

Minutes of the Annual Member Meeting of the Challenger Retirement Fund (CRF or Fund)

Held via live stream on 9 December 2021 at 3.30 pm (AEDT)

**Present: Directors of Challenger Retirement and Investment Services Limited
(Trustee)**

David Bennett (Chair)
Tony Bofinger (Executive Director)
Catherine Dubé (Independent Director)
Byron Koster (Independent Director)
Jillian Haggerty (Executive Director)

Linda Matthews (Company Secretary)

Executives and other official roles

Angela Murphy (Chief Executive Officer, Challenger Life Company Limited
(Life))
Anton Kapel (Chief Financial Officer and Appointed Actuary, Life)
Elisabetta Trinca (Chief Operating Officer, Life)

Auditor

Graeme McKenzie (Partner, Ernst & Young)

ITEM 1: Introductions

The Chair recognised that a quorum was present and declared the meeting open at 3:30 pm.

The Chair welcomed those who joined online to the 2021 CRF Annual Members Meeting and advised that in planning for this year's Annual Member Meeting, prioritised the health and wellbeing of our members, people and wider community. He further noted that whilst restrictions are beginning to ease, given the nature of the pandemic, as well as public health advice, the meeting was being held in an online forum.

The Chair introduced his fellow Trustee directors, auditor and members of CRF's executive team joining the meeting.

The Chair explained procedures for asking questions during the meeting and for receiving assistance if technical issues arise with the online platform.

Chair's Message

The Chair spoke to the following matters:

- CRF continued to meet its investment objective of providing members with investments that provide either stable cash investment returns, fixed rate returns or guaranteed income for life.

- Despite difficult market conditions continued to prevail during the 2021 financial year, CRF provided members with known outcomes through the period by:
 - providing fee-free superannuation products to members;
 - providing access to Life's guaranteed products that deliver competitive fixed returns;
 - improving member experience and engagement activities by building greater awareness of superannuation and retirement and helping members understand their options; and
 - ensuring Advisor fees charged are appropriate and in compliance with the sole purpose test.
- The Trustee decided to close the Guaranteed Personal Superannuation and Guaranteed Allocated Pension products within the Fund to new members during the year.
- The focus of the Fund continued to maintain and improve the best financial interests of our existing Super Products members. The payments provided to members in the Fund were guaranteed by Life under the terms of life policies and were not impacted by the number of members in the fund. The Fund did not incur any net management expenses, as these were effectively met by Life, so members continued to not pay any fees to the Fund.

Risk and Compliance matters

- The Trustee's commitment to ensuring best practice corporate governance and risk management through Challenger's Compliance Management System that:
 - is planned, implemented, evaluated and regularly reviewed; and
 - covers all relevant licencing and legal obligations, policies, practice notes and operational procedures.
- The Trustee had a Board-approved Risk Management Strategy and Risk Appetite Statement which aligns with the Superannuation Prudential Standard SPS220 Risk Management. The Board is ultimately responsible for CRISL's risk management framework and takes all reasonable steps and makes all reasonable enquiries to determine that relevant risk matters have been properly addressed.
- On 23 September 2021, the Trustee's Board made an annual declaration to APRA attesting that it has appropriate risk management and compliance management systems and controls in place for ensuring compliance with all prudential requirements during the financial year and that the risk management framework has operated effectively.
- In addition, Ernst & Young, the Fund's Auditor conducted their annual audit on the Fund and provided the CRISL Board and Audit Committee with an unqualified audit report for the 2021 financial year.

The Chair spoke to the following items by way of update on the Challenger and Life businesses:

- 2021 was undoubtedly a difficult year for many, with the pandemic impacting the industry, communities and the wider economy.

- Despite the uncertain environment in 2021, Challenger delivered a strong performance, with the business making significant progress in executing its strategy, diversifying its revenue streams and strengthening its capital and operating settings.
- Challenger maintained momentum across the business and achieved record assets under management of \$110 billion, that was driven by record sales of \$7 billion in the Life business and market-leading net flows of \$16 billion in the Funds Management business.
- Normalised net profit before tax at \$396 million was within the business' guidance range and reflects the proactive decision to reposition the investment portfolio to more defensive settings during the early stages of the pandemic, including holding higher levels of cash. Throughout the 2021 financial year, Challenger gradually deployed this balance into higher returning assets and expects to see the full benefits of this approach during 2022.
- Challenger's capital settings remained robust and sustainable, and at 30 June 2021, the business held \$1.6 billion of excess regulatory capital. The business also enhanced its risk settings, which ensured that the business continues to have flexibility to respond to future market movements.
- Considering ongoing economic and market uncertainty, protecting the member's balances is of the utmost importance.
- In 2021, Challenger also acquired MyLife MyFinance bank, which was an important part of Challenger's strategy and reflects its vision to provide retirees and pre-retirees with a broader range of solutions to help them achieve financial security for a better retirement.
- Challenger's performance in 2021 highlighted the strength of the business, which is well positioned for strong growth and has exciting opportunities ahead.

The Chair thanked the Board and the management team for their efforts and achievements during the year.

ITEM 2: Questions and Answers

The Chair introduced the next segment which was responses to member questions, including pre-pollled member questions taken before the meeting and answers to commonly asked questions.

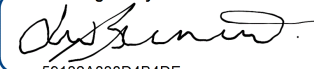
The first question related to whether the use of electronic communications will be extended for more communications to members, other than just the life certification process, in the future. The Chair advised that Challenger as a group continuously evaluates how best to interact with its customers including the members of the Fund. This included considering how electronic communications or web-based platforms could be utilised. The Board continues to work with the Challenger group on how to best integrate any such developments for the benefit of the members of the Fund.

The second question was about providing insights to Policy holders on financial management of the investment Portfolio specifically highlighting the security of lifetime positions over and above the capital adequacy requirements set by the Regulator. Mr Kapel answered this question by noting that:

- the Fund invested into life policies issued by Challenger Life Company Limited (or CLC). CLC is regulated by the Australian Prudential Regulation Authority (or APRA).
- CLC's investments are subject to restrictions outlined by the Life Insurance Act. Money is invested into cash, government and corporate bonds, property investments, shares, infrastructure investments and other assets. These investments are chosen by CLC to match asset cash flows in with payments out to policyholders.
- APRA requires all life insurers, including CLC, to hold minimum regulatory capital buffers that reflect the insurer's assets and liabilities. In addition, CLC holds additional capital buffers above the APRA minimums. The net effect of these capital reserves is to ensure that, under a range of extremely adverse scenarios, CLC can continue to meet its obligations to its policyholders.
- CLC targets holding 1.3-1.7 times the APRA minimum. At 30 June 2021, CLC held 1.63 times (or \$1.65 billion above) the APRA minimum. He further advised members that the details about CLC, its investments and the capital requirements to be maintained could be found on the Challenger website www.challenger.com.au

The moderator advised the Chair that there were no further questions.

The Chair thanked members for their attendance and declared the meeting closed at 3:47pm.

DocuSigned by:

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David Bennett
Chair of board of directors of the Trustee

Date: 6 January 2022