

## Challenger Fraud & Corruption Policy Statement

Challenger is committed to the highest level of integrity and ethical standards in all business practices. It is our policy to conduct all of our business in an honest and ethical manner. Challenger recognises that the management of fraud and corruption is an integral part of good governance and management practice, and has implanted a robust Fraud & Corruption Framework that adopts the standards contained in the Australian Standard AS8001-2008: Fraud and Corruption Control.

Fraud and corruption are incompatible with Challenger's values and present significant risks to its aspirations. Challenger develops and maintains a culture of honesty and integrity within the organisation, and puts in place processes that ensure the effective prevention, detection and management of fraud and corruption. This Challenger Fraud & Corruption Policy clearly defines the types of activities that constitute fraud and corruption, articulates the standards expected of all Challenger employees and provides guidance as to how Challenger will manage the risks of fraud and corruption. Challenger has adopted a zero-tolerance approach on fraud and corruption in all Challenger business activities, which is consistent with the Challenger Code of Conduct. We will uphold all laws relevant to countering fraud, bribery and corruption in all the jurisdictions in which we operate.

## Principles

In support of the above statement and the Australian Standard on Fraud and Corruption Control, the Challenger Fraud & Corruption Policy is based on the following principles:

### 1. A sound ethical culture

Challenger will ensure that it has a sound and sustainable ethical culture through a process of awareness training, the Challenger Principles of 'Integrity' and 'Compliance', The Code of Conduct and monitoring.

### 2. Senior management commitment

Senior management will demonstrate a high level of commitment to controlling the risk of fraud and corruption within Challenger. The Fraud and Corruption Policy is reviewed at least every 2 years and is subject to Board oversight and approval via Challenger's Group Risk Committee.

### 3. Management and staff awareness

Every employee of Challenger should have a general awareness of fraud and corruption and how they should respond if this type of activity is detected or suspected.

### 4. Fraud and corruption control planning and accountability

Challenger has an appropriate Fraud and Corruption control strategy, which is to be reviewed and amended as necessary. Accountability for the implementation and monitoring of the strategy should be specifically allocated to line management.

## **5. Internal controls**

Challenger must have in place effective internal controls to protect it against the risk of fraud and corruption. This is implemented through the Challenger Operational Risk Framework that identifies all material fraud and corruption risks with specific accountabilities established. Business areas with higher exposure to various forms of bribery and corruption risk will be subject to additional controls designed to mitigate those particular risks.

Examples of Group-wide controls addressing bribery and corruption risks:

### **Challenger's 'Gifts and Entertainment Register'**

Challenger's Gifts and Entertainment Register assists in the management of conflicts of interest by promoting transparency and accountability of employees in relation to personal or business interests.

### **Background checking procedures**

Challenger's background checking process under the Employee Due Diligence Policy is another key control designed to prevent bribery and corruption risk through pre-employment screening of employees, in order to identify any risks arising from prior criminal records or undisclosed political connections.

### **Counterparty due diligence**

Potential bribery and corruption risks associated with Challenger's relationships with third parties (customers, suppliers and other counterparties) are also identified and mitigated through a range of mechanisms set-out under the Fraud and Corruption Policy and Outsourcing Policy. The specific measures applied will depend on the type of counterparty and nature of services or transactions being undertaken. These checks aim to verify the identity of the third party and to establish any higher-risk attributes (including criminal history or political affiliations).

Challenger's products are primarily distributed via third party licensed financial advisers. Challenger's 'Adviser Terms' clearly set-out the nature of the relationship between advisers and Challenger, including obligations relating to compliance with anti-money laundering laws and acceptable standards of conduct.

## **6. Fraud and corruption detection**

Challenger implements risk assessments and systems aimed at quickly identifying instances of fraud and corruption in the event that prevention strategies fail.

## **7. Reporting, communication & awareness mechanisms**

Challenger ensures that there are adequate training and means for employees to report suspicious or known illegal/unethical conduct, and that these means are widely known and available.

## **8. Protection of persons making reports of fraud and corruption**

Challenger ensures active protection of those reporting suspected instances of fraud and corruption and will ensure that this policy is well articulated throughout the business.

**9. Dealing with detected or suspected fraud and corruption**

In the event that fraud or corruption is detected or suspected, Challenger will adopt a comprehensive approach to the subsequent investigation, disciplinary proceedings, prosecution or recovery action.