

Challenger Limited

Group Remuneration Committee Charter

Challenger Limited (Company)
ACN 106 842 371

1. Introduction

- 1.1 The Remuneration Committee (**Committee** or **Group Remuneration Committee** or **GRemCo**) is a committee of the Board of directors of Challenger Limited (**Company**).
- 1.2 The Board established the Committee in accordance with the Company's constitution.
- 1.3 This charter sets out the scope of the Committee's responsibilities in relation to the Company and its controlled entities (**Group**).
- 1.4 The role of the Committee is not an executive role.
- 1.5 For the purposes of this Charter, the term "ensure" has the meaning given to that term in Prudential Standard APS 001 Definitions (as it is amended or replaced from time to time). At the current time, "ensure" is defined to mean "to take all reasonable steps and make all reasonable enquiries as are appropriate for a board so that the board can determine, to the best of its knowledge, that the stated matter has been properly addressed".

2. Objective

- 2.1 The objective of the Committee is to assist the Board discharge its responsibilities in relation to:
 - (a) setting coherent remuneration policies and practices that attract, retain and motivate employees, executives and directors to support the delivery of the Group's strategic business objectives and create value for stakeholders;
 - (b) observing those remuneration policies and practices;
 - (c) fairly and responsibly rewarding 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 remuneration environment and in a way that is aligned with prudent risk-taking and rewards long term sustainable growth;
 - (d) compliance with the provisions of applicable laws and regulations including the ASX Listing Rules, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the *Corporations Act 2001* (Cth) (**Corporations Act**), the principles contained in the Australian Prudential Regulatory Authority (**APRA**) Prudential Standard CPS 511 (**CPS 511**), and any executive accountability regime which may be in effect from time to time¹; and
 - (e) compliance with regulations related to remuneration for offshore Group companies (for example regulations of the Financial Conduct Authority in the UK) which may have delegated their remuneration governance to the Committee from time to time, or if no such delegation has occurred, then the Committee may give advice or recommendations to the extent permitted by local laws.

3. Remuneration Policies and Practices

- 3.1 The Committee develops a Remuneration Policy which is then recommended to the Board for approval. The Committee will ensure that a compliance review of the Remuneration Policy against the requirements of CPS 511 is undertaken annually and that the effectiveness of the Remuneration Policy will be comprehensively reviewed at a minimum every three years. The Committee will ensure that the findings of these reviews are adequately considered and addressed.
- 3.2 The Committee must ensure compliance with its responsibilities under the Remuneration Policy.
- 3.3 Remuneration policies and practices will be performance based and aligned with the Group's purpose, vision, values, strategy and overall business objectives.
- 3.4 Remuneration policies and practices will be designed to:
 - (a) motivate employees, executives and executive 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;

¹ At the time of approval of this Charter it is noted that the Banking Executive Accountability Regime as set out in the *Banking Act 1959* (**BEAR**) is currently in effect and applies exclusively to the Company's subsidiary, Challenger Bank Limited. It is expected that the Financial Accountability Regime will come into effect before the next annual review of this Charter and will apply to a number of Group companies.

- (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.
- 3.5 The Remuneration Policies and Practices set out in this clause 3 of this Charter and Committee responsibilities set out in clause 4 of this Charter will not apply in respect of any employee or director of any joint venture entity (**JV Entity**) to which any member of the Group is a shareholder (irrespective of whether that ownership is of a majority, joint or minority interest in the JV Entity) unless there is a legal or regulatory requirement that such matter be approved by the Challenger Board.

4. Remuneration

4.1 The Committee is responsible for:

Remuneration

- (a) recommending to the Board remuneration arrangements and remuneration outcomes for the Group Chief Executive Officer (**CEO**);
- (b) reviewing the CEO's recommendations and making recommendations to the Board in relation to remuneration arrangements and remuneration outcomes of the CEO's direct reports, if any, having regard to executive remuneration and incentive policies provided that, if time does not permit the full Committee to review the CEO's recommendations, two Committee members may conduct the review and make the recommendation to the Board on behalf of the Committee;
- (c) for employees who are within the Key Employee Groups (as defined in the Remuneration Policy, and which includes those roles covered by applicable requirements from APRA and other regulations applicable to the Group):
 - (i) on an annual basis, review and make recommendations to the Board in relation to remuneration arrangements and remuneration outcomes; and
 - (ii) on a six-monthly basis, note the remuneration arrangements on appointment, promotion and any off-cycle changes which have been approved by the CEO.
- (d) setting with the CEO goals for the coming year and making recommendations to the Board;
- (e) reviewing the performance of the CEO at least annually;
- (f) determining if shareholder approval is required and/or pertinent for any change to the remuneration of directors or executives;
- (g) preparing, for approval by the Board, any report on remuneration that may be:
 - (i) required by the ASX Listing Rules or the Corporations Act;
 - (ii) any regulation; or
 - (iii) proposed for inclusion in the annual report, and reporting regularly to the Board on those matters.

Incentive plans

- (h) reviewing, approving and recommending to the Board for adoption the design of any cash or equity based incentive plan;
- (i) reviewing, approving and recommending to the Board annually the bonus pool available for employees under any bonus plan operated by the Company, and proposed increases in aggregate remuneration levels across the Group;
- (j) recommending to the Board when the exercise of Board discretion is warranted to adjust the variable remuneration pool or remuneration outcomes for the CEO, the CEO's direct reports or Key Employee Groups, if any, in light of changes to Company performance, risk, individual conduct/performance or legislative, regulatory and market developments;
- (k) reviewing and reporting to the Board on the operation of any executive incentive plan or equity based plan;
- (l) reviewing any incentive plan or equity based plan for legislative, regulatory and market developments;
- (m) reviewing and making recommendations in relation to incentive schemes in a manner that is not

inconsistent with local laws or market expectations;

Non-executive directors

- (n) recommending to the Board, or as applicable the Board of any subsidiary, for approval the remuneration of non-executive directors serving on the Board, subsidiary boards or any committee (both individually and in total);
- (o) recommending to the Board, or as applicable the Board of any subsidiary, or its proper delegate, the retirement policies for non-executive directors having regard to market trends and shareholder interests;

Superannuation, Pension and Benefits

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

Reimbursement of expenses

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

Termination Payments

- (r) reviewing and recommending to the Board for approval termination payments or arrangements to the CEO, and direct reports to the CEO, if any, before they are implemented; and
- (s) considering, where relevant, if shareholder approval is required for proposed termination payments.
- (t) noting any termination payment to or arrangements in respect of any employees who are within the Key Employee Groups (as defined in the Remuneration Policy, and which includes those roles covered by applicable requirements from APRA and other regulations applicable to the Group). which have been approved by the CEO to be reported to the Committee on a six-monthly basis.

5. Diversity

5.1 The Committee is responsible for:

- (a) regular review of the measurable objectives set on an annual basis pursuant to the Diversity Policy (including the proportion of women at all levels of the organisation), reporting progress against them, and reporting to the Board recommending any changes to those measurable objectives or the way they are implemented; and
- (b) reviewing remuneration by gender.

6. Relationship with Risk Committee and Chief Risk Officer

6.1 The Group Risk Committee, the Bank Risk Committee and Life Risk Committee will provide annual reports to the Committee. These reports will be considered when finalising variable remuneration pool(s) and reviewing or recommending individual remuneration outcomes.

6.2 The Group Chief Risk Officer will report to the Committee no less than annually to ensure that risk outcomes are reflected in the remuneration outcomes for persons in specified roles.

7. Relationship with Nomination Committee

7.1 The Committee will:

- (a) refer anything relating to recruitment, retention and termination policies to the extent they relate to directors of the Board to the Group Nomination Committee; and
- (b) work closely with the Group Nomination Committee in exercising its powers and performing its responsibilities under this charter.

8. Committee Composition

8.1 The Committee must comprise:

- (a) at least three members;
 - (b) members that are all non-executive directors; and
 - (c) a majority of independent directors.
- 8.2 The Board will appoint the Committee's chair. The chair of the Committee must be an independent director and cannot be the chair of the Board.
- 8.3 The Company Secretary, or their delegate, will be the secretary of the Committee (**Committee Secretary**).
- 8.4 A member may act by their alternate.
- 8.5 Committee members must be available to meet with APRA or other relevant regulators at their request.

9. Committee Meetings

- 9.1 The Committee will meet as often as it considers necessary, but not less than four times per annum.
- 9.2 The quorum for a Committee meeting is two Committee members.
- 9.3 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. A meeting is taken to be held where the majority of directors are present, and if no majority are in any one location, then the meeting will be deemed to have occurred at the Company's Registered Office.
- 9.4 The 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 or the Company's Constitution, as appropriate.
- 9.5 The Committee may invite anyone it regards appropriate to attend Committee meetings. The CEO and the Chief Human Resources Officer (or their delegate) (**Standing Attendees**) are invited to each meeting of the Committee. The Standing Attendees 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 Standing Attendees shall leave a meeting if requested to do so by the chair.

10. Minutes of Committee Meetings

- 10.1 The Committee must keep minutes of its meetings, which minutes will be held by the Committee Secretary.
- 10.2 Draft minutes of each Committee meeting must be included in the papers for the next Committee meeting.
- 10.3 Previous minutes, agenda and supporting papers are available to directors upon request to the Committee Secretary, except if there is a conflict of interest.

11. Reporting to the Board

- 11.1 The Committee chair must provide the Committee's recommendations to the Board after each Committee meeting and will refer to the Board all matters requiring Board approval.

12. Access to the Committee by Group Subsidiary Boards

- 12.1 As Challenger Life Company Limited (**CLC**), Challenger Bank Limited (**CBL**) and Challenger Retirement and Investment Services Limited (**CRISL**) form part of the Group:
- (a) CLC and CBL are availing themselves of the provisions of paragraph 70 of CPS 510 by utilising the Group Remuneration Committee; and
 - (b) CRISL is availing itself of the provisions of paragraph 44 of SPS 510 by utilising the Group Remuneration Committee.
- 12.2 The Committee must be available as required to meet with members of the Boards of CLC, CBL and CRISL.
- 12.3 Other group entities may make similar elections from time to time in accordance with applicable laws.

13. Access to information and independent advice

- 13.1 The Committee may seek any information it considers necessary to fulfill its responsibilities.

- 13.2 The Committee has free and unfettered access to:
- (a) management to seek explanations and information from them and particularly in respect of audit and risk management matters, the Chief Financial Officer, the Chief Risk Officer, the General Counsel, the Company Secretary and any other relevant internal and external party; and
 - (b) internal and external auditors to seek explanations and information from them, including without management being present.
- 13.3 The 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 Committee has the power to do so in a manner that ensures that the engagement, including any advice received, is independent.
- 13.4 The Committee may meet with external advisers without management being present.

14. Review and changes to this Charter

- 14.1 The Committee will review this charter annually or as often as it considers necessary.
- 14.2 The Board may change this charter from time to time by resolution.

15. Approved and Adopted

- 15.1 This charter was approved by the Board and adopted by the Committee on 23 August 2007 and was most recently updated on 26 May 2023.