



Raking in the dough?

Company/ASX Code	Domino's Pizza Enterprises Ltd/DMP
AGM date	Wednesday 4 November 2020
Time and location	3PM AEST [Brisbane] Virtual Meeting
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Sally Mellick with assistance from Anton Dmytriyev
Pre AGM Meeting?	Yes, with Nathan Scholtz, Investor Relations and David Klages, Chief People and Culture

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention **have a** shareholding in this company.

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

Summary of ASA Position

While COVID-19 presented its challenges for companies, Domino's was more than equal to the contest. After a rather rocky ride, Domino's revenue (network sales) rose 12.8% to \$3,267.9m, within that result, online revenue was up 21.4%. The corresponding NPAT was up 3.3% to \$145.8m. The dividend was up 3.3% to 119.3cps, a pleasant surprise in the COVID-19 ravaged dividend performance of the ASX second half results.

Domino's continues to operate and develop in three geographical areas: Australia/NZ, Europe and Japan. All areas were growing as planned for the first half, but then COVID-19 arrived. Each country has handled the impact differently with varying consequences for the underlying franchise businesses. France and NZ had periods of complete closure with other areas requiring a varying COVID-19 response. Management of a well-understood business model produced quick and effective store and company action, which enabled the overall company to prosper in response to ramping up a digital and contactless delivery service.

There were company-wide changes. Perfecting a simple product and having good delivery systems support, the company and stores monitored and managed the way customer patterns changed – the where and when of ordering – and its impact on stores and supply chains. In addition, other's experiences, health warnings and advice were considered and integrated into the business and store and company level in a methodical manner that was communicated across the company.

While all geographic areas recovered effectively, Japan was the standout performer with record sales increasing 38% with associated improved earnings. The store openings planned some two

years ago accounted for some of the improvement, while same store sales were up 18%. With plans and headroom to grow, Japan has embraced the Domino's values and is a solid profit performer.

Governance and culture

The company flags its focus on caring and being responsible. This is evident through promoting team culture and being a good citizen – corporate and otherwise.

The website contains a number of statements of formalised policy and the Annual Report provides many examples including their methods to be clean and healthy – reducing waste, considering optimal power usage and an effective supply chain of fresh ingredients.

Key Board or senior management changes

Ms Doreen Huber joined the Board in February 2020, bringing additional skill, diversity and coverage to the company's geographic footprint.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	142.9	114.4	121.5	105.8	86.6
Share price (\$)	67.79	37.64	52.22	52.08	68.82
Dividend (cents)	119.3	115.5	107.8	93.3	73.5
TSR (%)	83.3	-25.7	2.1	-22.8	92.4
EPS (cents)	160.9	135.5	139.4	116.0	94.4
CEO total remuneration, actual (\$m)	1.4	.950			

For 2020, the CEO's total actual remuneration was **14 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

Item 2 Resolution 1	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

Last year ASA voted against the Remuneration report and at last year's meeting with the Chair we were advised that the Remuneration plan would be reviewed. The principles outlined in the Overview of Executive Remuneration Framework outline the connection between performance and reward. However, the relationship in the explanation of outcome, while well supported with data, is not always clear. ASA could be more supportive if the Remuneration Committee to consider a simpler remuneration structure going forward.

There were no planned reductions in pay because of the COVID-19 impact. While the company was assisted financially with respective government support while stores were closed in France and NZ, they were the standard reductions provided to all companies, for example payroll tax. The company maintains a strong position of avoiding the use of government funds to manage the business.

Remuneration for the Managing Director and KMPs is based on three components.

- (1) Fixed salary of \$1.228m for the CEO was set by the Board at a 2% increase from the previous year.
- (2) STI payment – for the CEO set to a fixed value of \$1.024m if conditions met. For other KMPs this value is a proportion of fixed remuneration ranging from 50% to 65% depending on the position. STI is paid in cash for performance on span of control with 95% is based on EBIT and 5% for new store openings. The targets and thresholds are considered commercially sensitive and are not revealed. Some executives can take their STIs as cash or a combination of cash and rights that are deferred for two years. The mechanics of this are not explained.
- (3) LTI as share options - As a result of this financial year the CEOs options to vest were the first tranche of the options set at the 2017 AGM. Any value in the options is dependent on and increase in share price from the set date. The exercise price for purchase of options is set at the average of 10 days trading price around the AGM date of the year at the beginning of the option period; Vesting is awarded pro rata based on one measure - compound underlying eps growth beginning at 12% with full vesting achieved at 20%. Options that fail to vest lapse. The awardee has 12 months from the vesting date to purchase some or all of the vested options at the predetermined price. This provides an opportunity to make gains based on the prevailing share price or let the vested options lapse if the end date to vest has passed. For the next financial year, the options become net settled options.
- (4) LTI for KMPs – Options for KMPs operate on the same vesting schedule as the CEO. The performance hurdles are EPS growth with a fixed schedule and for some an addition of EBIT target, given as 95% achievement to commence vesting and a schedule for maximum vesting.

This year tables of actual pay were included for the CEO and KMPs. In 2020, the CEO's LTIs failed to vest and LTIs were only paid to executives in the European segment of the company in a year when the Japan segment after a good performance in 2019 increased their contribution to EBITDA by 42.3% and did not achieve LTI vesting.

There are a number of areas in which there is divergence from the ASA preferred position on remuneration.

- ASA prefers up to 50% STI to be paid as cash and the remainder as equity with a minimum 12 month holding lock
- ASA prefers the use of statutory metrics with clearly disclosed performance hurdles on incentive programs
- The performance period for LTIs is three years where ASA prefers at least 4 years

- ASA prefers two hurdles for LTI schemes, one of which should be based on Total Shareholder Return (TSR), with no out performance if the TSR is negative
- ASA prefers any issued performance incentive shares to be purchased on market rather than issued

CEO rem. Framework for 2021	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	\$1.26m	25%		
STI - Cash	\$1.26m	15%		
STI - Equity	\$0			
LTI	\$2.62	50%		
Total	\$m	100.0%		

The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Item 3 – Resolution 2	Re-election of Doreen Huber as a Director
ASA Vote	For

Summary of ASA Position

Ms Huber was appointed to the Board in February 2020.

Among other management experiences for her relatively youthful age, Doreen Huber founded Lemoncat, which successfully digitised a marketplace for online catering. Lemoncat was sold in 2019 and is Germany's largest caterer network providing access to over 500 curated caterers for meetings through to large conferences and events. She an angel investor and board member of the German Start-ups Association. She has international experience creating ordering systems for markets and understanding the necessary components to make the businesses successful.

<https://www.sharetribe.com/academy/marketplace-success-story/> accessed 29 August 2020

We note and support Ms Huber's purchase of 1000 Domino's shares in this financial year. Her skills and experience seem not only timely, but a good fit for Domino's during the COVID-19 challenge of seamless ordering through to non-contact, touchless car delivery.

Item 4 Resolution 3	Re-election of Grant Burke as a Director
ASA Vote	For

Summary of ASA Position

Mr Burke was appointed to the Board in 2001, and as such would not be considered an Independent Director by Australian Shareholders Association. In 2021 he will Chair the Audit Committee and be a member of the Nomination and Remuneration Committee.

With qualifications in Science (food technology), he moved across food industry operations to Domino's in its early days and gained expertise and recognition as a franchisee and within Company's management team. He has had experience as a Director of another ASX-listed company, although he holds no other Directorships at this time.

Item 5 Resolution 4	Approval of deferred equity component of STI grant to CEO/Managing Director Mr Don Meij
ASA Vote	For

ASA supports payment for part of the STI award as equity and the method to determine the number of shares is based on an average share price

Item 6 Resolution 5	Approval for grant of LTI options to CEO/Managing Director Mr Don Meij
ASA Vote	For

Summary of ASA Position

Changing to net settled options results in a guess as to how many shares the CEO might receive should the LTIs vest. Despite opposition to the remuneration strategy, ASA does prefer LTIs to be paid in equity. We note that only one year of options is being approved, instead of three as has been the case. Perhaps this is an indication of potential further changes to remuneration methodology?

Item 7 Resolution 6	Adoption of new or amended constitution
ASA Vote	For

Summary of ASA Position

The details are listed on the website with a summary of the proposed changes in the Notice of Meeting.

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