

## CHALLENGER ANNOUNCES CEO TRANSITION

Challenger Chairman Peter Polson today announced Brian Benari's decision to retire as Managing Director and Chief Executive Officer and the appointment of Richard Howes to succeed Mr Benari.

Mr Benari will retire as CEO and step down from the Challenger Board in January 2019 and will work with Mr Howes over a six month period to ensure a seamless transition.

Mr Howes has held a number of senior executive roles at Challenger since joining the company in 2003 including Chief Executive of Challenger's Life business and Chief Investment Officer. He currently leads Challenger's Distribution, Product and Marketing team, responsible for the company's product design, distribution, sales and marketing activities.

Prior to joining Challenger Mr Howes held senior positions with leading financial services groups in Australia and the USA, including Macquarie Bank and Bankers Trust.

Mr Polson said: "Brian has led Challenger through an immensely successful period of growth, establishing the company as the clear leader in retirement incomes and developing one of the fastest growing active fund managers in the country. On behalf of the Board I would like to thank him for his extraordinary contribution over the past 15 years."

Mr Benari joined Challenger in 2003 and was appointed Chief Financial Officer and Chief Operating Officer in 2008. He has served as Managing Director and CEO since February 2012.

"Since his appointment as CEO in 2012, Brian has overseen the transformation of the business with the company more than tripling its market capitalisation to nearly \$7 billion today. Similarly, assets under management has also almost tripled. This has delivered a total shareholder return over this time of 209%, compared to the ASX200 result of 95%.

"Coming out of the global financial crisis, Challenger embarked on a strategy to focus the business on re-establishing Australia's annuities market. Under Brian's leadership the company has achieved this ambitious goal.

"Brian's effective leadership style is well demonstrated through the quality of his executive team and leading employee engagement. The ultimate evidence of this is the internal succession for his role, enabling a seamless transition and maintaining the momentum in the business.

"Brian leaves Challenger in a very strong position, well placed to continue to deliver growing returns into the future."

Mr Benari said: "It has been an absolute privilege and pleasure to lead Challenger. I have had the opportunity to work with an extraordinary team of people to achieve a significant transformation.

"I am very proud of the business Challenger is today. It has a clear strategy, strong team, leading brand and a long track record of delivering growth for our shareholders.

"I am also extremely pleased to see Richard appointed as Challenger's next CEO. Having worked with Richard for many years, I know that he has an exceptional intellect, customer-focus and passion for our business. I am confident he will lead Challenger to continued success."

Mr Polson said: “Richard has delivered outstanding results in each of the divisions that he has led and has the ideal experience and skills to lead Challenger through its next phase of growth.

“The Board has had the pleasure of working with Richard over many years and during this time he has demonstrated his integrity, commitment and capability.”

Mr Howes said: “I am excited and honoured to be chosen to lead Challenger. I believe strongly in our business and in our ability to capture the significant opportunities for growth we see ahead.

“I am looking forward to working with my colleagues as we continue to build on our success to deliver excellent outcomes for our customers, our shareholders, our employees and the wider community.”

ENDS

Attached: Biography and key employment terms.

### **About Challenger**

Challenger Limited (Challenger) is an investment management firm managing \$81 billion in assets at 30 September 2018. It is focused on providing customers with financial security for retirement.

Challenger operates two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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## Biography – Richard Howes

Richard Howes joined Challenger in 2003 and is currently Chief Executive, Distribution, Product and Marketing. In this role, Richard is responsible for the company's product design, retail and institutional distribution, sales and marketing activities.

During his time in this role, Challenger has made significant progress on a number of key growth initiatives including the program to expand Challenger's distribution reach by making annuities available on platforms. In the past 12 months Challenger's annuities have launched on the BT Panorama platform and new arrangements to launch on Hub24 and Netwealth have also been announced. Once complete, Challenger annuities will be available on the platforms used by 70% of Australian financial advisers.

Prior to his current role, Richard was the Chief Executive of Challenger's Life business where he oversaw Life's investment portfolio, asset and liability management, and the annuity product suite. Richard was a key architect in building the portfolio, team and processes which underpin Challenger Life's investment strategy and success.

Richard initially joined Challenger in 2003 as Life Chief Investment Officer. Richard is a founding member of Challenger's Asset and Liability Committee and continues to serve on this committee.

Prior to joining Challenger, Richard held senior roles at Zurich Capital Markets, Macquarie Bank and Bankers Trust where his primary responsibility was providing risk management solutions to major companies and institutions globally. He began his career in the strategy department of Queensland Investment Corporation.

Richard has a Bachelor of Commerce (hons) in Finance and Accounting and a Bachelor of Economics and has completed the Advanced Management Program at Harvard Business School. He is also on the Advisory Board of the University of Queensland Business School.

## Key terms of employment agreement

Summary of the material terms of Richard Howes' employment agreement with Challenger, which will take effect from 2 January 2019.

### 1. Appointment

Appointment as the Chief Executive Officer and Managing Director to commence on 2 January 2019.

### 2. Term

No fixed maximum term, subject to the termination provisions in the agreement (summarised below).

### 3. Remuneration

#### a) Fixed Remuneration

The fixed remuneration is \$1,275,000 per annum (inclusive of statutory superannuation contributions and any salary sacrifice items), which is reviewable annually.

#### b) Short Term Incentive

Mr Howes will be eligible for discretionary annual short term incentives determined by the Board. Unless exceptional circumstances exist, it is expected that the annual short term incentive will be capped at twice Mr Howes' fixed remuneration.

Performance is assessed by the Board by reference to the performance objectives set each year.

A proportion of Mr Howes' short term incentive will be paid in cash with a significant portion being deferred (usually at least 50%) and delivered to Mr Howes in the form of equity, such as deferred performance share rights under the Challenger Performance Plan (**CPP**). The form of such equity and the deferral periods are to be determined by the Board.

#### c) Longer Term Incentive

Mr Howes is also eligible to receive annual grants of longer term incentives in the form of equity, such as deferred and/or hurdled performance share rights under the CPP. The form of such equity, the deferral periods and hurdles are to be determined by the Board.

The current arrangements are described in Challenger's 2018 Annual Report.

### 4. Termination

Mr Howes may resign at any time on giving 6 months' notice. Challenger may terminate Mr Howes' employment on giving 12 months' notice.

Mr Howes may also resign on one month's notice if a material change to his status, position or responsibilities occurs without his agreement, in which case, he will be treated as though Challenger had terminated his employment on 12 months' notice.

Challenger may require Mr Howes to be on garden leave for up to six months and can make a payment in lieu of notice.

On termination of employment, Challenger will pay all outstanding fixed remuneration and any statutory entitlements owing to Mr Howes.

The agreement includes 'bad leaver' termination provisions (i.e. termination for poor performance or gross misconduct or resignation unless this was because of a material change as outlined above or with the Board's consent). In these circumstances, all unvested performance rights would immediately lapse and Mr Howes' would not be eligible for any short term incentive for any part year worked.

For a "good leaver" termination (i.e. other than a "bad leaver" scenario), Mr Howes would remain eligible for a short term incentive (pro-rated and payable at the usual date) and all unvested performance rights would remain on foot, subject to their terms (including the performance and time based hurdles). The CPP includes claw back provisions that apply in certain circumstances, including for gross misconduct or to protect Challenger's financial soundness.

## 5. Miscellaneous

The agreement contains usual provisions:

- i) Dealing with termination for gross misconduct;
- ii) Imposing restrictions, for up to six months after termination of his employment, on Mr Howes' ability to compete with any member of the Challenger Group or solicit clients or employees; and
- iii) Imposing obligations on Mr Howes to keep information of the Challenger Group confidential and not to disclose it to third parties and in relation to intellectual property.