



<b>Company</b>	REA Group
<b>Code</b>	REA
<b>Meeting</b>	AGM
<b>Date</b>	21 Nov 2018
<b>Venue</b>	511 Church St Richmond (REA HQ)
<b>Monitor</b>	Mike Robey

<b>Number attendees at meeting</b>	36 shareholders, 33 visitors, 3 proxy holders plus 69 online shareholders.
<b>Number of holdings represented by ASA</b>	74
<b>Value of proxies</b>	\$4.45m
<b>Number of shares represented by ASA</b>	58,843
<b>Market capitalisation</b>	\$9.98b
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with CFO Owen Wilson, Company Secretary Sarah Turner

### CEO swansong, board independence day

This was a first hybrid AGM conducted by REA, but despite 69 apparently registering, not a peep was heard from them. I think the Chair was still learning how to conduct the meeting in a way to encourage online contributions, however this is a good start and appropriate for a leading digital company.

The early part of the meeting was given to a [presentation of the fine results](#) for another year, but quickly turned to the sudden departure of their star CEO Ms Tracey Fellows, who is being promoted by the parent News Corp to President of a new Division called Global Digital Real Estate (largely what she was already managing from REA!). So this Canadian-born Australian-bred super CEO is departing with 2 months notice for New York. As a consequence she forgoes her STI and LTI for the coming year with no severance pay, but will retain a position on the Board. Given that REA had recently promoted Mr Ryan O'Hara, the head of their US real estate business **Move** to the REA Board, we asked one of the other Directors after the meeting if this would cause some duplication. The answer was that Mr O'Hara may well not remain a Director.

Our issue with this company is that News Corp owns 61% of the shares, and the Board (prior to the AGM) comprises Directors who are all not independent, either because they are direct nominees of News Corp or because they have or will have in the coming year served on the Board for 12 years.

So independence became the theme of many of the questions, both from the Monitor and from an ASA member Mr. Stephen Mayne, speaking as an individual shareholder. A new Board appointee Mr Nick Dowling who was up for election is currently also Chairman of a major Melbourne-based Real Estate company Jellis Craig and there was a spirited defence of his independence, despite his company and REA doing business. REA's reasonable defence was that a Director with current real estate experience was an essential skill for the REA Board. In addition, all real estate companies use both REA and also the competitor Domain for their listings, so his position was that the arms length nature of these arrangements does not constitute any conflict of interest. Your Monitor's position was that Mr Dowling in fact if elected he would in fact be the only Independent Director in a business which increasingly seems to be treated by News Corp as an in-house Division.

The remuneration report was passed with 99.5% of the vote and we raised the lack of a deferred equity component in the short-term incentive (STI) for consideration in the future.

The Re-election of Ms Conlon and election of Mr Dowling also received approval of shares voted in the high 90th percentile.

The re-election of Mr McLennan was opposed by us, on the grounds that a) we don't consider him to be an independent Director and we believe that the Chair should be an independent and b) that he had shown little interest in buying a substantial stake in REA. The vote on this was a low 91%, which means that a significant portion of the 39% available non News Corp shareholders opposed his re-election. He could not be drawn on why he received this protest vote and the result was flashed on and off the screen very quickly.

We did get a concession from Director Ms Conlon that they were currently searching for a new Independent Director and of course a new CEO, so if our point about true independence has been taken, there is a chance this may occur.

We questioned the CEO for more detail of the performance of REA's investment in the US and Asian businesses, but since these are not broken down in the News Corp reports, she was not at liberty to reveal any granularity, but assured us they were all doing well despite REA suffering a small loss in its share of Move and PropTiger (an Indian investment).

Our summary position for REA is that is a very well run business with talented people at all levels, but is in many ways treated as a wholly owned Division of News Corp, despite assurances from the long serving non-News Directors that they always act for minority shareholders.