

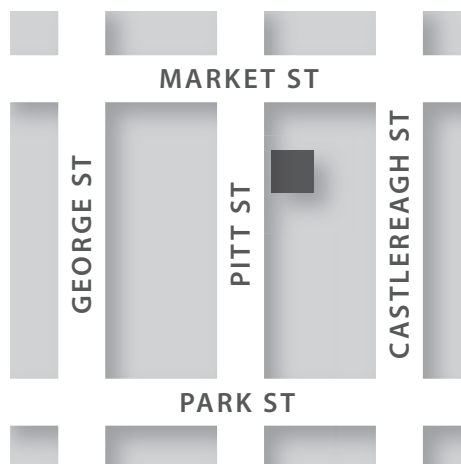
Challenger Limited

Notice of Annual General Meeting 2012



NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of shareholders of Challenger Limited (Challenger) will be held at The Wesley Centre, 220 Pitt Street Sydney, on Monday 26 November 2012 at 10.30 am (AEDST).



Business

Financial Statements and Reports

1. To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report for Challenger and its controlled entities for the financial year ended 30 June 2012.

Note: A copy of the Reports, which is part of Challenger's Annual Report, is accessible on Challenger's website at the following address: <http://www.challenger.com.au/share/AnnualReportsShareholderInformation.asp>.

Election of Directors

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

2. That Mr Graham Cubbin, who retires by rotation in accordance with clause 6.1 of the Constitution of Challenger, be re-elected as a Director of Challenger.
3. That Mr Russell Hooper, who retires by rotation in accordance with clause 6.1 of the Constitution of Challenger, be re-elected as a Director of Challenger.
4. That Mr Steve Gregg who retires in accordance with clause 6.1 of the Constitution of Challenger having been appointed by Directors since the previous Annual General Meeting, be elected as a Director of Challenger.
5. That Ms JoAnne Stephenson, who retires in accordance with clause 6.1 of the Constitution of Challenger having been appointed by Directors since the previous Annual General Meeting, be elected as a Director of Challenger.

Remuneration Report

To consider and, if thought fit, to pass the following resolution:

6. That the Remuneration Report for the financial year ended 30 June 2012 be adopted.

Restrictions on voting

Resolution 6

Challenger will disregard all votes on the resolution to adopt the Remuneration Report cast by or on behalf of:

- a member of the key management personnel details of whose remuneration are included in the Remuneration Report; and
- a closely related party of any such member of the key management personnel.

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Challenger or the Challenger Group, whether directly or indirectly. Members of the KMP include directors (both executive and non-executive) and certain senior executives.

A closely related party of a member of the KMP is defined as:

- a company the member controls;
- the member's spouse, child or dependant (or a child or dependant of the member's spouse); or
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the entity.

Challenger will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote on Resolution 6, in accordance with directions on the proxy form.

You may be held liable for breach of the voting restrictions in the Corporations Act if you cast a vote that Challenger will disregard.

Please read the information under the heading 'Undirected Proxies', which (among other things) deals with the Chairman's voting of proxies on the resolution to adopt the Remuneration Report.

Michael Vardanega

Company Secretary

8 October 2012

Information for shareholders

Appointing a Proxy

A member entitled to attend and vote at a meeting of members may appoint not more than two people as the member's proxy to attend and vote for the member at the meeting. A proxy need not be a shareholder of Challenger, and can be either an individual or a body corporate. A proxy form is included with this Notice of Meeting.

If the member appoints two proxies, the proxy form may specify the proportion of voting rights each proxy is appointed to exercise on a poll. If no proportions are specified, each proxy may exercise half the available votes (disregarding fractions) on a poll. If you appoint two proxies, neither is entitled to vote on a show of hands. If you require a second proxy form, please contact Computershare on 1800 780 782.

For an appointment of a proxy to be effective for the scheduled meeting, Challenger must receive the proxy form duly completed and signed by no later than 10.30am (AEDST) on Saturday, 24 November 2012; and if signed by the appointor's attorney or corporate representative, then Challenger must also receive by that time the power of attorney or corporate representative appointment or a certified copy of it.

You can send your proxy form to Computershare by doing one of the following:

- lodging it online at Computershare's website www.investorvote.com.au as instructed there (you will have been taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website); or
- faxing it to (03) 9473 2555; or
- posting it by using the reply paid envelope to:
Computershare Investor Services Pty Limited
GPO Box 242, Melbourne Vic 3001; or
- Custodian voting – for Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions; or
- delivering it to:
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street,
Sydney NSW 2000.

Appointing a proxy does not mean you cannot attend the meeting. However, under the Challenger Constitution, if you vote on any resolution, the proxy is not entitled to vote, and must not vote, as your proxy on the resolution.

Undirected Proxies

If you appoint the Chairman as your proxy (including by default) and you do not specify how the proxy is to vote, you expressly authorise the Chairman to exercise your proxy even though the resolution is connected directly or indirectly with the remuneration of one or more members of the key management personnel, which includes the Chairman.

The Chairman intends to vote undirected proxies in favour of all resolutions on the agenda for the meeting.

Challenger recommends that shareholders who submit proxies should consider giving 'how to vote' directions to their proxyholder on each resolution.

Corporate Shareholders

Corporate shareholders wishing to appoint a representative to attend and vote at the meeting on their behalf must provide that person with:

- a properly executed letter or certificate authorising the person to act as the company's representative in accordance with the company's constitution; or
- a copy of the resolution appointing the representative, certified by a secretary or director of the company.

Such authorisation may be for this meeting only or for all meetings of Challenger.

Eligibility to attend and vote

In accordance with the Corporations Regulations and the ASX Settlement Operating Rules, the Board has determined that, for the purposes of the meeting, those members registered as holding shares at 7.00pm (AEDST) on Saturday 24 November 2012 will have voting entitlements for the meeting. Transactions registered after that time will be disregarded in determining the shareholders entitled to attend and vote at the meeting.

Registration

If you are attending the meeting in person, please bring the personalised proxy form enclosed with this Notice of Meeting with you. The bar code at the top of the proxy form will facilitate registration. If you do not bring the proxy form with you, you will still be able to attend the meeting, but at registration, representatives from Computershare will need to verify your identity. Registration will be available from 9.30am (AEDST) on the day of the meeting.

Questions and Comments by Shareholders at the meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to shareholders – as a whole – to ask questions about or to make comments on the management of Challenger or its Remuneration Report at the meeting. Similarly, a reasonable opportunity will be given to shareholders – as a whole – to ask Challenger's auditor, Ernst & Young, questions about:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;
- the accounting policies adopted by Challenger in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Shareholders may also provide written questions to the auditor concerning the content of the audit report or the conduct of the audit of Challenger's financial report for the financial year ended 30 June 2012 in advance of the meeting. Written questions should be submitted to Challenger no later than 5.00pm (AEDST) on Monday 19 November 2012, and should be addressed as follows:

The Company Secretary
Challenger Limited
Level 15,
255 Pitt Street
Sydney NSW 2000

A list of questions will be prepared by Ernst & Young and will be made available to members at the Annual General Meeting.

Explanatory notes on the resolutions

Item 1 – Financial Statements and Reports

The Financial Report, Directors' Report and Independent Auditor's Report for Challenger and its controlled entities for the financial year ended 30 June 2012 will be laid before the meeting in accordance with the requirements of the Corporations Act.

Challenger's 2012 Annual Report (which includes the Financial, Directors' and Independent Auditor's Reports) is available on Challenger's website at the following address: <http://www.challenger.com.au/share/AnnualReportsShareholderInformation.asp>. A printed copy of the Reports has been sent to those shareholders who requested a printed copy.

Shareholders will be provided with the opportunity to ask questions about, and make comments on, the Reports and the management of Challenger generally but there will be no formal resolution put to the meeting in relation to Item 1.

Items 2 and 3 – Re-election of Directors by rotation

In accordance with Challenger's Constitution, it is necessary for one-third of the directors, excluding the Managing Director and any Director appointed since the previous Annual General Meeting (rounded down to the nearest whole number), to retire by rotation each year. Additionally, each Director who was last elected at least three Annual General Meetings ago must stand for re-election.

Accordingly, Messrs Cubbin and Hooper will retire by rotation at the 2012 Annual General Meeting and, being eligible, each offers himself for re-election as a Director at the meeting.

The Board is accountable to shareholders for the activities and performance of Challenger. Board members have been selected for their experience and knowledge of the financial markets in which Challenger operates, their familiarity with Challenger's stakeholders and their capacity to assist the Board to act cohesively and with integrity.

Details of each Director standing for re-election are outlined below.

Mr Graham Cubbin

Non-Executive Director

Independent

Experience/qualifications

Mr Cubbin holds a Bachelor of Economics (Hons) from Monash University and is a Fellow of the Australian Institute of Company Directors.

Mr Cubbin was a senior executive with CPH Investments Management Pty Limited (CPH) from 1990 until September 2005, including Chief Financial Officer for 13 years. Prior to joining CPH, Mr Cubbin held senior finance positions with a number of major companies including Capita Financial Group and Ford Motor Company. Mr Cubbin has been a Director of the Company since 6 January 2004.

Special responsibilities

Mr Cubbin is Chairman of the Remuneration Committee, and a member of the Group Risk and Audit Committee and the Nomination Committee.

Directorships of other listed companies

Mr Cubbin is a non-executive director of Bell Financial Group Limited (appointed 12 September 2007), STW Communications Group Limited (appointed 20 May 2008), White Energy Company Limited (appointed 17 February 2010) and McPherson's Limited (appointed 28 September 2010).

Mr Russell Hooper

Non-Executive Director

Independent

Experience/qualifications

Mr Hooper is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Society of Practising Accountants and a Fellow of the Financial Services Institute of Australasia, and has completed the Advanced Management Program, Harvard Business School.

He has experience at chief executive level in life insurance, wealth management and listed investment trusts. Mr Hooper has been a Director of the Company since 6 November 2003.

Special responsibilities

Mr Hooper is the Chair of the Group Risk and Audit Committee, and a member of the Remuneration Committee and the Nomination Committee.

Directorships of other listed companies

Mr Hooper is a director of Century Australia Investments Limited (appointed 12 September 2006).

Recommendation

The Board has significantly benefited from the contributions and commercial experience of Mr Cubbin and Mr Hooper. Each member of the Board (other than Mr Cubbin and Mr Hooper in relation to their own re-election) recommends that shareholders vote in favour of the re-election of both Mr Cubbin and Mr Hooper.

Items 4 and 5 – Election of Directors appointed by the Board

Mr Steven Gregg and Ms JoAnne Stephenson have been appointed by the Board as Independent Non-Executive Directors since the last Annual General Meeting. Under Challenger's Constitution, they will cease to hold office if not elected at the AGM and, hence, are standing for election.

Ms JoAnne Stephenson

Non-executive Director

Independent

Experience/qualifications

Ms Stephenson has had extensive experience in financial services both in Australia and the UK. She was previously a partner with KPMG and has significant experience in internal audit, risk management and consulting. Ms Stephenson is the Chair of the Advisory Board of Russell Consulting International, is the Chair of the Melbourne Chamber Orchestra and is on the board of the Peter MacCallum Cancer Institute. Ms Stephenson holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from the University of Queensland. She is a member of both the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

Special responsibilities

Ms Stephenson is a member of the Nomination Committee.

Mr Steven Gregg

Non-executive Director

Independent

Experience/qualifications

Mr Gregg has had an extensive executive career in management consulting and investment banking. His more recent senior executive roles included Partner and Senior Adviser at McKinsey & Company and Global Head of Investment Banking at ABN Amro. His experience has spanned both domestic and international arenas having worked in the USA and UK. Mr Gregg holds a Bachelor of Commerce from the University of NSW.

Special responsibilities

Mr Gregg is a member of the Nomination Committee.

Directorships of other listed companies

Mr Gregg is the Chairman of Goodman Fielder Limited (appointed 1 October 2012) and a non-executive director of Tabcorp Limited (appointed 18 July 2012).

Recommendation

The Board believes it will significantly benefit from the contributions of Mr Gregg and Ms Stephenson. Each member of the Board (other than Mr Gregg and Ms Stephenson) recommends that shareholders vote in favour of the election of Mr Gregg and Ms Stephenson.

Item 6 – Remuneration report

The Annual Report for the financial year ended 30 June 2012 contains a Remuneration Report, which sets out Challenger's remuneration policy and reports on the remuneration arrangements in place for the Key Management Personnel (including executive Directors, specified executives and Non-Executive Directors). A copy of the Report is set out on pages 36 to 58 of the Annual Report which is accessible on Challenger's website at the following address: <http://www.challenger.com.au/share/AnnualReportsShareholderInformation.asp>.

This resolution, which is proposed pursuant to the requirements of section 250R(2) of the Corporations Act, proposes that shareholders adopt the Remuneration Report.

This resolution to adopt the Remuneration Report is advisory in nature and does not bind the Directors or Challenger. However, as a consequence of changes to the Corporations Act, if at least 25% of the votes cast on the resolution are voted against adoption of the Remuneration Report at the meeting, then:

- if comments are made on the report at the Annual General Meeting, Challenger's Remuneration Report for the next financial year will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- if at next year's Annual General Meeting, at least 25% of the votes cast on the resolution for adoption of the Remuneration Report are against it, Challenger will be required to put to shareholders a resolution proposing that an extraordinary general meeting (**EGM**) be called to consider the election of Directors of Challenger (spill resolution). If a spill resolution is passed (ie, more than 50% of votes cast are in favour), all of the Directors (other than the Managing Director) will cease to hold office at the subsequent EGM, unless re-elected at that meeting.

At last year's Annual General Meeting 90.22% of the votes cast were in favour of the resolution for adoption of the Remuneration Report for the year ended 30 June 2011.

A reasonable opportunity will be provided for discussion of and questions relating to the Remuneration Report at the meeting.

If you intend to appoint a proxyholder to vote on your behalf on the Remuneration Report resolution, please read the information above, under the heading 'Undirected Proxies'.

The Remuneration Report forms part of the Directors' Report which has been made in accordance with a unanimous resolution of the Challenger Board. Each Director recommends that shareholders vote in favour of the adoption of the Remuneration Report.

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