPI are required to hold shares to the value of 50% of their fixed rem within four years of joining the company. Securities in STI and LTI holding lock are included and Director discretion may be exercised based on a staff member's personal circumstances.

NEDs

In line with ASA Guidelines, NEDs are required to hold a minimum of one year's fees within three years from July 2019 or their start date.

The statutorily required table of remuneration is of course included however we would be pleased to see the addition of a table of actual take home pay for KMP. These are much more shareholder-friendly and have been recently added by many companies.

The remuneration structure has improved markedly in the past two years. For the future we would like to see LTI vesting hurdles to be measured over four years rather than three, no payment of LTI if TSR is negative and LTI shares awarded to be purchased on market to avoid dilution of shareholders' interests. Last but certainly not least we would like to see the inclusion of an actual take-home pay table for all KMP.

Last year the company received a controversial "First Strike". See discussion under Item 6 below.

Item 6	Spill motion (contingent resolution)
ASA Vote	Against

Summary of ASA Position

During FY19 Cromwell's remuneration framework was substantially revamped to bring it more into line with industry best practice and ASA guidelines. Prior to the AGM in November 2019, Cromwell received positive feedback from multiple proxy advisors (except one) and institutional security holders regarding the Remuneration Framework. However, on a poll at the AGM, 52.99% of votes cast were cast against the resolution to adopt the Remuneration Report resulting in a "First Strike". Of those votes cast against the resolution, 88.56% were cast by the disclosed holdings of two investor groups. Generally, ASA opposes spill motions unless removing the directors is seen as the only way to improve remuneration practices within the company, as they are a very dramatic step to take. We have seen spill motions supported at other company meetings, where major shareholders are unhappy with directors for reasons other than remuneration. Given the recent addition of directors, we will be interested to see how ARA votes on this item.

In this year's very challenging economic environment, Operating profit was up 27%, distributions were up 3.4% and TSR, although negative, was markedly 'less bad' than the company's competitors. This company has been well run by the current board and it is in the best interests of security holders that they continue their excellent stewardship into the future.

Item 7	Grant of 2019 Performance Rights and Stapled Securities to Chief Executive Officer
ASA Vote	For

Summary of ASA Position

Securityholders failed to approve the grant of \$1,500,000 in Performance Rights under the company's LTI at the November 2019 AGM and the company now seeks securityholder approval for the acquisition by the CEO of these rights. This is an important component of CMW's remuneration structure of which we approve. Under ASX Listing Rules no director can acquire securities under an employee incentive scheme without securityholder approval. This requirement does not apply in respect of Stapled Securities purchased on market in satisfaction of

Performance Rights exercised. The Board has stated that, in the event this resolution isn't passed, it will acquire the Stapled Securities on-market in order to settle the vested and exercised Performance Rights.

Item 8	Grant of 2020 Performance Rights and Stapled Securities to Chief Executive Officer
ASA Vote	For

Summary of ASA Position

The company seeks securityholder approval for the acquisition by the CEO of Performance Rights under the CMW Performance Rights Plan. This is an important component of CMW's remuneration structure of which we approve. Under ASX Listing Rules no director can acquire securities under an employee incentive scheme without securityholder approval. This requirement does not apply in respect of Stapled Securities purchased on market in satisfaction of Performance Rights exercised. The Board has stated that, in the event this resolution isn't passed, it will acquire the Stapled Securities on-market in order to settle the vested and exercised Performance Rights.

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