



Company	Challenger Limited
Code	CGF
Meeting	AGM
Date	31 October 2019
Venue	Wesley Centre, 220 Pitt Street, Sydney.
Monitor	Elizabeth Fish

Number attendees at meeting	67 shareholders, 21 visitors and 4 proxy holders
Number of holdings represented by ASA	171
Value of proxies	\$748m
Number of shares represented by ASA	778,000
Market capitalisation	\$4,914m
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with chair Peter Polson

The Chair makes his own disruption.

The Chair, Peter Polson opened the meeting and spoke about ongoing market volatility placing the blame for the company's poor financial performance on what he called "significant disruption in the operating environment following the Royal Commission into Misconduct in the Banking and Financial Services Industry" and of advisers leaving the industry, reduced customer confidence in financial advice, regulatory and compliance changes. He talked about group assets under management being up although statutory net profit after tax being down by \$15m. He mentioned changes to the executive remuneration that included extended vesting periods for short- and long-term incentives. Capping maximum short-term incentives and using volume weighted average price (VWAP) to calculate the number of long-term rights issued. He also spoke about his extended, 15 year period on the Board, saying that he was seeking re-election in order to ensure continuity and leadership stability.

The CEO Mr Richard Howes spoke about the "present disruption" and made statements regarding lack profitability such as "if you remove the effect of this then that". He spoke about the expanded relationship with the MS&AD Group, much of which has been covered in the Annual Report and the Challenger's own market releases.

He thought that older Australians greatest concern was running out of money, as many were exposed to heavy losses from the share market. He said he was pleased to see that changes to the

aged pension means test now allow for only a proportion of an investment in a lifetime annuity being counted under the assets test, effective from 1 July 2019.

Looking forward he said, Challenger planned to invest up to \$15m in a new distribution, product and marketing initiatives to support deeper integration with the advice process. Offering tools, education and marketing collateral to advisors. It is also planned to adjust Challenger's service strategy to reach a wider range of advisors, partnering with platforms like Netwealth and Hub24.

In addition, a number of direct to customer initiatives were undertaken recently supported by advertising and a new website launched in December 2018.

The Chair's and CEOs address is online at <http://www.challenger.com.au/shareholder/market-announcements/2019-agm-chairman-and-ceo-addresses>.

After the Chair and CEOs presentation the Chair announced that he would be taking questions regarding the accounts and anything included in the notice of meeting now and would not take any questions later in the meeting.

The ASA had a question with regard to level 3 assets that were identified as a key audit matter, due to the valuation of \$12,870m at June 2019. The ASA asked why would an observable market value not be available for these assets and how liquid are they?

Mr Tony Johnson, the EY Audit partner answered this question saying that level 3 assets include infrastructure investments, property securities and investments and development properties and that valuation is determined in various ways including external valuations and internal financial models. They are typically not liquid.

The ASA also asked if Challenger Limited would invest in a company, where the Chair had more than 15 years service? The Chair passed this question to another Board Member Ms Joanne Stephenson for a response and she responded saying, The Board as a whole had looked at the question of Mr Polson's independence and came to the conclusion that he was independent and further that due to some recent additions and retirements to the Board, the average length of service was two and a half years. She continued saying the business is at an important juncture now with a new Managing Director and CEO.

There were a number of comments made by attendees, some more coherent than others. Some congratulated Challenger on being an ethical company. Another had no worries about board members having an extensive period of service and was in favour of Peter Polson continuing as an advisor. There were positive comments about the business agreement with Japan but some concern regarding the lack of clarity on the contribution from that venture.

A shareholder thought there should be a new marketing campaign to assure annuity holders that they will get their money, and (Challenger should) stress to financial advisors that the money is guaranteed.

All the resolutions were passed in favour, at 97.13%, 97.82%, 90.02% and 98.6% in order on the agenda.