

# 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 six registered and two 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 (FY20) are listed in the table below.

Name	Position	Term as Director / Executive Officer
David Bennett	Chairperson / Non-Executive (Independent) Director	Full Year
Michelle Somerville <sup>1</sup>	Non-Executive (Independent) Director	Part Year
Catherine Dube	Non-Executive (Independent) Director	Full Year
Byron Koster <sup>2</sup>	Non-Executive (Independent) Director	Part Year
Andrew Tobin <sup>3</sup>	Executive Director	Full Year
Anthony Bofinger <sup>4</sup>	Executive Director	Full Year
Angela Murphy	Chief Executive Distribution, Product and Marketing	Full Year
Chris Plater	Chief Executive and Chief Investment Officer, Life	Full Year

<sup>1</sup> Michelle Somerville served as a Non Executive (Independent) Director between 30 June 2014 and 30 November 2019.

<sup>2</sup> Byron Koster was appointed as a Non Executive (Independent) Director on the 29 November 2019.

<sup>3</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>4</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.

# 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 (NEDs)

The NEDs are entitled to a fixed fee per annum inclusive of superannuation for their services in relation to CRISL. This service includes the Fund as well as six registered and two unregistered managed investment schemes. An allocation of 60% of the total NED fees has been determined as an appropriate allocation to the Fund.

Fixed fees for NEDs in respect of the financial year are outlined below.

	Until 4 December 2019	From 5 December 2019
Chair	\$50,000	\$85,000
Member	\$50,000	\$65,000

NEDs do not receive equity grants or 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 remuneration that relates to their services to the Fund only.

## Statutory remuneration disclosures

The following statutory table details remuneration costs for NEDs, Executive Directors and Executive Officers for FY20 and FY19. 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	Short-term employee benefits		Post-employment benefits	Other long-term employee benefits			Total \$
	Year	Salary \$	Cash STI \$	Super-annuation \$	Share-based payments \$ <sup>1</sup>	Other \$ <sup>2</sup>	
D Bennett	2020	38,367	-	3,645	-	-	42,011
	2019	27,397	-	2,603	-	-	30,000
M Somerville <sup>3</sup>	2020	11,416	-	1,084	-	-	12,500
	2019	27,397	-	2,603	-	-	30,000
P Bide <sup>4</sup>	2019	11,416	-	1,084	-	-	12,500
A Bell <sup>5</sup>	2019	N/A	N/A	N/A	N/A	N/A	N/A
C Dube	2020	32,098	-	3,049	-	-	35,147
	2019	2,581	-	245	-	-	2,826
B Koster <sup>6</sup>	2020	20,792	-	1,975	-	-	22,767
A Tobin	2020	12,713	-	388	-	-	13,100
	2019	35,831	-	1,068	-	-	36,899
A Bofinger	2020	15,208	-	504	-	-	15,712
	2019	34,440	-	1,116	-	-	35,556
R Howes <sup>7</sup>	2019	6,143	4,792	183	17,340	799	29,257
A Murphy <sup>8</sup>	2020	6,790	-	252	5,222	241	12,506
	2019	6,474	2,917	228	4,131	317	14,067
C Plater	2020	10,965	-	315	19,994	489	31,762
	2019	18,073	12,350	513	37,428	1,772	70,136

<sup>1</sup> 'Share based payments' includes deferred Short Term Incentives (**STIs**) and performance based Long Term Incentives (**LTIs**), both issued as share rights under the Challenger Performance Plan (**CPP**). Values represent the fair value in accordance with the relevant accounting standards.

<sup>2</sup> 'Other' includes distributions from the CPP Trust and long service leave accruals.

<sup>3</sup> M Sommerville ceased her NED role on 30 November 2019. Consequently, her FY20 remuneration reflects a part-term in office for services to CRISL.

<sup>4</sup> P Bide ceased his NED role on 30 November 2018. Consequently, his FY19 disclosure is pro-rated to reflect the period he fulfilled this role and there is no FY20 disclosure.

<sup>5</sup> A Bell held an interim appointment as a NED for the period inclusive from 30 November 2018 to 29 May 2019. No remuneration was provided in consideration of services provided by A Bell to CRISL.

<sup>6</sup> B Koster was appointed NED on 29 November 2019. Consequently, his FY20 remuneration reflects a part-term in office for services to CRISL.

<sup>7</sup> R Howes ceased his Executive Officer role on 11 December 2018. Consequently, his FY19 disclosure is pro-rated to reflect the period he fulfilled this role and there is no disclosure for FY20.

<sup>8</sup> A Murphy commenced her Executive Officer role on 12 December 2018. 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 in respect of FY19, 50% was granted in the form of Deferred Performance Share Rights (**DPSRs**) vesting over a four year period from the date of grant subject to satisfaction of an employment condition. For STI awarded in respect of FY20, 100% was deferred and granted as DPSRs.

LTIs are delivered as Hurdled Performance Share Rights (**HPSRs**) which 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 an award of HPSRs. 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.

As outlined in the following table, threshold vesting (50%) occurs when an absolute total shareholder return (**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.

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

HPSRs granted during FY20 are eligible to commence vesting on the fourth anniversary, subject to satisfaction of an employment condition and the absolute TSR performance targets. Any unvested HPSRs lapse after five years from the performance period start date.

DPSRs and HPSRs are subject to forfeiture provisions under the CPP.

### Deferred Performance Share Rights granted during the year ended 30 June 2020

DPSRs granted in September 2019 represent the deferred component of STI in respect of FY19 (50% of total STI). There are four tranches which vest over one, two, three and four years respectively.

DPSR awards vest subject to satisfaction of an employment condition.

Executive Officer	Grant date	Allocation price \$	Total no. of DPSRs granted <sup>1</sup>	Tranche 1 1 Sept. 2020	Tranche 2 1 Sept. 2021	Tranche 3 1 Sept. 2022	Tranche 4 1 Sept. 2023
R Howes	9/9/2019	6.6332	508	152	152	102	102
C Plater	9/9/2019	6.6332	1,117	335	335	223	223
A Murphy	9/9/2019	6.6332	262	78	78	52	52

<sup>1</sup> The total number of DPSRs granted is calculated by dividing the dollar value of the award by the face value allocation price, being the five-day volume weighted average price (**VWAP**) of Challenger shares prior to 9 September 2019. The number of DPSRs represents the relevant portion of the total DPSRs granted to the Executive Officer that relates to services provided to the Fund.

### Hurdle Performance Share Rights granted during the year ended 30 June 2020

HPSRs granted in September 2019 vest over a maximum five-year period. HPSRs are eligible to commence vesting on the fourth anniversary following grant subject to satisfaction of an employment condition and the absolute TSR performance targets. Any unvested awards lapse after five years from the performance period start date.

Executive Officer	Grant date	TSR start price <sup>1</sup> \$	No. of HPSRs granted <sup>2</sup>	Fair value at grant (per share) \$
R Howes	9/12/2019	6.7294	2,332	4.22
C Plater	9/9/2019	6.7294	3,816	3.10
A Murphy	9/9/2019	6.7294	1,345	3.10

<sup>1</sup> The TSR start price is the VWAP of Challenger shares traded in the 90 calendar days leading up to the performance period start date.

<sup>2</sup> The number of HPSRs granted is calculated by dividing the dollar value of the award by the face value allocation price, being the five-day VWAP of shares prior to 9 September 2019 (\$6.6332). The number of HPSRs represents the relevant portion of the total HPSRs granted to the Executive Officer that relates to services provided to the Fund.