



<b>Company</b>	Challenger
<b>Code</b>	CGF
<b>Meeting</b>	AGM
<b>Date</b>	26 October 2018
<b>Venue</b>	Wesley Centre, 220 Pitt Street, Sydney
<b>Monitor</b>	Elizabeth Fish, assisted by Joyce Yong

<b>Number attendees at meeting</b>	40 shareholders, representing 1.1m shares
<b>Number of holdings represented by ASA</b>	195
<b>Value of proxies</b>	\$8.442m
<b>Number of shares represented by ASA</b>	822,000
<b>Market capitalisation</b>	\$6.42bn
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with Chair Peter Polson

## A change at the top for Challenger

The most significant announcement of the day was the decision of the CEO and Managing Director, Brian Benari to retire from his position and step down from the Board in January 2019. Mr Richard Howes has been appointed to succeed Mr Benari as CEO. Mr Howes, has been employed with Challenger Limited since 2003 and presently leads Challenger's Distribution, Product and Marketing team, being 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. The Chair thanked Mr Benari for his time with the organisation saying how sad he was that Mr Benari had decided to retire after having led the business so impressively for the last seven years.

In his [address to the meeting the Chair](#) highlighted the significant growth of funds under management in the last year (16%), the maintenance of a strong capital position to allow for continued growth and continuing diversification. He also spoke about Corporate Governance and executive remuneration and sustainability.

[The CEO spoke](#) about expanding Challenger's annuities distribution reach through investment platforms such as AMP and BT. He also spoke about retirement income reforms and growth in the Funds Management business. He concluded his address saying that targeted growth over 2018 in 2019 is 8-12%.

The ASA spoke, explaining that we could not vote in favour of the remuneration report as we did not support the use of fair value to calculate the number of share rights issued, that there should be more than one hurdle for the long-term incentive (LTI) scheme and that dividends should not accrue or be paid on unvested shares. Further, ASA also found disclosure on the short-term incentive (STI) scheme poor and would like to see more detail on key performance indicators (KPIs) and the extent to which they have been met. Mr Polson said he thought fair value was the right approach, and at the moment he had no intention of changing it.

There were a number of questions and comments from shareholders: a shareholder asked, have they/we learned anything from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission)? The Chair responded to this question by saying that Challenger would be looking at reports coming out of the Royal Commission as they become available, and is very much aware of the issues raised. Clearly, the landscape will change but he did not expect it would directly affect Challenger. Another shareholder asked if something has gone astray with the Board, querying why we were being asked to elect 5 members to the board and what was the policy on how long a director should serve? While this matter was discussed in the Chair's address, he responded saying he thought ideally he would like to keep the average tenure of a non-executive director to six years, and continued saying that he is in the process of refreshing the board, to ensure that directors have the skills and knowledge necessary for an effective Board.

Tony Virtue from Anthony Virtue & Associates congratulated the board on having an internal candidate on hand to take over the CEO's role.

Items 2a, b, c, d and e related to the re-election and election of non-executive directors. Votes in favour were between 94 to 99% of shares voted. Each of the non-executive directors up for election or re-election spoke to the meeting.

Item 3: The remuneration report had a vote against of 23%. The ASA recommended a vote against this item and voted the 822,268 open proxies against. Proxy advisors that recommended a vote against this item were ACSI, ISS and Ownership Matters.

A journalist from the Financial Review contacted the ASA for more details on the issues around fair value and face value. Some mention of this was made in the Saturday edition of the paper. The Financial Review covered Mr Benari's resignation as well as the appointment of Mr Howe as CEO and in the same article on 26 October quoted Peter Polson as saying that "the company may need to re-examine the way in which it awards bonuses to its executives given the 22.6% vote against the Remuneration Report".