

June 2019

Challenger Life Company Responsible Investment statement

A large proportion of Challenger's group earnings comes from the Challenger Life Company (Challenger Life), which generates value by selling annuities and investing the proceeds alongside Challenger Life's owners' equity in global capital markets.

The purpose of this statement is to outline Challenger Life's approach to environmental, social and governance (ESG) risks and opportunities in investment analysis and decision-making.

We (Challenger Life) believe that ESG factors have an impact on the long-term performance of markets, countries and companies, and that considering them in the investment process should improve risk-adjusted returns. For these reasons, we seek to consider ESG risks both in our own investment decision-making and ownership practices and when we appoint managers to act on our behalf.

In our own investment decision-making:

- Where we consider there to be a material ESG issue in relation to a company in which we invest or are considering for investment, we will engage with this company, in relation to their ESG risk management policies, strategies, performance, disclosure and management capabilities, with the purpose of reducing the risk of the underlying investment or sector leading to improved investment outcomes for clients.
- When considering material ESG risks and opportunities relevant to the current and future value of an investment when deciding whether to buy, retain or sell an investment.
- We seek, where possible, to identify ESG trends and invest with the intent to take advantage of them in order to improve risk adjusted returns.

When we appoint managers, we:

- Ensure that we communicate our beliefs and goals of ESG integration to the managers that we appoint to act on our behalf.
- Ensure that the managers we appoint are not in conflict with our ESG beliefs.
- Ensure that the managers we appoint have formal ESG policies in place.
- Review ESG policies and processes of managers that we appoint.
- Communicate our expectation of our appointed managers that they apply the principles of active ownership, in relation to proxy voting and engagement, in a manner that is aligned with Challenger's Responsible Investment Policy.
- Request reporting on ESG activity on an annual basis from the managers we appoint.
- Ensure there is a specific clause contained within the IMA which clearly sets out the third-party investment manager's approach to ESG considerations, including an adequate explanation as to how ESG risks are accounted for; and
- Ensure the proxy voting reporting arrangements that have been agreed between Challenger and the third-party investment manager are clearly articulated.

Challenger Life invests in several different strategies and approaches. We are committed to continuous improvement in ESG integration across our investments. We will apply our approach to ESG integration wherever it is relevant or feasible to the investment strategy. Where it is not relevant or feasible to integrate ESG we will continue to look for guidance and developments in this area.