

# Challenger Retirement and Investment Services Limited

Disclosure of remuneration as  
required by Section 29QB of  
the Superannuation Industry  
(Supervision) Act

## Challenger Retirement and Investment Services Limited

Challenger Retirement and Investment Services Limited (**CRISL**) is the trustee of the Challenger Retirement Fund (**Fund**) and the responsible entity of seven registered and one unregistered managed investment schemes. CRISL is part of the Challenger Limited (**Challenger**) group of companies.

This report contains the disclosure required by Section 29QB(1)(a) of the *Superannuation Industry (Supervision) Act 1993* and Division 2.6 (section 2.37) of Part 2 of the *Superannuation Industry (Supervision) Regulations 1994*.

### Directors and Executive Officers

The Directors and Executive Officers of CRISL for the financial year (FY19) are listed in the table below.

Name	Position	Term as Executive Officer
David Bennett	Chairperson/ Non-Executive (Independent) Director	Full Year
Michelle Somerville	Non-Executive (Independent) Director	Full Year
Paul Bide	Non-Executive (Independent) Director <sup>1</sup>	Part Year
Alexandra Bell	Non-Executive Director (interim appointment) <sup>2</sup>	Part Year
Catherine Dube	Non-Executive (Independent) Director <sup>3</sup>	Part Year
Andrew Tobin	Executive Director <sup>4</sup>	Full Year
Anthony Bofinger	Executive Director <sup>5</sup>	Full Year
Richard Howes	Former Chief Executive Distribution, Product and Marketing <sup>6</sup>	Part Year
Angela Murphy	Chief Executive Distribution, Product and Marketing <sup>7</sup>	Part Year
Chris Plater	Chief Executive and Chief Investment Officer, Life	Full Year

<sup>1</sup> P Bide served as a Non-Executive (Independent) Director between 1 July 2018 and 30 November 2018.

<sup>2</sup> A Bell is the Chief Financial Officer for the Funds Management Division of the Challenger Group and a proportion of her time was spent performing a Non-Executive Director role for CRISL between 30 November 2018 and 29 May 2019.

<sup>3</sup> C Dube was appointed as a Non-Executive (Independent) Director on the 29 May 2019.

<sup>4</sup> A Tobin is the Chief Financial Officer for the Challenger Group and a proportion of his time is spent performing an executive role for CRISL.

<sup>5</sup> A Bofinger is the Chief Risk Officer for the Challenger Group and a proportion of his time is spent performing an executive role for CRISL.

<sup>6</sup> R Howes was the Chief Executive Distribution, Product and Marketing for Challenger from 13 Feb 2017 to 11 December 2018 and a proportion of his time was spent performing an executive officer role for CRISL. On the 1<sup>st</sup> January 2019 he was appointed Chief Executive Officer of Challenger Limited.

<sup>7</sup> A Murphy was appointed the Chief Executive Distribution, Product and Marketing for Challenger on 12 December 2018 and spent a proportion of her time performing an executive officer role for CRISL.

# Remuneration of Directors and Executive Officers

## Remuneration governance

As CRISL forms part of the Challenger group, CRISL is availing itself of the provisions of paragraph 44 of SPS 510 by utilising the Challenger Remuneration Committee. In accordance with this, the Challenger Remuneration Committee must be available as required to meet with members of the CRISL Board.

The CRISL Board is responsible for effective remuneration governance and prudent risk management practices within CRISL. This includes the attraction and retention of the key talent needed to:

- a) protect the interests, and meet the reasonable expectations, of beneficiaries;
- b) ensure the long term financial soundness of CRISL and its connected entities; and
- c) effectively apply the risk management framework of CRISL.

## Non-executive Directors (NED)

The NEDs are entitled to a fixed fee of \$50,000 per annum inclusive of superannuation for their services in relation to CRISL. This service includes the Fund as well as seven registered and one unregistered managed investment schemes. NED fees of \$30,000 per annum inclusive of superannuation have therefore been determined as an appropriate allocation of total NED fees to the Fund.

NEDs do not receive equity grants and also do not participate in any incentive arrangements in consideration of their services to CRISL.

## Executive Directors and Executive Officers

Executive Directors and Executive Officers performing an executive role for CRISL are employed by Challenger and also perform an executive role for other companies within the Challenger Group. As such, only a portion of their employment time is dedicated to their services to CRISL and the Fund. The disclosures below represent the relevant portion of the Executive Officer's remuneration that relates to their services to the Fund.

## Statutory remuneration disclosures

The following statutory table details remuneration costs for NEDs, Executive Directors and Executive Officers for the FY19 and FY18 financial years. Total remuneration disclosed in the table below is provided by Challenger Limited or a related body corporate. Salaries and other benefits are not paid out of the Fund.

Director / Executive Officer	Year	Short-term employee benefits		Post-employment benefits	Other long-term employee benefits		
		Salary \$	Cash Short Term Incentive (STI) \$	Super \$	Share-based payments \$ <sup>1</sup>	Other \$ <sup>2</sup>	Total \$
D Bennett	2019	27,397	-	2,603	-	-	30,000
	2018	27,397	-	2,603	-	-	30,000
M Somerville	2019	27,397	-	2,603	-	-	30,000
	2018	27,397	-	2,603	-	-	30,000
P Bide	2019	11,416	-	1,084	-	-	12,500
	2018	27,397	-	2,603	-	-	30,000
A Bell <sup>3</sup>	2019	N/A	N/A	N/A	N/A	N/A	N/A
C Dube	2019	2,581	-	245	-	-	2,826
A Tobin <sup>4</sup>	2019	35,831	-	1,068	-	-	36,899
	2018	31,106	-	918	-	-	32,024
A Bofinger <sup>4</sup>	2019	34,440	-	1,116	-	-	35,556
R Willis <sup>5</sup>	2018	31,140	-	918	-	-	32,058
R Howes <sup>6</sup>	2019	6,143	4,792	183	17,340	799	29,257
	2018	30,953	30,139	848	80,601	5,533	148,074
A Murphy <sup>7</sup>	2019	6,474	2,917	228	4,131	317	14,067
C Plater	2019	18,073	12,350	513	37,428	1,772	70,136
	2018	37,490	34,116	1,117	74,212	5,452	152,387

<sup>1</sup> 'Share based payments' refer to both deferred Short Term Incentives (STI) and performance based Long Term Incentives (LTI) issued as share rights. Deferred STI and LTI awards are subject to forfeiture and clawback provisions under the Challenger Performance Plan. Values represent a fair value as per the requirements of the relevant accounting standards.

<sup>2</sup> Other refers to distributions from the CPP Trust and service leave accruals.

<sup>3</sup> A Bell held an interim appointment as a Non-Executive Director for the period inclusive from 30 November 2018 to 29 May 2019. No remuneration is provided in consideration of services provided by A Bell to CRISL.

<sup>4</sup> A Tobin was appointed Executive Director on 1 July 2014 and A Bofinger was appointed as Executive Director on 1 July 2018.

<sup>5</sup> R Willis ceased his Executive Director role on 30 June 2018. Consequently, there is no FY19 disclosure.

<sup>6</sup> R Howes ceased his Executive Officer role on the 11 December 2018 and consequently his FY19 comparative disclosure is pro-rated to reflect the period he fulfilled this role.

<sup>7</sup> A Murphy commenced her Executive Officer role on 12 December 2018 and consequently her FY19 disclosure is pro-rated to reflect the period she fulfilled this role.

Apart from the payments listed above, Executive Officers received no other equity-settled, cash-settled or other form of share-based payment compensation (including hybrids) in relation to their services to CRISL. Further, Executive Officers did not receive any:

- non-monetary benefits or other short-term employee benefits;
- other post-employment benefits;
- termination benefits; or
- payment in consideration for agreeing to hold the position.

With the exception of superannuation contributions, no amount attributable to the service of a director was paid to an organisation or entity rather than to the person.

### **Deferral policy and instrument**

The Challenger Board reserves the right to deliver any STI award as a cash payment, partially deferred or wholly deferred. The Challenger Board reviews the STI deferral practice annually.

The Challenger Board determined that for the STI awarded for FY18, 50% was to be granted in the form of Deferred Performance Share Rights (DPSRs) vesting over a two year period from the date of grant in FY19.

Three-year DPSRs were also awarded as part of the remuneration arrangements for FY18 (and granted in FY19) with vesting subject to continued employment at the date of vesting.

Hurdled Performance Share Rights (HPSR) awards are linked to the long term performance of Challenger and are provided on a discretionary basis. HPSRs align Executive Officers' interests with Challenger's long-term success and sustained shareholder returns. Executive Officers have no contractual right to receive a HPSR award. The Challenger Board retains discretion to amend or withdraw HPSRs at any point.

The Challenger Board takes into consideration a range of factors when determining HPSR grants each year. These factors include performance, retention and the proportion of total remuneration that should be deferred over the longer term to support good governance, prudent risk management and shareholder alignment.

The number of HPSRs awarded to Executive Officers in FY19 was calculated by reference to the estimated fair value of the LTI award approved by the Challenger Board, which reflects the best estimate of the awarded financial value at grant date.

As outlined in the following table, threshold vesting (50%) occurs when an absolute TSR of 7% compounded annually is achieved. Full vesting (100%) occurs when absolute TSR of 10% compounded annually is achieved. The TSR performance targets reflect what the Board considers to be appropriate long term outcomes required for the HPSR awards to vest.

<b>Absolute TSR compounded annually</b>	<b>% of HPSRs that vest</b>
Less than 7% pa	0%
Above 7% but less than 10% pa	Straight line vesting between 50% and 100%
Above 10% pa	100%

For HPSR grants made during FY19, two thirds of the award is eligible to commence vesting on the third anniversary and one third on the fourth anniversary following grant, subject to continued employment and satisfying the absolute TSR performance targets. Any unvested HPSR awards lapse at the end of the fifth anniversary following grant.

## Deferred Performance Share Rights granted during the year ended 30 June 2019

Tranches one and two of the DPSRs granted in September 2018 represent deferred STI awards (50% of total STI) for FY18 and vest over one and two years respectively. Tranche three of the DPSRs granted in September 2018 is focused on long term retention and vests three years from grant.

The three tranches of DPSR awards vest subject to continued employment at the time of vesting.

Executive Officer	Grant date	Allocation price \$	Total no. of DPSRs granted <sup>1</sup>	Tranche 1	Tranche 2	Tranche 3
				1 Sept. 2019	1 Sept. 2020	1 Sept. 2021
				Number vesting	Number vesting	Number vesting
R Howes <sup>2</sup>	11/9/2018	10.3679	2,054	687	687	680
C Plater	11/9/2018	10.3679	2,200	738	738	723

<sup>1</sup> The total number of DPSRs granted is determined by dividing the dollar value of the award by the face value allocation price which is determined based on the five-day value weighted average price (VWAP) of shares prior to grant date.

<sup>2</sup> The DPSR grant values for R Howes represent the full value awarded in relation to the annual time spent performing an executive role for CRISL and have not been pro-rated to reflect his tenure as an Executive Officer in FY19.

<sup>3</sup> No DPSR grants were made to A Murphy in FY19 during her period as an Executive Officer.

## Hurdle Performance Share Rights granted during the year ended 30 June 2019

HPSRs granted in September 2018 vest over a maximum five-year period. Two thirds of the HPSR award is eligible to commence vesting on the third anniversary and one third on the fourth anniversary following grant subject to continued employment and satisfying the absolute TSR performance targets (see page 5). Any unvested awards lapse at the end of the fifth anniversary following the grant.

Executive Officer	Grant date	TSR start price <sup>1</sup> \$	Total no. of HPSRs granted <sup>2</sup>	Tranche 1		Tranche 2	
				1 September 2021		1 September 2022	
				Number vesting	Fair value at grant <sup>2</sup> \$	Number vesting	Fair value at grant <sup>2</sup> \$
R Howes <sup>3</sup>	11/9/2018	11.7192	3,797	2,405	4.56	1,392	3.94
C Plater	11/9/2018	11.7192	4,039	2,558	4.56	1,481	3.94

<sup>1</sup> The TSR start price is the VWAP of shares traded in the 90 calendar days immediately preceding the grant date.

<sup>2</sup> The total number of HPSRs granted is determined by dividing the dollar value of the award by the fair value of the relevant tranche. The fair value is independently calculated and was determined by the Challenger Board as the best estimate of the awarded financial value at the grant date. The fair value is also used to determine the accounting value which is amortised over future vesting periods. The fair value differs to the TSR start price as the HPSR vesting events are subject to achieving future TSR hurdles, do not carry a dividend entitlement and reflects the deferred nature of the award.

<sup>3</sup> The HPSR grant values for R Howes represent the full value awarded in relation to the annual time spent performing an executive role for CRISL and have not been pro-rated to reflect his tenure as an Executive Officer in FY19.

<sup>4</sup> No HPSR grants were made to A Murphy in FY19 during her period as an Executive Officer.