

Background

Domino's Pizza Enterprises Ltd (DPE) is an Australian-headquartered business, listed on the Australian Securities Exchange (ASX:DMP), with operations in nine markets. In June 2021, DPE announced it had entered a binding agreement to acquire the rights to operate in a 10th market, Taiwan.

As at the end Financial Year 2020, DPE's Australia/New Zealand store network consisted of 833 stores, of which 119 stores are owned and operated by DPE as corporate stores, with the majority owned and operated by small businesses (an average of two stores per franchisee). Additionally, DPE operates a small number of subsidiary businesses.

When the Commonwealth Government announced the creation of the JobKeeper program (March, 2020), the eligibility requirement for a company of DPE's size in Australia was:

Eligible employers will be those with annual turnover of less than \$1 billion who self-assess that have a reduction in revenue of 30 per cent or more, since 1 March 2020 over a minimum one-month period.¹

At the time of JobKeeper's creation a DPE subsidiary, IPG Marketing Solutions, experienced a rapid downturn in turnover as clients in the retail, government, tourism and hospitality sectors immediately reduced their marketing expenditure. IPG employs approximately 90 employees, which includes qualified tradespeople who operate offset printing presses. IPG was in the process of considering furloughing employees or making some roles redundant, based on the sharp decline in business volumes and projected forecasts

As a result, IPG met the threshold for JobKeeper and the company applied for, and received, \$1.7 million in assistance², which allowed IPG to avoid any furloughs or redundancy during this time. A small number of independently-owned Domino's franchisees separately received JobKeeper support. This was significantly offset in FY20 by \$6.8m, which the Company had provided to support Australian and New Zealand stores affected by rapid changes in customer ordering behaviour.

Application of executive bonuses during JobKeeper

DPE's operations across nine markets were affected differently depending on local COVID-19 case levels and resulting government restrictions. In two markets; New Zealand and France, DPE temporarily closed all stores.

In determining management remuneration for the Financial Year, including the payment of discretionary short-term incentives, DPE management and the board considered the intention of government assistance and community expectations. They determined that, where government assistance contributed to the achievement of a performance target, no executive would receive a bonus for that performance target. For example, the DPE's Group CEO received no short term incentive for the performance of the Australia/New Zealand or European businesses.

Return of JobKeeper

DPE recognised that remaining open for trading was a privilege not available to the company in all markets, and not available to all industries.

¹ <https://www.pm.gov.au/media/130-billion-jobkeeper-payment-keep-australians-job>

² \$792,000 received FY20, \$922,000 received FY21.

Throughout the COVID-19 pandemic, DPE has applied straightforward principles to navigate this uncertain environment: to put people first (both customers and team members), to stand side-by-side with our franchisees, to listen to health experts, and to avoid relying on unnecessary government assistance.

As the uncertainty over its operations and trading conditions had passed, and the Company had demonstrated its ability to continue to trade, DPE determined in October 2020 to return JobKeeper received in that Financial Year, \$922,000, despite continued eligibility. Subsequently, DPE determined the Company would pay back \$792,000 in JobKeeper assistance received in the prior financial year. These returns were completed in Financial Year 2021.

Terms of reference

DPE notes the Bill would have the effect of:

- Delaying the ability of certain entities to claim any GST input credits for ten years, or until they pay the amount of JobKeeper they received equal to the amount of profits made and/or executive bonuses paid during the Financial Year period in which it received the JobKeeper payment. These entities do not include businesses with an annual turnover of less than \$50 million.

The Bill as proposed would not impact DPE's operations or financial performance, as the Company has already met the Bill's intentions by returning previously received JobKeeper payments. The board and management determined this was aligned with DPE's values including "Do the right thing, because it's the right thing to do."

DPE notes that it made decisions with far-reaching implications based on the Company's eligibility for support according to the criteria for this support at the time. The ability to make such decisions relies on certainty regarding those criteria.

DPE is concerned about the potential in relying on future government criteria that may retrospectively be changed, which may require a more conservative approach in relying on such criteria. This could have the unintended consequence of reduced take-up of government programs, which would have a negative effect on the community, particularly if the intention of those programs is to create fast, stimulatory impact for the benefit of the broader economy.

- Requiring the Australian Taxation Office to publish a list of all entities in receipt of JobKeeper payments, and how much they received, excluding those with an annual turnover of less than \$50 million.

DPE submits the publication of a list of all entities with annual turnover of more than \$50 million that received JobKeeper payments, and the amount they received, would align with community expectations regarding the appropriate use of public funds.

DPE recognises the importance of the prudent use of public funds, and the opportunity for public commentary and debate regarding the use of those funds. As a publicly listed company, DPE published the amount of government support received, including JobKeeper, in our updates to the Australian Securities Exchange.