

## Another good year of growth and governance progress

<b>Company/ASX Code</b>	Data#3 Limited / DTL
<b>AGM time and date</b>	10am AEST, Wednesday, 30 October 2024
<b>Location</b>	Data#3 Offices, Level 1, 555 Coronation Drive, Toowong, Brisbane, QLD, 4066
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Hybrid meeting
<b>Monitor</b>	Steven Mabb assisted by Richard Hemphill
<b>Pre-AGM Meeting</b>	Yes with Chair Mark Gray, CEO Brad Colledge and CFO Cherie O’Riordan

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
1	Adoption of the remuneration report	For
2	Re-election of Director Mark Esler	For
3	Resolution for appointment of new auditor	For
4	Renewal of approval of the Data#3 Limited Long-Term Incentive Plan	For
5	Approval to issue Rights to a related party: Mr Bradley Colledge	For

### 2. Summary of Issues and Voting Intentions for AGM/EGM

- Proposed change of auditor from Pitcher Partners to PWC. Given the ongoing disruptions at PWC following the tax leak scandal, how confident is the company that they will get value for money and high quality audit services?
- Board composition – given the relatively small Board, could the company benefit from an additional Director with IT/Cyber experience, to test and support management plans and risks.
- The specific growth targets for the Remuneration plan are not disclosed as the company considers them both a competitive advantage and also to avoid formal guidance, so how can shareholders feel comfortable with what is being asked of management?

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

### 3. Matters Considered

#### Accounts and reports

##### Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	43.31	37.03	30.26	25.41	23.63
Share price (\$)	9.18	6.10	4.66	5.61	4.54
Dividend (cents)	25.5	21.9	17.9	15	13.9
Simple TSR (%)	49.5%	30.5%	-13.7%	26.9%	120%
EPS (cents)	27.9	23.88	19.61	16.51	15.35
CEO total remuneration, statutory (\$m)	1.524 (retiring CEO)	1.165	1.105	1.034	1.135

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

#### Governance and culture

The ASA has requested an improved Board skills matrix be supplied for the past few years, to allow shareholders to be better informed when assessing Directors and overall Board composition. We are delighted to see an excellent Board skills matrix in line with our Focus Issue, now available as seen on page 15 and 16 of this year's annual report.

The company received multiple awards in FY24, including global Microsoft Surface PC seller of the year, global Cisco software partner of the year, was voted one of Australia's best Tech Places to Work and achieved a 4.29 out of 5 satisfaction rating by customers.

#### Key events

The company changed its revenue recognition policy effective 1 July 2023 following updated accounting standards guidance in May 2022, and independent accounting advice around best practice for similar businesses globally. They will continue to report both gross sales and statutory revenue, so comparisons to previous years can be made easily and to align with how the company measures its performance internally (on a gross sales basis).

### **Key board or senior management changes**

Long serving CEO Laurence Baynham retired and was succeeded by 28 year company veteran Brad Colledge as CEO and Managing Director in March 2024.

Long serving Chair Richard Anderson retired at the AGM last year and was replaced by existing Director Mark Gray

All of these changes seem to have been well handled and suitable appointments.

### **Sustainability/ESG**

The company has produced a more detailed sustainability report again this year. They are working towards being carbon neutral by 2032.

All staff completed mandatory ethics training in FY24 which is pleasing to see and also a requirement of some business partners such as Microsoft.

## **4. Rationale for Voting Intentions**

### **Resolution 1 Adoption of the Remuneration Report - FOR**

Overall, the remuneration structure is reasonable in size and broadly aligned with retail shareholders. It incentivises management to grow Net Profit after Tax and Earnings Per Share, which if achieved consistently should lead to good outcomes for shareholders.

There are a few items relating to CEO remuneration that are contrary to ASA guidelines.

- The Short Term Incentive (STI) is paid as 100% cash. ASA prefers at least 50% to be paid in equity with a minimum 12 month holding period.
- STI is assessed and awarded quarterly which is quite short term. ASA prefers some of the incentive to be deferred which could be the equity component as mentioned above.
- The Long Term Incentive (LTI) is based on earnings per share growth measured over three years. ASA prefers four to five years.
- Total Shareholder Return (TSR) is not one of the measures on the LTI although pleasingly TSR has been 25% p.a. over the past 5 years.

We will vote in favour of the remuneration report this year and expect the company to consider the above points moving forward.

## **Resolution 2 Re-election of Director Mark Esler - FOR**

As can be seen on the excellent Board Skills Matrix on page 15/16 of the Annual Report, Mark Esler brings good experience and skills to complement the other Board members. His past executive experience at both Data#3 (retiring in 2014) and in the IT industry should be important skills to oversee strategy and risk given the CEO is also a director.

We probed whether the company may need even more IT/Cyber experience at the Board level however they are comfortable that between the Managing Director and Mark Esler they have appropriate expertise.

We are happy to support his re-election.

## **Resolution 3 Resolution for appointment of new auditor (PWC) - FOR**

The company is proposing a change of auditor from Pitcher Partners to PWC. We asked about the reasons for this change, and it was explained as follows.

The current auditor has been in place since listing in the late 90's. A competitive tender process was commenced and PWC provided the best expertise and value in management's opinion. They also pointed out that with PWC being a truly global firm, they are able to assist on matters of best practice that apply to similar companies globally.

## **Resolution 4 Renewal of approval of the Data#3 Limited Long-Term Incentive Plan - FOR**

The company's current Long Term Incentive Plan, requires shareholder approval every 3 years to comply with the ASX listing rules. The current plan would see a maximum of 750 000 rights issued over the next 3 years which equals 0.48% of the company's issued capital as of the Notice of Meeting Date. Details of the plan can be found on page 25 of this year's Annual report.

We will vote in favour of this resolution.

## **Resolution 3 Approval to issue Rights to a related party: Mr Bradley Colledge - FOR**

Mr Bradley Colledge is Managing Director and Chief Executive Officer of the Company, and a related party of the Company by virtue of him being a Director. In turn shareholder approval is required to issue any rights awarded to him under the company's remuneration plan. Details of his Remuneration potential for FY25 can be seen in the Appendix 1 table below.

We will vote in favour of this resolution.

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## Appendix 1 Remuneration framework detail

CEO rem. Framework for FY25	Target* \$k	% of Total	Max. Opportunity \$k	% of Total
Fixed Remuneration	\$660	51%	\$660	48%
STI - Cash	\$283	22%	\$372	27%
STI - Equity	0	0%	0	0%
LTI	\$350	27%	\$350	25%
Total	\$1 293	100%	\$1 382	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. Some remuneration framework set a maximum opportunity amount, but not all.