

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**). 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 (FY21) are listed in the table below.

Name	Position	Term as Director / Executive Officer
David Bennett	Chairperson / Non-Executive (Independent) Director	Full Year
Catherine Dube	Non-Executive (Independent) Director	Full Year
Byron Koster	Non-Executive (Independent) Director	Full Year
Andrew Tobin ¹	Executive Director	Part Year
Anthony Bofinger ²	Executive Director	Full Year
Jillian Haggerty ³	Executive Director	Part Year
Angela Murphy ⁴	Chief Executive, Life	Full Year
Chris Plater ⁵	Chief Executive & Chief Investment Officer, Life	Part Year
Anton Kapel ⁶	Acting Chief Executive & Chief Investment Officer, Life	Part Year

¹ A Tobin was the Chief Financial Officer for the Challenger Group and a proportion of his time until 30 March 2021 was spent performing an Executive Director role for CRISL.

² A Bofinger is the Group Chief Risk Officer for the Challenger Group and a proportion of his time is spent performing an Executive Director role for CRISL.

³ J Haggerty is the General Manager, Governance and Oversight for the Challenger Group and a proportion of her time from 30 March 2021 onwards has been spent performing an Executive Director role for CRISL.

⁴ A Murphy is the Chief Executive, Life and until 10 March 2021 was the Chief Executive, Distribution, Product & Marketing. A proportion of her time is spent performing an Executive Officer role for CRISL.

⁵ C Plater was the Chief Executive & Chief Investment Officer, Life and a proportion of his time until 6 December 2020 was spent performing an Executive Officer role for CRISL.

⁶ A Kapel was the Acting Chief Executive & Chief Investment Officer, Life and a proportion of his time between 7 December 2020 and 9 March 2021 inclusive was spent 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 (NEDs)

The NEDs are entitled to a fixed fee per annum inclusive of superannuation for their services in relation to CRISL. This service included the Fund as well as six registered and four 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.

	FY21
Chair	\$85,000
Member	\$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 FY21 and FY20. 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 STI \$	Super-annuation \$	Share-based payments \$ ¹	Other \$ ²	Total \$
D Bennett	2021	46,575	-	4,425	-	-	51,000
	2020	38,367	-	3,645	-	-	42,011
M Somerville ³	2020	11,416	-	1,084	-	-	12,500
C Dube	2021	35,616	-	3,384	-	-	39,000
	2020	32,098	-	3,049	-	-	35,147
B Koster ⁴	2021	35,616	-	3,384	-	-	39,000
	2020	20,792	-	1,975	-	-	22,767
A Tobin ⁵	2021	9,499	-	300	-	-	9,799
	2020	12,713	-	388	-	-	13,100
A Bofinger	2021	15,164	-	521	-	-	15,685
	2020	15,208	-	504	-	-	15,712
J Haggerty	2021	3,857	-	358	-	-	4,215
A Murphy	2021	7,260	2,790	260	7,400	627	18,337
	2020	6,790	-	252	5,222	241	12,506
C Plater	2021	4,776	2,196	142	7,733	345	15,191
	2020	10,965	-	315	19,994	489	31,762
A Kapel	2021	2,246	503	87	639	50	3,525

¹ 'Share based payments' includes deferred Short Term Incentives (**STIs**) and performance based Long Term Incentives (**LTIs**), both issued under the Challenger Performance Plan (**CPP**). Deferred STIs for FY21 are delivered as Restricted Shares (previously share rights) and LTIs are delivered as hurdled share rights. Values represent the fair value in accordance with the relevant accounting standards.

² 'Other' includes distributions from the CPP Trust and long service leave accruals.

³ M Somerville ceased her NED role on 30 November 2019. Consequently, the FY20 remuneration reflects a part-term in office for services to CRISL and there is no disclosure for FY21.

⁴ B Koster was appointed NED on 29 November 2019. Consequently, the FY20 remuneration reflects a part-term in office for services to CRISL.

⁵ A Tobin ceased his Executive Director role on 30 March 2021. Consequently, the FY21 disclosure is pro-rated to reflect the period he fulfilled this role.

⁶ J Haggerty commenced her Executive Director role on 30 March 2021. Consequently, the FY21 disclosure is pro-rated to reflect the period she fulfilled this role.

⁷ C Plater ceased his Executive Officer role on 6 December 2020. Consequently, his FY21 disclosure is pro-rated to reflect the period he fulfilled this role.

⁸ A Kapel held his Executive Officer role from 7 December 2020 until 9 March 2021 inclusive. Consequently, his FY21 disclosure is pro-rated to reflect the period he 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 FY20, 100% 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 FY21, 50% was deferred and granted as Restricted Shares (except for Anton Kapel for whom 50% in excess of a threshold of \$100,000 was deferred and granted as Restricted Shares).

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 FY21 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, Restricted Shares and HPSRs are subject to forfeiture provisions under the CPP.

Deferred Performance Share Rights granted during the year ended 30 June 2021

DPSRs granted in September 2020 represent the deferred component of STI in respect of FY20 (100% 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 ¹	Tranche 1 1 Sept. 2021	Tranche 2 1 Sept. 2022	Tranche 3 1 Sept. 2023	Tranche 4 1 Sept. 2024
C Plater	7/9/2020	4.0100	1,962	588	588	392	392
A Murphy	7/9/2020	4.0100	1,196	448	448	299	299

¹ 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 7 September 2020. 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 2021

HPSRs granted in September 2020 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 ¹ \$	No. of HPSRs granted ²	Fair value at grant (per share) \$
C Plater	7/9/2020	4.4968	6,305	1.87
A Murphy	7/9/2020	4.4968	4,035	1.87
A Murphy	10/5/2021	4.4968	504	2.64

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

² 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 7 September 2020 (\$4.0100). 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.