Challenger Limited

Remuneration Committee Charter

Challenger Limited (**Company**)
ACN 106 842 371

challenger

1. Introduction

1.1 The Remuneration Committee is a committee of the Board of directors of Challenger Limited (Company).

1.2 The Board established the Remuneration Committee under the Company's constitution.

1.3 This charter sets out the scope of the Remuneration Committee's responsibilities in relation to the Company and its controlled entities (**Group**).

1.4 The role of the Remuneration Committee is not an executive role.

2. Establishment of the Committee

This Charter sets out the basis for the Board's establishment of the Committee and should be read in conjunction with the Board's Corporate Governance Statement and the Board Charter.

3. Objective

The objective of the Remuneration Committee is to assist the Board discharge its responsibilities by ensuring the Group:

(a) has coherent remuneration policies and practices that attract and retain employees, executives and directors who will create value for shareholders;

(b) observes those remuneration policies and practices;

(c) fairly and responsibly rewards employees and executives having regard to the performance of the Group, the performance of the employees and executives, the company's long term financial soundness and risk management framework, the general pay environment and in a way that is aligned with prudent risk-taking and rewards long term sustainable growth;

(d) complies with the provisions of the ASX Listing Rules, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Corporations Act and the principles contained in APRA Prudential Standards CPS 510 and SPS 510; and

(e) complies with regulations related to remuneration for offshore companies which delegate their remuneration governance to the Committee from time to time (for example regulations of the Financial Conduct Authority in the UK).

4. Remuneration Policies and Practices

4.1 The Remuneration Committee develops a Remuneration Policy which is then recommended to the Board for approval. The Remuneration Committee will review the effectiveness of the Remuneration Policy at a minimum every two years. The Remuneration Committee must ensure compliance with its responsibilities under the Remuneration Policy.

4.2 Remuneration and incentive policies and practices will be performance based and aligned with the Group's vision, the Challenger Principles and overall business objectives.

4.3 Remuneration and incentive policies and practices will be designed to:

(a) motivate employees, executives and directors to pursue the Group's long term growth and success;

(b) demonstrate a clear relationship between the Group's overall performance and the performance of executives;

(c) ensure that they do not create asymmetric risk and reward outcomes or encourage excessive risk taking on behalf of individuals; and

(d) ensure that the structure of remuneration for employees in risk and financial control roles, including performance based components, does not compromise the independence of those employees in carrying out their duties.

5. Remuneration

5.1 In performing its responsibilities in relation to remuneration, the Remuneration Committee must give appropriate consideration to the Group's objectives and performance, employment conditions and remuneration relativities.

5.2 The Remuneration Committee is responsible for:

Remuneration and incentive policies

(a) on a regular basis reviewing, approving and recommending to the Board for adoption employee and executive remuneration and incentive policies and practices, including the Remuneration Policy, and making specific recommendations to the Board on remuneration of executive directors and senior management. Any review of the

Remuneration Policy must include an assessment of the Remuneration Policy's effectiveness and compliance with relevant regulatory requirements including APRA Prudential Standards CPS 510 and SPS 510;

Executive directors and senior management employment conditions

(b) recommending to the Board remuneration reviews and remuneration arrangements for the Chief Executive Officer ('CEO');

(c) reviewing the CEO's recommendations and making recommendations to the Board in relation to remuneration reviews and remuneration arrangements of his or her direct reports having regard to executive remuneration and incentive policies;

(d) on an annual basis, reviewing the CEO's recommendations and making recommendations to the Board in relation to the total remuneration (including base pay, incentive awards, equity awards and terminations arrangements) of other persons whose activities may in the Remuneration Committee's opinion affect the financial soundness of the company or its divisions, or any other person specified by APRA in accordance with CPS 510 and SPS 510, having regard to executive remuneration and incentive policies;

(e) reviewing the CEO's recommendations and making recommendations to the Board in relation to the total remuneration (including base pay, incentive awards, equity awards and retirement rights) of other persons covered by the Remuneration Policy, having regard to executive remuneration and incentive policies;

(f) reviewing the performance of the CEO, at least annually, including setting with the CEO goals for the coming year and reviewing progress in achieving those goals and making recommendations to the Board;

(g) determining if shareholder approval is required and/or pertinent for any change to the remuneration of directors or executives;

(h) preparing for approval by the Board any report on executive remuneration that may be:

  (i) required by the ASX Listing Rules or the Corporations Act 2001(Cth); or

  (ii) proposed for inclusion in the annual report, and reporting regularly to the Board on those matters.

Incentive plans

(i) reviewing, approving and recommending to the Board for adoption the design of any incentive plan;

(j) reviewing, approving and recommending to the Board for adoption the design of any equity based plan including any performance hurdles;

(k) advising the Board on the bonus pool available for employees under any bonus plan operated by the Company, and advising the Board on proposed increases in aggregate remuneration levels across the Group;

(l) reviewing and reporting to the Board on the operation of any executive incentive plan or equity based plan;

(m) reviewing any plan for legislative, regulatory and market developments;

Non-executive directors

(n) reviewing the remuneration of non-executive directors for serving on the Board or any committee (both individually and in total);

(o) recommending to the Board the remuneration and retirement policies for non-executive directors having regard to market trends and shareholder interests, and making specific recommendations to the Board on remuneration for non-executive directors;

Superannuation, Pension and Benefits

(p) reviewing and recommending to the Board for adoption any significant changes in superannuation and pension arrangements or benefits programs; and

Reimbursement of expenses

(q) reviewing at the Committee's discretion the reimbursement of any expenses incurred by directors and the CEO.

6. Termination Payments

6.1 The Remuneration Committee is responsible for:

(a) reviewing and recommending to the Board for approval termination payments to executive directors before they are implemented;

(b) considering and, if appropriate, ratifying termination payments to direct reports of the CEO; and

(c) determining if shareholder approval is required for any proposed termination payments.

6.2 Any termination payment to any other departing senior executive should be reported to the Remuneration Committee at its next meeting.

7. Diversity and Other Responsibilities

The Remuneration Committee is responsible for:

(a) regular review of and reporting to the Board on the proportion of women at all levels of the organisation;

(b) regular review of the measurable objectives set on an annual basis pursuant to the Diversity Policy, reporting progress against them, and reporting to the Board recommending any changes to those measurable objectives or the way they are implemented;

(c) reviewing remuneration by gender; and

(d) doing anything the Board considers appropriate in the context of this charter.

8. Relationship with Nomination Committee

The Remuneration Committee will:

(a) refer anything relating to recruitment, retention and termination policies to the extent they relate to directors of the Board to the Nomination Committee; and

(b) work closely with the Nomination Committee in exercising its powers and performing its responsibilities under this charter.

9. Remuneration Committee Composition

9.1 All members of the Remuneration Committee must be non-executive and will comprise:

(a) at least three members; and

(b) a majority of independent directors.

9.2 The Remuneration Committee will appoint its chair. The chair of the Remuneration Committee must be an independent director and cannot be the chair of the Board.

9.3 The Company Secretary of Challenger will be the secretary of the Remuneration Committee.

9.4 A Remuneration Committee member who is an independent director may act by their alternate.

10. Remuneration Committee Meetings

10.1 The Remuneration Committee will meet as often as it considers necessary, but not less than four times per annum.

10.2 The quorum for a Remuneration Committee meeting is two Remuneration Committee members.

10.3 Remuneration Committee meetings may be held by any technological means allowing members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

10.4 The Remuneration Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the Corporations Act 2001 (Cth).

10.5 The Remuneration Committee may invite anyone it regards appropriate to attend Remuneration Committee meetings. The CEO and the Executive General Manager, Human Resources (Permanent Invitees) are invited to each meeting of the Committee. The Permanent Invitees may be asked to speak by the chair of a meeting, but shall not be entitled to vote on matters under consideration at the meeting. The Permanent Invitees shall leave a meeting if requested to do so by the chair.

11. Minutes of Remuneration Committee Meetings

11.1 The Remuneration Committee must keep minutes of its meetings.

11.2 Minutes must be distributed to all Remuneration Committee members, after the Remuneration Committee chair has approved them.

11.3 Minutes, agenda and supporting papers are available to directors upon request to the Remuneration Committee secretary, except if there is a conflict of interest.

12. Reporting to the Board

The Remuneration Committee chair must report the Remuneration Committee's findings to the Board after each Remuneration Committee meeting and will refer to the Board all matters requiring Board approval.

13. Access to the Remuneration Committee by Challenger Life Company Limited and Challenger Retirement and Investment Services Limited Board

13.1 As Challenger Life Company Limited ('CLC') and Challenger Retirement and Investment Services Limited ('CRISL') form part of the Challenger group:

(a) CLC is availing itself of the provisions of paragraph 72 of CPS 510 by utilising the Challenger Remuneration Committee.

(b) CRISL is availing itself of the provisions of paragraph 41 of SPS 510 by utilising the Challenger Remuneration Committee.

13.2 The Remuneration Committee must be available as required to meet with members of the Boards of CLC and CRISL.

14. Access to information and independent advice

14.1 The Remuneration Committee may seek any information it considers necessary to fulfill its responsibilities.

14.2 The Remuneration Committee has access to management, including risk and financial control personnel, and may seek explanations and information from management, at the Company's cost.

14.3 The Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisers at their discretion, at the Company's cost. In engaging external advisers, the Remuneration Committee has the power to do so in a manner that ensures that the engagement, including any advice received, is independent.

14.4 The Remuneration Committee may meet with external advisers without management being present.

15. Meeting with the Australian Prudential Regulation Authority (APRA)

15.1 The Remuneration Committee will be available to meet with APRA at their request.

16. Review of the Committee's Performance

16.1 The performance of the Remuneration Committee will be reviewed at least every two years.

16.2 Comment will be sought from all members of the Board who may recommend proposed changes to the duties of the Committee.

17. Changes to the Charter

17.1 The Remuneration Committee will review this charter annually or as often as it considers necessary.

17.2 The Board may change this charter from time to time by resolution.

18. Approved and Adopted

This charter was approved by the Board on and adopted by the Remuneration Committee on 23 August 2007 and approved and amended on:

- 29 March 2010;
- 26 November 2012;
- 23 May 2013;
- 13 February 2015; and
- 26 November 2015

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