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Company	**Challenger Limited**
Code	**CHG**
Meeting	**AGM**
Date	**22 October 2020**
Venue	**Online**
Monitor	**Elizabeth Fish and Nick Bury**

Number attendees at meeting	23 shareholders plus 1 Proxy Group. In total 24 attended as provided by the company
Number of holdings represented by ASA	**110**
Value of proxies	$2.9m
Number of shares represented by ASA	1.0m
Market capitalisation	$3.37bn – on day of meeting
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chairman Peter Polson

The webcast is at. https://www.challenger.com.au/shareholder/shareholder-information/annual-general-.

The Chairman's and CEOs addresses are at:

https://www.challenger.com.au/shareholder/market-announcements.

The Chairman spoke about Covid-19, its affect on the financial markets and the negative investment experience due to the sell-off in the global financial markets during the 3rd quarter of FY 20. He continued saying, that in spite of the difficult environment, funds under management had grown by 4% and this included a 13% increase in life sales.

In discussing the Boards decision not to pay a final dividend for FY20 the Chairman said that he thought it a prudent decision taken in order to protect the Balance Sheet, and he expected the company would return to paying dividends in FY21. The Chairman then asked the CEO Mr Richard Howes to continue.

Mr Howe spoke about the FY20 business performance, the effect of the COVID-19 pandemic, and gave an update on the company strategy. He concluded his address by speaking about the company’s Fy21 outlook, saying that the targeted normalised net profit before tax was between $390m and $440m.

After the CEO’s address the Chairman opened the floor to questions, some had been received earlier and some were received during the meeting. Questions were allowed as each resolution came up for voting. Shareholders were clearly concerned with the drop in share price and missing dividend. There were a number of questions.

Q 1) Why did you not pay a final dividend and when will payments of dividends recommence? The Chairman’s response was that throughout this crisis the board has acted quickly and decisively to maintain the strong capital position to capture accretive opportunities as they occur. He said, our actions were also consistent with APRA’s communication that banks and insurance companies should limit dividends payments. Challenger intends to resume payments to shareholders, subject to market conditions in FY 21 in the ratio of between 45 and 50% of normalised profit after tax.

Q2) Given the terrible performance over the past year and the incompetent handling of the pandemic why have there been no changes to senior management or the board, given the immediate and severe impact of COVID-19 on the business?

The Chairman responded saying, “while I share your disappointment, I am proud of the way in which the team has responded to these extreme events, maintained the wellbeing and engagement of employees throughout. We have continued to deliver to our customers, the work the Challenger team has done has built resilience into the business. In the first qt of FY21 we have seen FY20’s negative investment experience begin to be reversed with record annuity sales and industry leading funds management inflow”.

Q3) Why are you holding capital above the top end of your PCA target. Is there an opportunity to return capital to shareholders?

The Chairman’s response was that Challenger raised capital in June to both strengthen the company’s capital position and to provide flexibility to enhance earnings, saying Challenger has a long track record of being a prudent capital manager. “We are presently well above 1.3 to 1.6 of the prescribed capital amount. We are gradually deploying this into higher returning capital to enhance returns. We also expect to start paying dividends in 2021.”

Q4) Why is Challenger not disclosing all sales in relation to its Japanese business

We disclose Challenger’s sales into Japan in the quarterly sales reports but we do not disclose the aggregate sales of MSP in total. That is for them to disclose. Challenger is a portion of those sales. (Note: This was an ASA question. The background to the question is that in FY19- monitors were told at the pre AGM meeting that MS&AD had guaranteed annual annuity sales equivalent to A$700m. We now understand that 23.8% of CHG’s total life annuity sales in FY20, A$744m was issued in the Japan market. Earnings from the funds management business in Japan, Fidante Partners are not disclosed separately. As the funds management business income in FY20 was $158.1m we thought it a relevant question.)

Q5) With regard to the institutional placement. Why did Challenger feel the need to underwrite the Institutional Placement with Macquarie and Goldman Sachs?

The Chairman responded saying, we thought it prudent management, you never want to be in a situation where a capital raise fails. We rely on the market makers and the participants in the market and we needed to make sure the raise was successful. Which it was.

Q6) The SPP was announced after raising $270m from an institutional placement so why did the Board scale back the subsequent SPP allocations from $40 million to $35m when the soft cap was only 30M?

The Chairman said; we believe we had raised adequate capital and that the balance we struck between institutional investors and retail investors was extremely good. We do not have a large retail base, 98% of retail shareholders had the opportunity to participate to the extent of their prorate equivalent or better.

Q7) Given you have been on the board since 2003, one of the longest running incumbent standing directors in the ASX 200 and given the financial performance this year, why are you still on the board.

The chairman's response was: I believe that it was sensible for me to stand for re-election again, and that the board is in the process of implementing a succession plan. Stephen Gregg interrupted saying "The Board have given Peter their support. He continued saying, that the weighted average tenure of the board of directors across the board is three years and 11 months, excluding the chair. The Board feels that Peter is very much able to exercise judgement and maintains his independence, and we believe that he holds the right balance of skills and experience". Mr Polson stood for re-election in Fy19 and the ASA voted against his re-election.

Q8) In reference to the Statement of Cash Flow. Will the CEO please comment on the fact that annuities and claims payments rose by 15% while receipts fell by 11%?

The CEO responded saying, In any given year the payments reflect those annuities and periodic payments that fall due. Receipts are the income received from writing new annuities. In a year where fewer annuities are written, it is predictable that the annuity income will be less than payments.

Q9) One shareholder commented that directors in the UK and USA are re-elected annually and asked if Challenger would voluntarily move to this model at next year's AGM. The Chairman's response was that he would raise that matter with the board, saying we consider all aspects of governance and I will put that to the board at the next meeting.

There were no questions relating to the re-election of Mr Stephen Gregg and Ms Joanne Stephenson. Both directors spoke about their commercial experience and their contribution to the board.

Q 10) On the Remuneration Report a shareholder asked, how can you justify paying any STI when your outcome was a statutory loss and the share price has dropped significantly?

The Chairman's response was that the Board takes its responsibility to exercise good judgement on these matters very seriously. He said, this has never been more relevant than in 2020, where global events have led to a very disappointing outcome for shareholders. These decisions are never easy, I believe we struck an appropriate balance while reflecting on the impact of the challenging operating environment for our business and our shareholders while recognising the importance of maintaining a talented team to bring us through this cycle. The restrained STI which we awarded this year and noting that there were no cash awards is recognition of what has been achieved under these extreme conditions. It is also important to note the quantum of STI awarded cannot be considered in isolation of other award components. The disappointing outcome for shareholders is strongly reflected in the non-vesting of the LTI component in 2019 and 2020. While we believe that the board has made the right decision with regard remuneration I note from the feedback we have received today that many investors are not comfortable with the decisions that we have made. The Board accepts this feedback and we will continue to engage with shareholders, proxy advisors and stakeholders on this matter.

Q11) Has there been any material votes against any of the resolutions and why?

Ownership Matters, ASCI, ISS Australia and the Australian Shareholders Association have recommended a vote against item 3, the Remuneration Report. There were no other recommendations that the company was aware of.

Votes were 97% in favour of the re-election of Mr Stephen Gregg and Ms JoAnne Stephenson, 28.25% against the Remuneration Report, item 3 and this vote a "first strike" for the purpose of the Corporations Act 2001. The grant of long-term performance rights to the CEO was approved at 83%. Items 5 to 8 received votes in favour between 89% and 99%.

Item 5 Ratify the issue of institutional placement shares.

Item 6 Approve the issue of Challenger Capital Notes 3.

Item 7 Adoption of new Constitution.

Item 8 Insertion of proportional takeover provisions.

The meeting ran for around two and a half hours. It was well managed, and the one technical hitch, the CEO's sound being distorted during his address was fixed quickly.