

2020

# Notice of Annual General Meeting

Thursday  
29 October 2020  
9.30am  
(online only)

Providing our customers  
with financial security  
for retirement

[challenger.com.au](https://challenger.com.au)

Challenger Limited ACN 106 842 371

challenger 

## Chair's letter



### Dear Shareholder

The 2020 financial year was unprecedented for the community, our industry and the broader economy. We have had to adapt to new ways of doing things in order to keep our communities safe and our people healthy.

With the current restrictions on indoor gatherings and travel imposed by various state governments, our 2020 Annual General Meeting (AGM) will be held virtually rather than at a physical location. In addition, this year our Notice of Meeting is only being made available online which is consistent with the relief provided by the Commonwealth Treasurer in response to the coronavirus pandemic.

Challenger's 2020 AGM will commence at 9.30am (Sydney time) on Thursday 29 October 2020. Registrations will open online from 8.30am (Sydney time) and you can access the webcast at [web.lumiagm.com/380659978](http://web.lumiagm.com/380659978) on your smartphone, tablet or computer.

On behalf of the Challenger Board, I invite you to attend our virtual AGM. Our virtual meeting will provide you with the opportunity to attend regardless of your location. You will be able to view presentations from me and from our Chief Executive Officer, Richard Howes, as well as vote and ask questions during the meeting. Please ensure you have your Challenger Shareholder Reference Number (SRN) which is your username and is required to log into the meeting. You will also need to use the postcode registered to your holding as your password. You won't be able to vote or ask a question during the meeting without them.

We welcome your questions. If you are attending our virtual AGM, you can submit a question via the online platform during the meeting or you can submit a question online in advance via [investorvote.com.au](http://investorvote.com.au). We encourage shareholders to submit questions online in advance of the meeting. Please refer to page 2 on how to do this. Richard and I will endeavour to address the most frequently asked questions during our AGM presentations.

For further information regarding participation in our virtual AGM, including browser requirements, please see the Challenger AGM Online Meeting Guide available at Challenger's website, [challenger.com.au/agm](http://challenger.com.au/agm).

The Notice of Meeting together with the Challenger AGM Online Meeting Guide provides all the important information you need to know about attending our AGM.

The items of business at the AGM are outlined on page 4 and should be read together with the explanatory notes. This year's items of business include usual items such as considering and approving the financial and remuneration reports, approving the grant of long-term hurdled performance share rights to the Chief Executive Officer and Non-Executive Director re-elections.

Following the equity raising in June 2020, at this year's AGM we will be seeking to ratify the issue of shares and approve the launch of Challenger Capital Notes 3 in the coming months. We will also take the opportunity to adopt a new corporate constitution in order to reflect the latest market practice, developments in law and corporate governance principles.

On behalf of my fellow Directors, we thank you for your support in 2020 and look forward to welcoming you to our first virtual AGM.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Peter Polson', with a long horizontal flourish extending to the right.

**Peter Polson**  
Independent Chair

# Notice of Annual General Meeting

The AGM of the shareholders of Challenger Limited (**Challenger** or **Company**) will be held online on Thursday 29 October 2020 at 9.30am (Sydney time)

## Registration and webcast

Registration will open from 8.30am (Sydney time) on the day of the meeting. To participate in the AGM online, you can log in to the meeting:

- from your computer or mobile device, by entering the following URL in your browser: [web.lumiagm.com/380659978](http://web.lumiagm.com/380659978);
- by using the Lumi AGM app, which is available from the Apple App Store or Google Play Store.

Shareholders will need the following information to participate in the AGM:

- the meeting ID for the Challenger Limited AGM, which is **380659978**;
- your username, which is your SRN/HIN; and
- your password, which is the postcode registered to your holding if you are an Australian shareholder (overseas shareholders should refer to the Challenger AGM Online Meeting Guide for their password details).

## Shareholder questions

If you are attending the virtual AGM, you can submit a question via the online platform during the AGM.

Shareholders can also submit questions in advance of the meeting by submitting a question when voting online prior to the meeting at [investorvote.com.au](http://investorvote.com.au).

To be considered in advance of the meeting, written questions must be received no later than 5.00pm (Sydney time) on Thursday 22 October 2020.

## Appointed proxies

To participate in the virtual AGM, appointed proxies will need a unique username and password.

To receive their unique username and password, proxies will need to contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open one hour before the start of the meeting.

Appointed proxies can also submit a question via the online platform during the AGM using their username and password.

**For further information about appointing a proxy online or submitting a question**  
**› [challenger.com.au/agm](http://challenger.com.au/agm)**

## Shareholder information

### Manage your shareholding at Computershare Investor Services

Computershare Investor Services Pty Limited  
 Level 3  
 60 Carrington Street  
 Sydney NSW 2000

Telephone:  
 1800 780 782 (within Australia)  
 +613 9415 4065 (outside Australia)

### Go electronic

Challenger can deliver all of your shareholder communications electronically; just update your details via Computershare Investor Services:

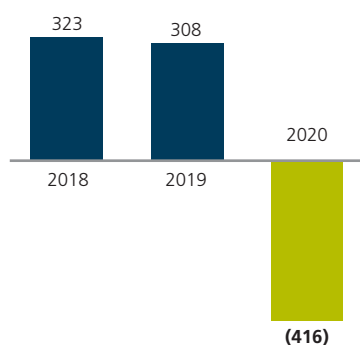
› [computershare.com.au](http://computershare.com.au)

### 2020 Reports

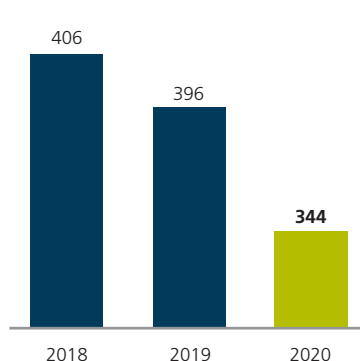


## Group performance highlights

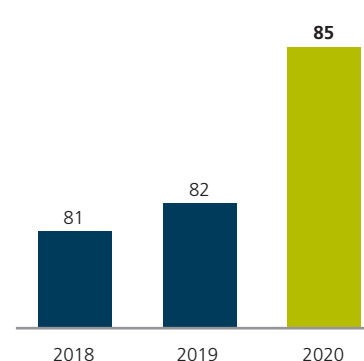
**Statutory net profit after tax (\$m)<sup>1</sup>**



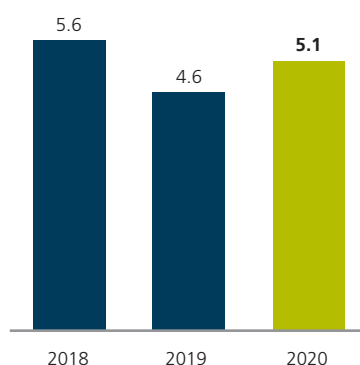
**Normalised net profit after tax (\$m)<sup>1</sup>**



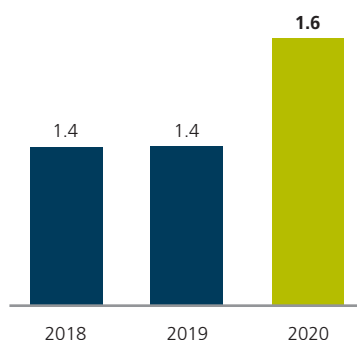
**Group Assets Under Management (\$bn)**



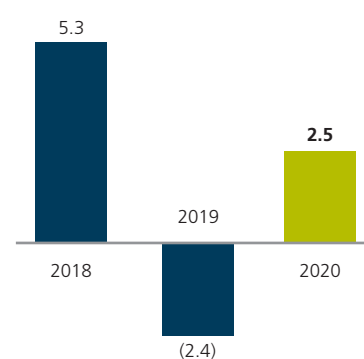
**Life sales (\$bn)**



**Challenger Life Company Limited excess regulatory capital (\$bn)**



**Funds Management net flows (\$bn)**



## Responding to COVID-19 pandemic

Our people	Our customers and partners	Balance sheet strength
 <p><b>PROTECT THE HEALTH AND WELLBEING OF OUR PEOPLE</b></p>	 <p><b>SUPPORT CUSTOMERS AND BUSINESS PARTNERS</b></p>	 <p><b>STRONGLY CAPITALISED WITH FLEXIBILITY</b></p>

<sup>1</sup> The normalised profit, which is not statutory profit, is not audited but subject to a review by Challenger's auditor. The Normalised profit framework and a reconciliation to statutory net profit after tax is disclosed in the 2020 Annual Report – Operating and Financial Review section.



## Business of the meeting

### Financial Reports

#### Item 1

To receive and consider the Financial Report, Directors' Report and Independent Auditor's Report for Challenger and its controlled entities (Challenger Group) for the financial year ended 30 June 2020.

Note: The above reports, which are included in Challenger's 2020 Annual Report, are available at:

➤ [challenger.com.au/annualreport2020](https://challenger.com.au/annualreport2020)

### Re-election of Non-Executive Directors

#### Item 2(a)

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

That Mr Steven Gregg, who retires by rotation in accordance with clause 6.1(f) of the Constitution of Challenger, be re-elected as a Director of Challenger.

#### Item 2(b)

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

That Ms JoAnne Stephenson, who retires by rotation in accordance with clause 6.1(f) of the Constitution of Challenger, be re-elected as a Director of Challenger.

### Remuneration Report

#### Item 3

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

That the Remuneration Report for Challenger for the financial year ended 30 June 2020 be adopted.

The vote on this Item is advisory only and does not bind the Directors or the Company. A voting exclusion applies to this resolution.

### Grant of long term hurdled performance share rights to the Chief Executive Officer

#### Item 4

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

That for the purposes of ASX Listing Rule 10.14 and all other purposes, approval is given for the grant of long term hurdled performance share rights to Challenger's Managing Director and Chief Executive Officer, Mr Richard Howes, under the Challenger Performance Plan and on the terms described in the Explanatory Notes included in this Notice of Meeting.

A voting exclusion applies to this resolution.

### Ratification of the issue of institutional placement shares

#### Item 5

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

That for all purposes, including ASX Listing Rule 7.4, the issue of ordinary shares under the \$270 million institutional placement announced on 22 June 2020 on the terms summarised in the Explanatory Notes to this Notice of Meeting, be approved.

A voting exclusion applies to this resolution.

### Approval of the issue of Challenger Capital Notes 3

#### Item 6

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

That for all purposes, including ASX Listing Rules 7.1 and 7.3, the issue of up to \$375 million of Challenger Capital Notes 3 on the terms summarised in the Explanatory Notes to this Notice of Meeting, be approved.

A voting exclusion applies to this resolution.

### Adoption of new Constitution

#### Item 7

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

That for the purposes of section 136(2) of the *Corporations Act 2001* (Cth) and all other purposes, the adoption of a new Challenger Constitution as tabled at the meeting and signed by the Chair of the Annual General Meeting (AGM) for identification purposes, in place of the existing Constitution, be approved with effect from the close of the AGM.

### Insertion of proportional takeover provisions

#### Item 8

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

That the proportional takeover provisions in the form as tabled at the Annual General Meeting (AGM) and signed by the Chair of the AGM for the purposes of identification, be inserted into the Constitution of the Company for a period of three years from the date of the AGM.

## Important voting information

### Voting exclusion statements

#### Item 3 – Remuneration Report

Challenger will disregard any vote cast (in any capacity) on Item 3:

- by or on behalf of a member of Challenger's Key Management Personnel (KMP), the details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2020, or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on Item 3:

- in accordance with a direction on the proxy form; or
- by the Chair of the meeting pursuant to an express authorisation to exercise the proxy even though Item 3 is connected with the remuneration of KMP.

#### Item 4 – Grant of long term hurdle performance share rights to the Chief Executive Officer

Challenger will disregard any vote on Item 4:

- cast in favour of Item 4 by or on behalf of Mr Howes and any of his associates, regardless of the capacity in which the vote is cast; or
- cast as a proxy by a member of Challenger's KMP on the date of the meeting and their closely related parties,

unless the vote is cast on Item 4:

- as proxy or attorney for a person entitled to vote on Item 4 in accordance with a direction given to the proxy or attorney to vote on Item 4 in that way; or
- by the Chair of the meeting as a proxy for a person entitled to vote on Item 4 pursuant to an express authorisation to exercise undirected proxies as the Chair decides; or
- by a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

#### Item 5 – Ratification of issue of placement shares

##### ASX Listing Rules 7.5.8 and 14.11

Challenger will disregard any votes cast in favour of Item 5 by or on behalf of:

- any participant in the placement referred to in Item 5; and
- an associate of any such participant.

However, Challenger need not disregard a vote on Item 5 if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on Item 5, in accordance with directions given to the proxy or attorney to vote on Item 5 in that way;
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on Item 5, in accordance with a direction given to the Chair to vote as the Chair decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

#### Item 6 – Approval of the issue of Challenger Capital Notes 3

##### ASX Listing Rules 7.3.8 and 14.11

Challenger will disregard any votes cast in favour of Item 6 by or on behalf of:

- any person who is expected to participate in, or who will obtain a material benefit as a result of, the issue of the Notes (except a benefit solely by reason of being a holder of ordinary shares in Challenger); and
- an associate of a person referred to above.

However, Challenger need not disregard a vote on Item 6 if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on Item 6, in accordance with directions given to the proxy or attorney to vote on Item 6 in that way;
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on Item 6, in accordance with direction given to the Chair to vote as the Chair decides; or

- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the shareholder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Please read the information under the heading 'Undirected Proxies' on page 15 of this Notice of Meeting, which (among other things) deals with the exercise of voting for proxies by the Chair of the meeting on all resolutions.

## Questions on voting exclusions

If shareholders have questions regarding the voting restrictions, they should contact the Company's Share Registrar, Computershare, on 1800 780 782 (within Australia) or +61 3 9415 4065 (outside Australia).

By order of the Board.



**Michael Vardanega**

Company Secretary  
23 September 2020

## Explanatory notes

These Explanatory Notes form part of the Notice of Meeting.

### Item 1 – Financial Reports

The Financial Report, Directors' Report and Independent Auditor's Report (Reports) for Challenger and its controlled entities for the financial year ended 30 June 2020 will be laid before the meeting in accordance with the requirements of the Corporations Act 2001 (Cth) (Corporations Act).

Challenger's 2020 Annual Report (which includes the Reports) is available at:

➤ [challenger.com.au/annualreport2020](https://challenger.com.au/annualreport2020)

Neither the Corporations Act nor the Company's Constitution requires a vote of shareholder on the Reports. However, 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 of the agenda.

### Items 2(a) and 2(b) – Re-election of Non-Executive Directors

#### Background

In accordance with Challenger's Constitution, it is necessary for one-third of the Directors (rounded down to the nearest whole number), excluding the Managing Director and any Director appointed since the last AGM, to retire by rotation each year. Additionally, each Director (excluding the Managing Director) who will, at the conclusion of the meeting, have been in office for three or more years or for three or more AGMs since he or she was last elected must retire as a Director. Such Directors are eligible to stand for re-election.

Mr Gregg and Ms Stephenson are Non-Executive Directors of Challenger and will retire as Directors at the 2020 AGM in accordance with the Constitution. Both Mr Gregg and Ms Stephenson will stand for re-election at the meeting.

Each candidate standing for re-election has confirmed that they will have sufficient time to properly fulfil their Director duties for Challenger.

Under Challenger's independence policy, an independent Director is independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of the Director's judgement. In accordance with Challenger's independence policy, the Board has determined (with Mr Gregg and Ms Stephenson, respectively, abstaining) that Mr Gregg and Ms Stephenson are independent Non-Executive Directors.

A brief description of the expertise and knowledge of each of the Directors standing for re-election is listed on the following page.



**Item 2(a)****Mr Steven Gregg**

**Independent Non-Executive  
Director since 8 October 2012**

**Experience/qualifications**

Mr Gregg has held a number of executive roles 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, because of his work in both the USA and the UK.

He holds a Bachelor of Commerce (University of New South Wales).

**Special responsibilities**

- Member of the Nomination Committee
- Member of the Group Audit Committee
- Member of the Group Risk Committee
- Member of the Remuneration Committee

The Board (excluding Mr Gregg) has reviewed Mr Gregg's performance and believes that his skills, experience and expertise are a valuable addition to the Board. In particular, Mr Gregg's extensive global investment banking and consulting experience enhances the Board's ability to oversee Challenger's performance and governance.

**Directorships of other listed companies**

Mr Gregg is the Chairman of Ampol Limited (formerly Caltex Australia Limited) (appointed 9 October 2015; appointed Chairman on 18 August 2017) and a non-executive director of Tabcorp Holdings Limited (appointed 18 July 2012) and will become Chairman on retirement of the current Chairman (expected 31 December 2020).

**Recommendation**

The Board (with Mr Gregg abstaining) supports the re-election of Mr Gregg and unanimously recommends that shareholders vote in favour of the re-election of Mr Gregg as a Non-Executive Director.

**Item 2(b)****Ms JoAnne Stephenson**

**Independent Non-Executive  
Director since 8 October 2012**

**Experience/qualifications**

Ms Stephenson has extensive experience in financial services both in Australia and in the UK. Ms Stephenson was previously a partner with KPMG and has significant experience in internal audit, risk management and consulting.

She holds a Bachelor of Commerce and Bachelor of Laws (Honours) (University of Queensland), and is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

**Special responsibilities**

- Chair of the Remuneration Committee
- Member of the Nomination Committee
- Member of the Group Audit Committee
- Member of the Group Risk Committee

The Board (excluding Ms Stephenson) has reviewed Ms Stephenson's performance and believes that her skills, experience and expertise are a valuable addition to the Board. In particular, Ms Stephenson's extensive global audit, risk management and consulting experience enhances the Board's ability to oversee Challenger's performance and governance.

**Directorships of other listed companies**

Ms Stephenson is a non-executive director of Asaleo Care Limited (appointed 30 May 2014), Japara Healthcare Ltd (appointed 1 September 2015) and Myer Holdings Limited (appointed 28 November 2016).

**Recommendation**

The Board (with Ms Stephenson abstaining) supports the re-election of Ms Stephenson and unanimously recommends that shareholders vote in favour of the re-election of Ms Stephenson as a Non-Executive Director.

## Item 3 – Remuneration Report

The Annual Report for the financial year ended 30 June 2020 contains a Remuneration Report, which sets out Challenger's remuneration policy and reports on the remuneration arrangements in place for KMP (including executive Directors, Non-Executive Directors and specified Challenger executives).

A copy of the Remuneration Report is set out on pages 27 to 47 inclusive of the 2020 Annual Report, which is available at:

➤ [challenger.com.au/annualreport2020](https://challenger.com.au/annualreport2020)

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote and discussion at the AGM into account in setting remuneration policy for future years.

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

### Recommendation

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

## Item 4 – Grant of long term hurdled performance share rights to the Chief Executive Officer

It is proposed that Mr Howes, the Managing Director and Chief Executive Officer of Challenger, be awarded a long term incentive in the form of hurdled performance share rights (HPSRs) under the Challenger Performance Plan (CPP). Each HPSR is a conditional right to one ordinary fully paid share in Challenger for nil consideration subject to meeting applicable employment and performance conditions.

ASX Listing Rule 10.14 requires that shareholder approval be obtained for the acquisition of securities by a director under an employee incentive scheme.

It is currently intended that any shares granted on vesting will be acquired on-market. However the Board is seeking shareholder approval for the grant of HPSRs to Mr Howes as a matter of good governance and to preserve flexibility should, for example, the need arise to issue shares rather than allocate Mr Howes existing shares. If shareholder approval is not obtained, the Board will consider alternative arrangements to appropriately remunerate and incentivise the Managing Director and Chief Executive Officer of Challenger, including amending the terms of and/or the quantum of the award.

Mr Howes' total annual remuneration package comprises the following elements:

- total fixed remuneration (TFR) of \$1,275,000 per annum for each of FY20 and FY21 (inclusive of statutory superannuation contributions and any salary sacrifice items), reviewable annually;

- a short term incentive payable in cash and/or deferred performance share rights (DPSRs) determined by the Board in its discretion and capped at 200% of TFR (Mr Howes' short term incentive for the year ended 30 June 2020 was 20% of maximum, paid in the form of DPSRs); and
- a long term incentive in the form of HPSRs with a face value of 225% of TFR.

Challenger grants the long term incentive in the form of HPSRs to ensure a significant proportion of Mr Howes' total reward is 'at risk' and directly linked to shareholder outcomes. However, HPSRs do not provide the full benefits of share ownership (such as dividend and voting rights) unless the HPSRs vest.

Under the CPP, when HPSRs vest, the holder of those rights becomes entitled to receive one Challenger share for each vested HPSR.

### Hurdled performance share rights

Mr Howes is eligible for a long term incentive each year. Currently, the face value of this award is set at 225% of TFR and is awarded in the form of a single HPSR tranche.

The Board proposes to grant 714,579 HPSRs to Mr Howes in respect of the year ending 30 June 2020.

The number of HPSRs is calculated by dividing 225% of TFR (being \$2,868,750) by the face value determined as the 5-day volume weighted average price (VWAP) of Challenger shares over the five trading days from 31 August 2020 to 4 September 2020 (being \$4.01). This is the same allocation price used for other KMP.

HPSRs will only vest if Mr Howes meets an employment condition and Challenger satisfies an absolute total shareholder return (TSR) performance target, as described in more detail in section 4.5 of the 2020 Remuneration Report. The significant weighting to long term incentive and the use of an absolute TSR performance target support a continued focus on long term performance outcomes and ensure a direct link between Mr Howes' realised reward and shareholder outcomes.

Consistent with previous years, 50% of HPSRs vest at a threshold performance of 7% TSR compounded annually and HPSRs fully vest when TSR of 10% compounded annually is achieved. In this respect, TSR performance is calculated using a 90-day VWAP of Challenger shares leading up to the relevant performance period start or end date. This eliminates the potential for short term price volatility to impact vesting outcomes.

The initial period for performance testing and vesting for HPSRs is four years. Where the absolute TSR performance targets are not satisfied at four years, a higher cumulative test is applied in year five (requiring total shareholder returns above the annual thresholds compounded over five years). Any unvested HPSRs lapse at five years following the performance period start date. The TSR performance period start and end dates applicable to Mr Howes' proposed grant of HPSRs are the same as those applicable to other KMP.

### Cessation of employment

Section 4.8 of the 2020 Remuneration Report sets out the notice periods and payments which apply to Mr Howes upon termination.

In summary, if Mr Howes ceases employment as a 'good leaver' before the HPSRs vest, his unvested HPSRs will remain on foot and the vesting conditions will be tested in the ordinary course subject to the terms of the offer, the rules of the CPP and Mr Howes' employment terms and conditions. Good leaver treatment applies if employment ends in any circumstances other than as a 'bad leaver', being if Mr Howes' employment is terminated by Challenger for poor performance, misconduct or resignation without the prior approval of the Board. In the case of cessation of employment as a 'bad leaver', any unvested rights will lapse, unless the Board determines otherwise.

### Change of control

In the event of a change of control of Challenger (in summary, where a person either acquires a relevant interest in more than 50% of Challenger's issued shares or disposes of shares so that its relevant interest falls below 50% of Challenger's issued shares) then the Board may in its sole discretion determine the way in which Mr Howes' HPSRs will be dealt with, provided that this does not adversely affect accrued rights of Mr Howes under the CPP.

### Malus and clawback

The Board has the ability to adjust unvested equity (including to zero) in a range of circumstances, including to protect financial soundness or respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance).

### Additional information

- There is no cost payable by Mr Howes, and no loan made by Challenger to Mr Howes, in relation to the grant of the HPSRs or the allocation of shares on vesting of the HPSRs.
- Mr Howes was the only Director (or associate of a Director) entitled to participate in the CPP in the year ended 30 June 2020.
- The HPSRs that are the subject of this approval will be granted to Mr Howes following the AGM and no later than 12 months from the AGM.
- A total of 3,837,259 HPSRs have been granted to Mr Howes under the CPP in prior years (commencing from 2010) of which 2,725,906 have vested, 101,233 have lapsed and 1,010,120 remain unvested and on foot, with vesting subject to compound annual TSR thresholds. These awards were granted to Mr Howes as his long term incentive for no cost. No HPSRs granted to Mr Howes vested in 2019 or 2020.
- Approval is currently not required in respect of any other participants under the CPP.
- Details of any shares issued under the CPP will be published in Challenger's Annual Report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under ASX Listing Rule 10.14. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the CPP after this resolution is approved and who are not named in this Notice of Meeting will not participate until approval is obtained under ASX Listing Rule 10.14.

### Recommendation

The Board (with Mr Howes abstaining) recommends that shareholders vote in favour of the grant of long term hurdle performance share rights to Mr Howes.

## Item 5 – Ratification of issue of institutional placement shares

### Placement

On 22 June 2020, Challenger announced a \$270 million institutional placement (Placement) and a \$30 million share purchase plan (SPP).

Under the Placement, 55,214,723 fully paid ordinary shares were issued on 26 June 2020 to persons identified as institutional investors by Challenger and the joint lead managers of the Placement, at a price of \$4.89 per ordinary share. Following strong demand from retail investors, the SPP was increased to \$35 million and 8,100,021 fully paid ordinary shares were issued on 30 July 2020 at a price of \$4.32 per ordinary share.

Shares issued under the Placement and the SPP rank equally with existing ordinary shares.

The proceeds of the Placement have been used to increase Common Equity Tier 1 Capital for Challenger Life Company Limited (CLC), a registered life insurance company of the Challenger Group and a wholly owned subsidiary of Challenger, in order to strengthen CLC's capital position and provide flexibility to enhance future earnings.

### Reason for seeking approval

ASX Listing Rule 7.1 imposes a limit on the number of equity securities that a listed company such as Challenger can issue or agree to issue in any 12 month period without shareholder approval (placement capacity) where an exemption to the rule does not apply. Under ASX Listing Rule 7.4, an issue of any equity securities may be treated as having been made with approval under ASX Listing Rule 7.1 if the issue did not otherwise breach ASX Listing Rule 7.1 and the holders of ordinary shares in Challenger subsequently approve it.

The issue of shares under the Placement was within the limits of Challenger's placement capacity and did not require shareholder approval to proceed.

The purpose of Item 5 is to refresh Challenger's placement capacity so that its capacity would be the same as if the issue of shares under the Placement had proceeded with shareholder approval.

If shareholders ratify the issue of shares under the Placement, these securities will no longer be counted towards Challenger's placement capacity and Challenger will have greater flexibility in managing its future capital position. If shareholder approval is not obtained, Challenger's placement capacity will remain reduced by the amount of the Placement. Notwithstanding any approval by shareholders of the proposed resolution in Item 5, any future equity issuances will remain subject to the usual 15% placement capacity (as expanded by ASX's recent class waivers, to the extent applicable) under ASX Listing Rule 7.1 unless an exemption applies.

The shares issued under the SPP were issued within Exception 5 in ASX Listing Rule 7.2 and therefore do not affect Challenger's placement capacity.

### Recommendation

The Board recommends that shareholders vote in favour of the ratification of the shares issued under the Placement.

## Item 6 – Approval of the issue of Challenger Capital Notes 3

Challenger is proposing to raise up to \$375 million through the issue of Challenger Capital Notes 3 (non-cumulative, convertible, transferable, redeemable, subordinated, perpetual and unsecured notes) at \$100 each (Notes) under an offer to brokers (for allocation to their clients) and institutional holders who successfully bid for Notes via a bookbuild process, and an offer to securityholders. The proceeds of the Notes are to be used to repay Challenger Capital Notes (\$345 million) and fund regulatory capital requirements of Challenger Life Company Limited.

Challenger is proposing to offer the Notes via a prospectus to raise up to \$375 million with the ability to raise more or less, and this resolution authorises the issue of up to \$375 million of Notes (if more Notes are issued, they will reduce Challenger's placement capacity, as described in the explanatory notes for Item 5 above, given that the Notes are convertible to ordinary shares in some circumstances).

Challenger will be the issuer of the Notes, which are expected to be quoted on the ASX. The maximum number of Notes to be issued is 3,750,000 (being the proposed amount to be raised (\$375 million) divided by the price of an individual Note (\$100)).

A summary of the key terms of the Notes is provided in Appendix A to these Explanatory Notes.

The prospectus will contain the full terms of the Notes and will be available from ASIC and ASX and on the Challenger website at [challenger.com.au](http://challenger.com.au) once it has been lodged with ASIC.

The Notes are expected to be issued on or around 25 November 2020 and in any event no later than three months after the date of the meeting at which this resolution is passed (or any later date ASX may permit).

As described above in Item 5, ASX Listing Rule 7.1 imposes a placement capacity on Challenger. If shareholder approval is not obtained, the Notes will not be excluded from Challenger's placement capacity.

### Recommendation

The Board recommends that shareholders vote in favour of the approval of the issue of up to \$375 million of Challenger Capital Notes 3.

## Item 7 – Adoption of new Constitution

The Company's existing Constitution was adopted in 2003. It is proposed to adopt a new Constitution as there have been a number of developments in law and ASX Listing Rule requirements, corporate governance principles and general corporate and commercial practice for listed companies since that time.

The Board recommends the adoption of a new Constitution that reflects current market practice and terminology. Many of the proposed changes are administrative or relatively minor in nature. The material differences between the current Constitution and the proposed new Constitution are outlined below. Shareholders should also review the new Constitution in full.

Copies of the existing Constitution and proposed Constitution are available from the Company's website at [challenger.com.au/agm](http://challenger.com.au/agm). You can also request a copy of the Company's existing Constitution and proposed Constitution by emailing [investorrelations@challenger.com.au](mailto:investorrelations@challenger.com.au).

### Share capital and variation of class rights

The restricted securities provisions of the proposed Constitution have been updated to reflect changes to Listing Rule 15.12 in December 2019.

The preference share provisions in rule 2.2 of the proposed Constitution have, as compared to the existing Constitution, been simplified in relation to preference shares that may be issued in the future.

### Dividends

The proposed Constitution is consistent with the Corporations Act requirements on dividends. This includes providing the Board with a clear ability to rescind a decision to pay a dividend if it decides, before the payment date, that the Company's financial position no longer justifies the payment or that it is otherwise in the best interests of the Company that the dividend decision be rescinded.

The proposed changes are designed to provide Challenger with the ability to adopt modern and flexible arrangements. For example, the rules would allow (but not require) Challenger to pay all dividends electronically (e.g. to shareholders' bank accounts rather than by cheque), which saves the expense of cheques and helps keep shareholder information up to date. If Challenger adopts this approach, shareholders would be required to provide bank account details to receive their dividend. Challenger already encourages all shareholders to provide bank account details in order to reduce costs associated with producing and posting cheques.

If no bank account were nominated, the dividend could be withheld or paid into a separate account and held without interest. From that account, the money could be lent to Challenger until claimed or otherwise dealt with as described in the proposed Constitution and subject to unclaimed monies laws. Challenger could also reinvest unclaimed dividends, for the benefit of the shareholder, into shares in the Company after a period of time has elapsed.

### General meetings

The proposed Constitution incorporates a number of changes to assist with the orderly conduct of general meetings of the Company. For example, it provides the Chair of the meeting with further clear powers at general meetings, including to withdraw any resolution proposed in the notice of meeting (subject to the Corporations Act) and adjourn or continue to hold the meeting where there are technical difficulties.

The Company's existing Constitution is silent on direct voting. New direct voting provisions are proposed in rule 7.8 to allow (but not require) Challenger to make direct voting available.

The proposed Constitution also clarifies that Challenger may hold a general meeting using or with the assistance of any technology that gives the members as a whole a reasonable opportunity to participate, which may include but is not limited to electronic participation facilities or linking separate meeting



places together by technology. The proposed Constitution clarifies that shareholders present by proxy, attorney or representative are included in the quorum, and that someone casting a "direct vote" will be counted as present.

The Company's existing Constitution requires 5 business days' notice to be provided to postpone, cancel or change the venue of an adjourned or postponed meeting. The proposed Constitution does not include this requirement (which may not be possible to comply with in practice), but notice of a postponement or adjournment will still be notified to the ASX as provided for in the existing Constitution.

### Proxy voting

The proposed Constitution provides that Challenger must receive proxy forms at least 48 hours before the meeting in order to be valid (consistent with the law and market practice). The proposed Constitution provides flexibility in respect of incomplete or incorrectly executed proxy appointments, allowing Challenger to clarify instructions with the shareholder and to amend the proxy form to reflect those instructions even after that 48 hour deadline. This means proxies that would otherwise be invalid can be counted for the relevant meeting if the shareholder's instructions are clarified.

### Directors

The existing Constitution provides that the minimum number of directors is three and the maximum is fixed by the directors, but must not be more than 12 unless shareholders resolve otherwise. This enables the Board to declare 'no vacancy' by setting a lower maximum. In the proposed Constitution, the 'no vacancy' power has been removed and instead the rule provides for a minimum of 3 and maximum of 12 directors, which can only be altered by shareholders in a general meeting.

The existing Constitution requires one third of the Board to stand for election at each AGM. The proposed Constitution will omit this rule to more closely align the Constitution with the ASX Listing Rules, which require an election of at least one director at each AGM and that a director must not hold office (without re-election) past the third AGM following the director's appointment or three years, whichever is longer.

The proposed Constitution increases the director nomination deadline to 45 business days prior to the meeting (in comparison to 35 business days under the current Constitution). This will provide Challenger adequate time to take the steps required if a nomination is received (for example, conducting appropriate background checks and obtaining biographical information to provide to shareholders). The proposed Constitution also introduces a requirement that an incumbent director must have the Board's support to seek election or re-election, or alternatively must nominate themselves by giving notice before the nomination deadline.

The proposed Constitution includes updated provisions relating to directors' remuneration which more closely reflect the ASX Listing Rules. Rule 8.3 of the proposed Constitution provides that Challenger must not increase the total amount of non-executive directors' fees payable without the approval of ordinary shareholders. When calculating a non-executive director's remuneration for the purposes, the proposed Constitution states that securities issued with the approval of members under the ASX Listing Rules are to be excluded.

The proposed Constitution sets out circumstances in which the office of director becomes vacant, including where a director is disqualified from holding office as a director of the Company on the grounds of not being 'fit and proper' within the meaning of any Australian legislation or any regulatory requirement or standard made in accordance with such legislation applicable to the Company. As Challenger is regulated by APRA, this reflects APRA's 'fit and proper' person requirements applicable to directors.

### Proportional takeover provisions

A proportional takeover bid occurs when a bidder offers to acquire only a proportion of each shareholder's shares (e.g. five out of every eight shares held by each shareholder). Under the Corporations Act, companies may include proportional takeover rules in their constitutions that enable shareholders to vote on a proportional bid "in principle" before a bid can proceed.

Proportional takeover provisions are contained in the text of Challenger's existing Constitution however they had not been approved by shareholders within the last three years and are therefore deemed by the Corporations Act to have been omitted from the Constitution.

Information about the proportional takeover provisions is in the explanatory notes to Item 8 of this Notice of Meeting. This includes the benefits and detriments of adopting the provisions.

### General updates

The existing Constitution permits Challenger to serve notices personally or by post or fax, but does not clearly address how notices are sent electronically (e.g. by email). The proposed Constitution provides clarity around electronic communications and specifies a deemed time for service of documents, including electronic and postal communications to shareholders.

Challenger's existing Constitution provides that the default interest rate charged on amounts owed by shareholders is 10%. The proposed Constitution instead includes a floating interest rate, which is a rate per annum 2% higher than the rate prescribed in respect of unpaid judgments in the Supreme Court of New South Wales.

The existing Constitution also contains rules relating to selling non-marketable parcels. The provisions in the proposed Constitution authorise the Company to initiate a sale of non-marketable parcels resulting from a transfer of shares in circumstances permitted by the ASX Listing Rules.

The provisions of the Constitution have been amended to reflect changes in terminology now contained in the Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules. For example, updates to reflect the ASX's current terminology, including the change from "Australian Stock Exchange Limited" to "Australian Securities Exchange Limited" and "SCH Business Rules" to "ASX Settlement Operating Rules".

### Recommendation

The Board recommends that shareholders vote in favour of adopting the new Constitution.



## Item 8 – Insertion of proportional takeover provisions

Under the Corporations Act, companies may include proportional takeover rules in their constitutions that enable shareholders to vote on a proportional bid “in principle” before a proportional bid is permitted to proceed. Challenger has such rules in its existing Constitution; however, rules expire if they are not refreshed by a special resolution of shareholders every three years.

Challenger is proposing to include proportional takeover provisions in Rule 6 of the proposed Constitution, as set out in the Explanatory Notes to Item 7 of this Notice of Meeting.

### Statement under the Corporations Act

The Corporations Act requires that the following information be provided to shareholders when they are considering insertion of proportional takeover provisions in a constitution.

### What is a proportional takeover bid?

A proportional takeover bid is a takeover bid where an offer is made to each shareholder of a company to acquire a specified proportion only of that shareholder's shares (that is, less than 100%). The specified proportion must be the same in the case of all shareholders.

The Corporations Act allows a company to provide in its constitution that if a proportional takeover bid is made shareholders must vote on whether to accept or reject the proportional takeover bid and that decision will be binding on all shareholders. This provision allows shareholders to decide collectively whether a proportional takeover bid is acceptable in principle.

### The effect of the proportional takeover provisions

The effect of the proportional takeover provisions in Rule 6 of the proposed Constitution (as set out in Item 7 of this Notice of Meeting) is that if a proportional takeover bid is made for Challenger, Challenger must refuse to register a transfer of Challenger shares giving effect to any acceptance of the bid unless the takeover bid is approved by shareholders in general meeting.

In the event that a proportional takeover bid is made, the Directors must convene a meeting of shareholders to vote on a resolution to approve the proportional takeover bid. For the resolution to be approved, it must be passed by a simple majority of votes at the meeting, excluding votes of the bidder and its associates.

If no such resolution is voted on at least 14 days before the last day of the takeover bid period, the resolution will be deemed to have been approved. This effectively means that shareholders may only prohibit a proportional takeover bid by passing a resolution rejecting the proportional takeover bid.

If the resolution is approved or deemed to have been approved, a transfer of Challenger shares under the proportional takeover bid may be registered provided it complies with the other provisions of the Corporations Act and the Constitution.

If the resolution is rejected, the registration of any transfer of shares resulting from the proportional takeover bid is prohibited and the proportional takeover bid is deemed by the Corporations Act to have been withdrawn.

The Directors will breach the Corporations Act if they fail to ensure the resolution is voted on.

The proportional takeover provisions do not apply to full takeover bids and, if renewed, will only apply until 29 October 2023, unless again renewed by shareholders by passing a special resolution.

### Reasons for proposing the resolution

Without the proportional takeover approval provisions, a proportional takeover bid may result in control of Challenger passing without shareholders having the opportunity to dispose of all of their Challenger shares to the bidder. This could result in control of Challenger passing to the bidder without the payment of an adequate control premium and with shareholders left as a minority interest in Challenger.

The proportional takeover provisions lessen this risk because they allow shareholders to decide whether a proportional takeover bid is acceptable and should be permitted to proceed. The Directors consider that it is appropriate for shareholders to have this right.

### No knowledge of any acquisition proposals

At the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in Challenger.

### Potential advantages and disadvantages

The Corporations Act requires that shareholders be given a statement of the potential future advantages and disadvantages of the provisions being inserted into the constitution.

The insertion of the proportional takeover provisions will allow Directors to ascertain shareholders' views on a proportional takeover bid. Otherwise, the Directors consider that the proposed insertion of the proportional takeover provisions has no potential advantages or potential disadvantages for Directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved or rejected.

The potential advantages of the insertion of the proportional takeover provisions for shareholders are:

- a) they give shareholders a say in determining whether a proportional takeover bid should proceed;
- b) they may discourage the making of a proportional takeover bid which may be considered to be opportunistic and may prevent control of Challenger passing without the payment of an appropriate control premium;
- c) they may assist shareholders in not being locked in as a minority interest;
- d) they increase shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is adequately priced; and
- e) knowing the view of the majority of shareholders may assist each individual shareholder in assessing the likely outcome of the proportional takeover bid and whether to approve or reject that bid.

Some potential disadvantages of the insertion for shareholders are that the proportional takeover provisions:

- (a) may discourage the making of proportional takeover bids in respect of Challenger and may reduce any speculative element in the market price of Challenger's shares arising from the possibility of a takeover bid being made;
- (b) may depress the share price or deny shareholders an opportunity of selling some of their Challenger shares at a premium;
- (c) may reduce the likelihood of a proportional takeover bid being successful; and
- (d) may be considered to constitute an unwarranted restriction on the ability of shareholders to deal freely with their Challenger shares.

However, the Directors do not perceive those or any other possible disadvantages as a justification for not inserting the proportional takeover provisions for a period of 3 years and consider that the potential advantages of the proportional takeover provisions for shareholders outweigh these possible disadvantages.

### **Recommendation**

The Board recommends that shareholders vote in favour of inserting proportional takeover provisions in the Constitution.

## Additional information for shareholders

### Appointing a proxy

A shareholder that is entitled to attend and vote at a virtual meeting of shareholders may appoint a proxy to attend and vote for that shareholder at the meeting. A proxy need not be a shareholder of Challenger and can be either an individual or a body corporate. Shareholders are encouraged to notify an appointed proxy of their appointment to enable them to participate in the meeting online and to exercise your voting instructions. Appointed proxies will need to contact Computershare Investor Services to obtain a username and password to vote online.

If a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies and may specify the proportion of voting rights each proxy may exercise on a poll. If no proportions are specified, each proxy may exercise half the available votes (disregarding fractions) on a poll. If a shareholder appoints two proxies, neither is entitled to vote on a show of hands if more than one proxy attends the meeting.

For an appointment of a proxy to be effective for the meeting, Challenger must receive the proxy appointment by no later than **9.30am (Sydney time) on 27 October 2020**. If a proxy form is signed under power of attorney on behalf of a shareholder, then Challenger must receive the original power of attorney or a certified copy of it by the same time.

You may direct your proxy to vote for a resolution, against a resolution or abstain from voting on a resolution. Any abstained votes will not be counted in computing the required majority on a poll. In the absence of such a direction, the proxy is authorised to vote or abstain from voting on any resolution at their discretion, subject to applicable voting restrictions.

If you do not appoint any person or persons as your proxy in your completed proxy form or if the person you appoint as proxy does not participate in the meeting, the Chair of the meeting will be appointed as your proxy by default.

You may lodge your proxy appointment with Computershare by doing one of the following:

- lodging it online at Computershare's website [investorvote.com](https://investorvote.com) as instructed on the website (you will have been taken to have signed your proxy form if you have lodged 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 [intermediaryonline.com](https://intermediaryonline.com) to submit your voting intentions; or
- delivering it to:  
Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000.

Appointing a proxy does not mean you cannot attend the meeting. However, under the Challenger Constitution, if you appoint a proxy but still attend the AGM and vote on any resolution, the proxy is not entitled to vote.

### Chair's deemed appointment as proxy

There are some circumstances where the Chair of the meeting will be taken to have been appointed as a shareholder's proxy for the purposes of voting on a particular resolution even if the shareholder has appointed a different person as their proxy. This will be the case where your named proxy does not attend the meeting, or attends the meeting but does not vote in accordance with your directions on a poll on an item.

### Undirected proxies

Members of the Company's KMP (which includes each of the Directors) other than the Chair of the meeting will not be able to vote as proxy on Items 3 or 4 unless you direct them how to vote. If you intend to appoint any of those persons as your proxy, you should ensure that you direct that person how to vote on Items 3 and 4.

If you appoint the Chair of the meeting as your proxy (including if the Chair of the meeting becomes your proxy by default) and you do not specify how the proxy is to vote, you expressly authorise the Chair of the meeting to vote as he sees fit, even though, in the case of Item 3 and Item 4, the resolution is connected with the remuneration of members of the KMP, which includes the Chair of the meeting.

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

### Corporate shareholders

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

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

A representative may be authorised for a single meeting or all meetings of Challenger, and an authorisation for more than one meeting must be stated on the authorising instrument. The representative must ensure that the Company has received evidence of his/her appointment, including any authority under which it has been signed, in advance of the meeting, unless it has previously been given to the Company.

## Eligibility to attend and vote

In accordance with the Corporations Regulations 2001 and the ASX Settlement Operating Rules, the Challenger Board has determined that, for the purposes of the meeting, those shareholders registered as holding shares at 7.00pm (Sydney time) on Tuesday 27 October 2020 will be entitled to attend and vote at the meeting. Share transfers registered after that time will be disregarded in determining a shareholder's entitlement to attend or take into account their voting rights at the meeting.

## Questions and comments by shareholders

The AGM is an important event and an opportunity for shareholders to interact with the Directors and senior executives, and provides an opportunity to hear from the Chair and the Chief Executive Officer, consider and vote on resolutions and ask questions of the Board and auditor.

A reasonable opportunity will be given to shareholders to ask questions or make comments about Challenger's management, the Reports (including the Remuneration Report) and other agenda items at the meeting.

Similarly, a reasonable opportunity will be given to shareholders 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 the 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 Independent Auditor's Report or the conduct of the audit of Challenger's financial report for the financial year ended 30 June 2020 in advance of the meeting. If written answers are tabled at the AGM, they will be made available to shareholders as soon as practicable after the meeting. The auditor is not required to provide individual responses to shareholders.

A list of any questions will be prepared by Ernst & Young and will be made available to shareholders on the day of the meeting.

If you are attending the virtual AGM, you can submit a question via the online platform during the meeting.

Shareholders can also submit questions in advance of the meeting when voting online prior to the meeting at [investorvote.com.au](https://investorvote.com.au).

To be considered in advance of the meeting, the written questions must be received no later than 5.00pm (Sydney time) on Thursday 22 October 2020.

## Registration and webcast

Registration will start from 8.30am (Sydney time) on the day of the meeting. To participate in the AGM online, you can log in to the meeting in the following ways:

- from your computer or mobile device, by entering the following URL in your browser: [web.lumiagm.com/380659978](https://web.lumiagm.com/380659978);
- from your mobile device by using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

Once you have selected one of the options above, shareholders will need the following information to participate in the AGM in real time:

- the meeting ID for the Challenger Limited AGM, which is **380659978**;
- your username, which is your SRN/HIN; and
- your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the Challenger AGM Online Meeting Guide available on [challenger.com.au/agm](https://challenger.com.au/agm) for their password details.

## Participating in the meeting online

Shareholders can submit questions in relation to the business of the meeting, and vote on the resolutions in real time during the meeting via the Lumi website or the Lumi AGM app.

Shareholders participating in the meeting using the online platform will be able to vote between the commencement of the meeting and the closure of voting as announced by the Chair during the meeting.

By participating in the meeting online you will be able to:

- hear and view meeting slides;
- submit questions at the appropriate time while the meeting is in progress; and
- vote during the meeting.

Instructions on how to log on to ask questions during the meeting are outlined on this page under "Registration and webcast" and available on Challenger's website at:

➤ [challenger.com.au/agm](https://challenger.com.au/agm)

Please note that only shareholders may ask questions online and only once they have been verified. It may not be possible to respond to all questions raised during the meeting. Shareholders are therefore encouraged to lodge questions prior to the AGM, as outlined on page 2 of this Notice of Meeting.

## Webcast

A live webcast of the meeting will be available on the Challenger website at [challenger.com.au/agm](https://challenger.com.au/agm) from 9:30am (Sydney time) on Thursday 29 October 2020.

The webcast will be recorded and made available to view after the meeting.

## **Appointed proxies**

To participate in the virtual AGM, appointed proxies will need a unique username and password.

To receive their unique username and password, proxies will need to contact Computershare Investor Services on +61 3 9415 4024 during the online registration period which will open one hour before the start of the meeting.

Appointed proxies can also submit a question via the online platform during the AGM using their username and password.

Further information regarding participating in the AGM online, including browser requirements, is detailed in the AGM Online Meeting Guide available on Challenger's website at:

➤ [challenger.com.au/agm](https://challenger.com.au/agm)

## **All resolutions will be by poll**

The Chair intends to call a poll on each of the resolutions set out in this Notice of Meeting.

## **Technical difficulties**

Technical difficulties may arise during the course of the AGM. The Chair has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chair will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected.

Where he considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by 9.30am (Sydney time) on 27 October 2020 even if they plan to attend online.



## Appendix A

This table summarises the key features of the Challenger Capital Notes 3 (Notes) that are the subject of Item 6. The full terms of the Notes will be set out in the prospectus (Prospectus) for the Notes (including a replacement prospectus (Replacement Prospectus) which is expected to be lodged with ASIC approximately one week after the original Prospectus, once the Margin (see below under "Distributions") is known), and will prevail in the event of any inconsistency between this Appendix A and the Prospectus.

Topic	Summary
<b>Fully paid subordinated notes of face value \$100 each</b>	<p>The Notes will be fully paid subordinated notes of face value \$100 each issued by Challenger.</p> <p>The Notes will be subordinated to claims of senior creditors, and rank equally with other Relevant Perpetual Subordinated Instruments (these will be more fully described in the Prospectus but include Challenger Capital Notes, Challenger Capital Notes 2 and the Notes and other instruments which are capable of being converted into ordinary shares of Challenger or written-off where APRA determines that Challenger is or may become 'non-viable') and ahead of ordinary shares.</p>
<b>No maturity date</b>	<p>The Notes will be perpetual, which means they do not have any fixed maturity date and could remain on issue indefinitely.</p> <p>However, Challenger has the right to convert the Notes to ordinary shares, or to redeem the Notes or resell the Notes to a nominated purchaser for cash on the Optional Exchange Date (or on an earlier date in certain circumstances) subject to APRA's prior written approval. The Optional Exchange Date will be disclosed in the Prospectus and is expected to be between five and six years after issue of the Notes.</p> <p>If Challenger does not exercise its right described above on the Optional Exchange Date, the Notes will mandatorily convert to ordinary shares on the Mandatory Conversion Date, subject to certain Mandatory Conversion Conditions (see below under "Will the Notes convert to ordinary shares?") being satisfied. The Mandatory Conversion Date will be disclosed in the Prospectus and is expected to be two years after the Optional Exchange Date of the Notes (but may be later, or may not occur at all, if the conditions for conversion are not satisfied on that date).</p> <p>What will happen to the Notes is uncertain and depends on a number of factors including whether mandatory conversion will occur, whether Challenger elects to convert, redeem or resell the Notes, and whether APRA's approval is given when required under the terms of the Notes.</p> <p>Holders will have no right to request that Challenger convert, redeem or resell the Notes.</p>

## Topic

## Summary

### Distributions

Subject to certain conditions, the Notes are expected to pay quarterly, floating rate, non-cumulative, discretionary distributions in arrears at the Distribution Rate (see below) unless and until converted, redeemed or written-off.

The Distribution Rate will be calculated in accordance with the following formula:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

Where:

**Bank Bill Rate** is the Bank Bill Rate (described below) on the first business day of the relevant distribution period. The Bank Bill Rate in respect of a distribution period is the three month rate published through information vendors on the first business day of the relevant distribution period. It is a benchmark floating interest rate for the Australian money market, and is based on an average of rates at which major Australian financial institutions lend short-term cash to each other over a period of approximately three months as published by ASX (or its successor). It changes to reflect supply and demand in the cash and currency markets. Fall-back procedures apply if the Bank Bill Rate is not published by the relevant time on the day for publication or is affected by an obvious error, or where Challenger determines that a rate disruption event has occurred;

**Margin** is the margin determined under a bookbuild to be conducted as will be outlined in the Prospectus (an expected range for the Margin will be disclosed in the Prospectus and the actual Margin will be disclosed in a Replacement Prospectus which is expected to be lodged with ASIC approximately one week after the original Prospectus, once the Margin is known); and

**Tax Rate** means the Australian corporate tax rate applicable to Challenger's franking account at the relevant distribution payment date. As at the date of this Notice of Meeting, the Tax Rate is 30%.

Distributions are initially expected to be partially franked, although this is not guaranteed. If a distribution is not franked or is only partially franked, the amount of the cash component of the distribution which is being paid will be increased to compensate for the unfranked component according to the following formula:

$$\frac{D}{1 - [\text{Tax Rate} \times (1 - F)]}$$

Where:

**D** is the amount of the distribution that would otherwise have been payable;

**F** is the applicable franking rate; and

**Tax Rate** has the meaning given above.

Payment of distributions is subject to the absolute discretion of Challenger and subject to no payment condition existing in respect of the relevant distribution payment date. Payment conditions include (in summary) consolidated retained earnings of the Challenger Group being or (on payment of the distribution) becoming negative, the payment resulting in Challenger becoming or being likely to become insolvent, and APRA objecting to the payment.

Distributions are non-cumulative, which means that if a distribution has not been paid on a distribution payment date then Challenger has no obligation to pay the distribution at any later date.

If a distribution is not paid in full on a Distribution Payment Date, Challenger must not, without the approval of a special resolution of Note holders, declare, determine to pay or pay a dividend on its ordinary shares, or buy back or reduce capital on any of its ordinary shares, until and including the next distribution payment date. This restriction will not apply if the relevant distribution is paid in full within three business days of the relevant distribution payment date.

The Terms do not contain events of default and, accordingly, failure to pay a distribution when scheduled will not constitute an event of default.

Topic	Summary
<b>Will the Notes be Redeemed?</b>	<p>If certain conditions are met, Challenger will have a right, but not an obligation, to redeem the Notes:</p> <ul style="list-style-type: none"> <li>• on the Optional Exchange Date (see above under “No maturity date” for further information);</li> <li>• on the occurrence of a Tax Event (which will be defined in the Prospectus – for example, this may include where a change in Australian tax law after the issue date results in a more than insignificant increase in the costs to Challenger of the Notes being on issue); or</li> <li>• on the occurrence of a Regulatory Event (which will be defined in the Prospectus – for example, this may include where a change in Australian law or regulation after the issue date would impose additional requirements on Challenger in relation to the Notes that the Directors determine would have a not insignificant impact on Challenger or if the proceeds of the Notes may no longer be used to fund the regulatory capital requirements of Challenger Life Company Limited).</li> </ul> <p>Challenger can only redeem the Notes if it has received APRA’s prior written approval, and APRA is satisfied with the projected capital position of Challenger and the Challenger Group.</p>
<b>Will the Notes convert to ordinary shares?</b>	<p>The Notes will be converted to ordinary shares automatically on the occurrence of certain events, or at Challenger’s option in a number of circumstances (which will be set out in the Prospectus). In each case, a Note will convert to a number of ordinary shares calculated based on the VWAP at the time of conversion (VWAP will be defined in the Prospectus but broadly refers to the average of the daily volume weighted average prices of Challenger ordinary shares sold on the ASX during the relevant period), but subject always to a Maximum Conversion Number. The Maximum Conversion Number is calculated as will be outlined in the Prospectus but is essentially (1) the face value of a Note divided by (2) the VWAP of ordinary shares over the 20 business days immediately preceding (but not including) the issue date of the Notes multiplied by a fraction (Relevant Fraction) – the Relevant Fraction is 0.5 in the case of a mandatory conversion, or 0.2 in the case of any other conversion.</p> <p>Except in the case of a Non-Viability Trigger Event (see below), conversion is subject to conditions (see further details below).</p> <p><b>Mandatory Conversion or Acquisition Event:</b> All Notes must be converted to ordinary shares on the scheduled Mandatory Conversion Date (see above under “No maturity date”) or upon the occurrence of an Acquisition Event (which will be defined in the Prospectus – this event relates to a change of control transaction). However, conversion cannot occur unless the Mandatory Conversion Conditions (in the case of an Acquisition Event, as appropriately adapted) are satisfied. The Mandatory Conversion Conditions are conditions designed to prevent conversion from occurring in circumstances where, due to the Maximum Conversion Number, Note holders would receive a number of ordinary shares per Note worth substantially less than face value of the Notes. Additionally, the Mandatory Conversion Conditions protect Note holders in circumstances where the ordinary shares a holder receives upon conversion cannot be sold on the ASX. Where these conditions are not satisfied, conversion will be deferred until the next distribution payment date where they are satisfied. Each Note which is the subject of a conversion under these circumstances will, in summary, be converted to ordinary shares with a value of approximately \$101 based on the VWAP at the time of conversion (see below for examples of the conversion calculation).</p> <p><b>Non-Viability Trigger Event:</b> Some or all Notes must be converted to ordinary shares if APRA determines that a Non-Viability Trigger Event has occurred. Conversion under these circumstances is not subject to any conditions, and Note holders are likely to receive a number of ordinary shares per Note which are worth substantially less than face value. A Non-Viability Trigger Event occurs when either (1) APRA issues a notice in writing to Challenger that the conversion to ordinary shares or write-off of Relevant Perpetual Subordinated Instruments (these include the Notes) in accordance with their terms or by operation of law is necessary because, without it, APRA considers that Challenger would become non-viable, or (2) APRA makes a determination, notified in writing to Challenger, that without a public sector injection of capital, or equivalent support, Challenger would become non-viable.</p> <p><b>Optional Exchange:</b> Challenger has the option, but not the obligation, to convert, with APRA’s prior written approval:</p> <ul style="list-style-type: none"> <li>• some or all (as Challenger may select) of the Notes to ordinary shares on the Optional Exchange Date (see above under “No maturity date”), or on the occurrence of a Tax Event or a Regulatory Event; and</li> <li>• all Notes to ordinary shares on the occurrence of a Potential Acquisition Event (which will be defined in the Prospectus – these events relate to potential change of control transactions where all required approvals have not yet been obtained).</li> </ul>

## Topic

## Summary

### Will the Notes convert to ordinary shares? (continued)

In each case Challenger is restricted from exercising its option to convert if certain Optional Conversion Restrictions apply. Additionally, where the Mandatory Conversion Conditions (as appropriately adapted for an Optional Exchange) would not be satisfied, conversion will be deferred until the next distribution payment date where they are satisfied. Each Note which is the subject of a conversion under these circumstances will be converted to ordinary shares with a value of approximately \$101 based on the VWAP at the time of conversion.

#### Examples:

**Conversion on a Mandatory Conversion Date:** If Notes are converted on a Mandatory Conversion Date, the number of ordinary shares a Note holder will receive for each Note will (subject to the Maximum Conversion Number) be calculated as follows:

$$\text{Conversion Number} = \frac{\text{Face Value}}{99\% \times \text{VWAP}}$$

So if the VWAP in the relevant period (in the case of conversion on the Mandatory Conversion Date this is the 20 business days on which trading in ordinary shares took place immediately preceding (but not including) the relevant conversion date) was:

- \$3.79 (being the share price at close of trading on the day five business days before the date of this Notice of Meeting), the number of Challenger ordinary shares into which each Note would convert would be 26.65 shares (being \$100 divided by (99% x \$3.79)).
- \$7.58 (being double that share price), the number of Challenger ordinary shares into which each Note would convert would be 13.33 shares (being \$100 divided by (99% x \$7.58)).
- \$1.895 (being half that share price), the number of Challenger ordinary shares into which each Note would convert would, subject to the Maximum Conversion Number not being exceeded (see below), be 53.87 shares (being \$100 divided by (99% x \$1.875)).

These conversion outcomes are subject to the Maximum Conversion Number not being exceeded. If the VWAP of Challenger ordinary shares over the 20 business days immediately preceding the issue date of the Notes was \$3.79, the Maximum Conversion Number in situations involving conversion on a Mandatory Conversion Date will be 52.77 shares (being the Face Value of \$100 divided by (\$3.79 x 0.5 (being the Relevant Fraction in the case of Mandatory Conversion))). No more than this number of shares could be issued on conversion, but the Mandatory Conversion Conditions will generally prevent conversion occurring in situations where the Maximum Conversion Number would operate to cap conversion, and conversion would therefore not occur in the third of the examples above (with conversion being deferred until the next distribution payment date where the Mandatory Conversion Conditions were satisfied).

#### **Conversion on a Non-Viability Trigger Event, Acquisition Event or Optional Exchange Date:**

Conversion on a Non-Viability Trigger Event, Acquisition Event or Optional Exchange Date operates in essentially the same way as conversion on the Mandatory Exchange Date, discussed above, except that the relevant period for calculating the VWAP may in some circumstances be shorter (as will be set out in the Prospectus), the Relevant Fraction for calculating the Maximum Conversion Number is 0.2 rather than 0.5 and, in the case of conversion on a Non-Viability Trigger Event only, conversion is not subject to any conditions (so if the Maximum Conversion Number would operate to cap conversion that will simply occur, rather than conversion being deferred).

Therefore, if the above examples were occurring on a Non-Viability Trigger Event, Acquisition Event or Optional Exchange Date (and the VWAP referred to above was the VWAP over the applicable period), the numbers of Challenger ordinary shares received on conversion would be as per the above examples, except that in the third example the holder would receive the full 53.87 shares (being \$100 divided by (99% x \$1.895)) calculated in that example. This is because the Maximum Conversion Number would be higher – 131.93 shares (being the Face Value of \$100 divided by (\$3.79 x 0.2)) – and would therefore not operate to cap conversion based on any of the example share prices.

Topic	Summary
<b>Will the Notes be Written-Off?</b>	<p>Where Challenger is required to convert some or all Notes to ordinary shares on account of a Non-Viability Trigger Event, but conversion does not occur for any reason within five business days of APRA's determination, then those Notes will be Written-Off.</p> <p>If Notes are Written-Off, the relevant Note holders' rights under the Notes (including to receive distributions, payment of face value, or potential conversion to ordinary shares) will be immediately terminated with effect on and from the date of the Non-Viability Trigger Event, and holders will lose the entire amount of their investment in the relevant Notes.</p>

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## Additional information

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### Contact us

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13 35 66

Adviser Services  
1800 621 009

Share Registrar  
1800 780 782

### Company Secretaries

Michael Vardanega

Andrew Brown

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Unless otherwise specified, all amounts are in Australian dollars.

The information, including all amounts, in this Notice of Meeting are current as at 30 June 2020, and unless stated otherwise, any comparison is based on the prior corresponding period.

This Notice of Meeting is not financial product advice, investment advice or a recommendation to acquire Challenger's securities and has been prepared without taking into account your objectives, financial situation or needs. This document is not, and should not be considered as, an offer or an invitation to acquire securities in Challenger or any other financial products.