



### What Covid doesn't kill makes you stronger

<b>Company/ASX Code</b>	Hansen Technologies Ltd/ HSN
<b>AGM date</b>	Thursday 26 November 2020
<b>Time and location</b>	11am
<b>Registry</b>	Link Market Services
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll
<b>Monitor</b>	Judith Seddon assisted by Hans Ha
<b>Pre AGM Meeting?</b>	Yes with Chair Mr David Trude

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

<b>Item 0</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

#### Governance and culture

The board has suspended the LTI Program for this year and has introduced an enhanced STI program for the following year. Under the current STI plan, 25% awarded STIs are paid in deferred equity. Under the new plan, the CEO will have 50% of STIs paid in deferred equity with 2 financial hurdles consisting 70% of the STIs and non-financial targets consisting of 30% of the STIs (more information in item 1).

#### Financial performance including dividends and shareholder returns

Operating Revenue increased by 30.3%, EBITDA was up by 39.8%, Net Profit After Tax (NPAT) was up 19.77% and Earnings per Share (EPS) was up by 19.27%. A great result for the company and the fact that this was achieved during Covid shows the hard work and dedication of the people in the company.

TSR was down by 23.66% at the beginning of the financial year but share prices have recovered to \$3.81 as of writing, so reflect a continued improvement.

Hansen issued dividends of 10 cents per share (which included a special dividend of 2 cents per share), partially franked at 0.70 cents per share.

### **Key Board or senior management changes**

Ms Sarah Morgan resigned from the Hansen Board on Dec 2019 and Mr Don Rankin joined the Board from Nov 2019 and is up for election this year. Mr Niv Fernando, Chief Strategy and Commercial Officer, has been appointed CEO of the Utilities division.

### **ASA focus issue (not discussed under remuneration report or re-election of directors)**

Hansen does not have an actual remuneration table. It does have a pie chart that shows the proportion of an actual remuneration but ASA would like further disclosure with actual figures as it provides a snapshot to shareholders on what KMPs are actually taking home for the year.

ASA will ask of the company's outlook on Covid, risk management, crisis handling and growth strategies in its domestic and overseas markets as well as its plans to when things go back to normal and how the company will transition and maintain and grow its revenues and profits.

### **Summary**

(As at FYE)	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
NPAT (\$m)	25.75	21.5	28.8	23.89	26.08
UPAT (\$m)	29.5	24	28.8	23.89	26.08
Share price (\$)	2.9	3.93	3.15	4.04	3.39
Dividend (cents)	10	6	7	6	7
TSR (%)	(23.66)	26.67	-20	21	32
EPS (cents)	13.0	10.9	14.8	13	14.4
CEO total remuneration, actual (\$m)	1.78	1.60	1.66	1.58	1.36

For 2020, the CEO's total actual remuneration was **19.3 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

<b>Item 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

CEO rem. Framework for FY21	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.921	53%	0.921**	43.70%
STI - Cash	0.368	21%	0.497***	23.57%
LTI – Performance Rights	0.460	26%	0.690	32.73%
Total	1.749	100.0%	2.108	100%

The amounts in the table above are the 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.

\*\*Figures have been readjusted this year to exclude Annual and Long Service Leave to get a better reflection on what the company envisioned in their remuneration plan for the CEO as well as provide an more accurate calculation for envisioned STI and LTI payments.

\*\*\*Figures have been readjusted from last year to reflect that the non-financial rewards of the STIs do not have a stretch component to it.

#### Key Characteristics of the Remuneration Report:

- Target STI is 40% of Fixed Annual Remuneration (FAR) and LTI at 50% of FAR with both having a maximum opportunity of 150%
- A 3-year LTI period with 2 performance hurdles; Relative Total Shareholder Return (rTSR) and Adjusted Earnings per Share (EPSa). Adjustments are made to exclude non-cash tax affected amortisation of acquired intangibles. ASA does not prefer adjustments on performance targets but finds this one to be reasonable.

Hansen has made a major change in its remuneration plan, where the LTI program has been suspended and an enhanced STI plan introduced for FY21. For all KMPs other than the CEO/MD, there has been a 5% reduction of FAR. Target STI for the CEO/MD will be 90% of FAR, split 40% of the STIs in cash and 50% in equity deferred 2 years. 70% of the STI targets will be financial (Budgeted Revenues and EBITDA) and 30% will be non-financial.

ASA favours increasing the equity component of the STI from 25% to 50%, which now includes the CEO/MD but does question the LTI being suspended. For shareholders and ASA, the LTI is the most important component and ASA has encouraged companies to have an LTI plan where it preferably

measures a 4 year period at minimum, and have at least 2 performance hurdles where one of them measures Total Shareholder Returns (TSR) or the equivalent to ensure KMPs and shareholders interests are aligned.

Without an LTI, from a shareholder's perspective, there is a risk that KMPs will be more focused on achieving short-term goals at the expense of the company's long-term prospects and as a result affect long-term shareholder returns.

Nonetheless, the KMPs have long tenure and appear to be committed to the long term success of the company. The CEO/MD have significant skin in the game and from our discussions with the board, ASA is of the opinion that the KMPs are long term focused and are doing their best in the retail shareholder's interests. It was also communicated that the change to an enhanced STI was intended to be temporary and was made to best manage the impact of the current environment (Covid) as well as to retain KMPs and to focus on getting through these uncertain times.

ASA acknowledges that these are exceptional times and commends the company for being profitable and working hard to align with shareholders interests. We support this resolution provided that these changes are temporary and that the company will reinstate its LTI plan as soon as possible.

<b>Item 2</b>	<b>Re-election of David Trude</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA Position**

Mr David Trude has been chair of Hansen since 2011 and has extensive experience in the financial services industry. As Mr Trude has been on the Board for over 9 years, if Mr Trude is re-elected, this will be his final term where ASA will view him as an independent Non-Executive Director (NED). ASA classifies NEDs who have served more than 12 years on the board as non-independent. While ASA does not automatically vote against long serving directors, we do take note of it when assessing NEDs and the independence of the Board as a whole.

Under Mr Trude's chairmanship, his experience, knowledge and personal skills have greatly contributed to many of the successful acquisitions Hansen has undertaken and his financial acumen has contributed to a disciplined management of capital, especially during the Covid period where the company has done well.

Mr Trude also holds over 103,956 shares in the company and with his tenure we believe he has significant skin in the game.

In addition to being the chairman of Hansen, Mr Trude is also a NED of Chi-X Australia, ASX listed Acorn Capital Investment Fund Ltd and MLS Solutions. We have also discovered that Mr Trude was recently appointed as chairman for Waterford Retirement Village.

On the surface, his workload looks excessive. ASA assesses a chair role as the equivalent of serving 2 boards and ASA limits support to a director sitting on 5 separate and un-related listed company boards, where it also assesses workload on private, paid NED roles.

In Mr Trude's case, while his workload appears to be excessive, he told us that Mr he is mindful of his workload and that Hansen is still his main focus. Mr Trude has explained that most of these

directorships have very light workloads where meetings are short and held once a month or a year and that in most of these roles, the executives and/or owners are fully involved with the operations and responsibilities of the company.

Mr Trude has been open with communicating with ASA and has been very responsive to our enquiries and from these conversations, we have seen changes made that ASA views positively. We appreciate his engagement with the ASA and believe that he is a capable chairman.

We therefore support his re-election.

<b>Item 3</b>	<b>Re-election of David Howell</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr David Howell was appointed as NED in 2018 and is a member of the Audit and Risk Committee and is Chair of the Remuneration Committee.

Mr Howell is also an NED of Littlepay and Tiger Pistol Pty Ltd as has worked in several industries including financial services, retail, technology and social media.

Mr Howell has increased his shareholding to 33,666 shares, which shows he has sufficient skin in the game as it exceeds his annual director fees. As he has sufficient skin in the game and does not seem to be overworked, we support this resolution.

<b>Item 4</b>	<b>Election of Don Rankin</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Don Rankin was appointed by the Board on November 21, 2019 and is up for election this year.

Mr Rankin is one of the founding partners of Pitcher Partners and has over 30 years experience in advising businesses in various industries. Other than sitting in a number of Family Board Advisory Committees, it doesn't seem Mr Rankin sits on any other Boards.

Mr Rankin has already acquired 25,000 shares of the company, which shows his commitment to the company and its shareholders.

We support this resolution.

<b>Item 5</b>	<b>Approval of enhanced STI grant to CEO/Managing Andrew Hansen</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

This resolution seeks Shareholder Approval to grant CEO/MD Mr Andrew Hansen 236,877 (157,918 rights granted at target, 78,959 rights at maximum) performance rights for financial year ending 30 June 2021 at market value (VWAP).

These rights will vest if the targeted performance measures are achieved.

Hansen has suspended the LTI for this year in lieu of an enhanced STI for the following year. Currently, STIs have a 25% deferred equity component for KMPs other than the CEO/MD (Hansen explained that the CEO/MD has a significant skin in the game in regards to equity and was trying to encourage other KMPs to increase their shareholdings).

With the enhanced STI, the CEO/MD will be paid 40% in cash, 50% in deferred equity.

If Shareholder approval is not obtained for this resolution, the Board intends to grant Mr Andrew Hansen additional cash remuneration in lieu of the Performance Rights, subject to the same vesting conditions being achieved.

We support this resolution provided that these changes are temporary and that the company will reinstate its LTI plan as soon as possible.

<b>Item 6</b>	<b>Re-adoption of the Performance Rights Plan</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

This resolution seeks shareholder approval for the re-adoption of the Performance Rights Plan, which was previously adopted by shareholders in November 2017. If this resolution is passed, the company will continue to be able to issue Performance Rights to eligible participants over a 3 year period without impacting the company's ability to issue up to 15% of its shares without shareholder approval in a 12 month period.

<b>Item 7</b>	<b>Adoption of new or amended constitution</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

This resolution seeks shareholder approval to repeal the existing constitution and adopt a new constitution. The company has identified the need to update its existing constitution to recent regulatory and technological updates and streamline its administration, minimise costs and improve methods of communicating with its shareholders.

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