

2021 Modern slavery statement



About this statement

This modern slavery statement is prepared and issued by Challenger Limited (Challenger) on behalf of Challenger Life Company Limited (Challenger Life), Accurium Pty Limited, Fidante Partners and CIP Asset Management (CIPAM). For the purposes of this statement, these entities will collectively be referred to as Challenger.

This statement is made in accordance with the requirements within the Australian *Modern Slavery Act, 2018* (Cth) (the Act) and covers the period 1 July 2020 to 30 June 2021.

This statement provides detail on Challenger's approach to identifying, mitigating and addressing the risks of modern slavery across our operations, investments and supply chain.

While the prevalence of modern slavery is significant around the world, we recognise the important role we play to leverage our relationships to support its eradication.

This statement has been endorsed by the Board of Challenger Limited.



Richard Howes
Managing Director and CEO



About us

Challenger is an investment management firm focused on providing customers with financial security for a better retirement. Challenger operates three core investment businesses – a fiduciary Funds Management division, an APRA-regulated Life division and an APRA-regulated authorised deposit-taking institution.

Our corporate strategy

Our **purpose** is to provide our customers with financial security for a better retirement

Vision statements



Customers

By 2030 we will provide 1 in 5 Australian retirees with improved financial outcomes as consumers of Challenger products, and be the partner of choice for institutions and advisers.



Community

Champion financial security for retirement, providing financial help and education, advocating for constructive public policies and leading by example with responsible business practices.



Employees

Bring together a diverse group of top talent, inspired by our purpose, with strong culture and capabilities to deliver shared success.



Shareholders

Build resilient long-term shareholder value, leveraging the capabilities of the group to achieve compelling returns above our cost of capital.

Strategic priorities

Broaden customer access across multiple channels

Expand the range of financial products and services for a better retirement

Leverage the combined capabilities of the group

Strengthen resilience and sustainability of Challenger

Values



Act with integrity



Aim high



Collaborate



Think customer

Our values

At Challenger, our values are integral to our culture and linked to everything we do. They set out the behaviours we need to deliver on our purpose and strategy and to meet community expectations, now and in the future. Our values represent what makes our culture special.

These values reflect what's required for the Challenger team to operate in the best way possible. Our [Code of conduct](#) (Our Code) brings together our values, policies and statements.

Our structure and operations

Challenger is listed on the Australian Securities Exchange (ASX) and has offices in Australia, London, Singapore and Tokyo. Our activities are subject to supervision by APRA and other regulatory agencies both in Australia and in other markets in which Challenger operates. As at 30 June 2021, our assets under management were \$110 billion.

The retirement incomes which Challenger Life pays are backed by a high-quality investment portfolio, predominantly invested in fixed income and commercial property investments. These investments are across eight countries and a range of sectors including industrials and consumers, property, banks, financials and insurance.

The COVID-19 pandemic has created unprecedented challenges across the world, and has also impacted global economies and investment markets. Looking after the health of our people during this time has been a key business priority for Challenger, and we transitioned almost all of our employees to working from home arrangements from mid-March 2020 until October 2020 and then again in June 2021. We have also been supporting our customers and business partners throughout the pandemic, including retirees, advisers, institutional clients and commercial property tenants. For more information on performance, see [Challenger's 2021 Annual report](#).

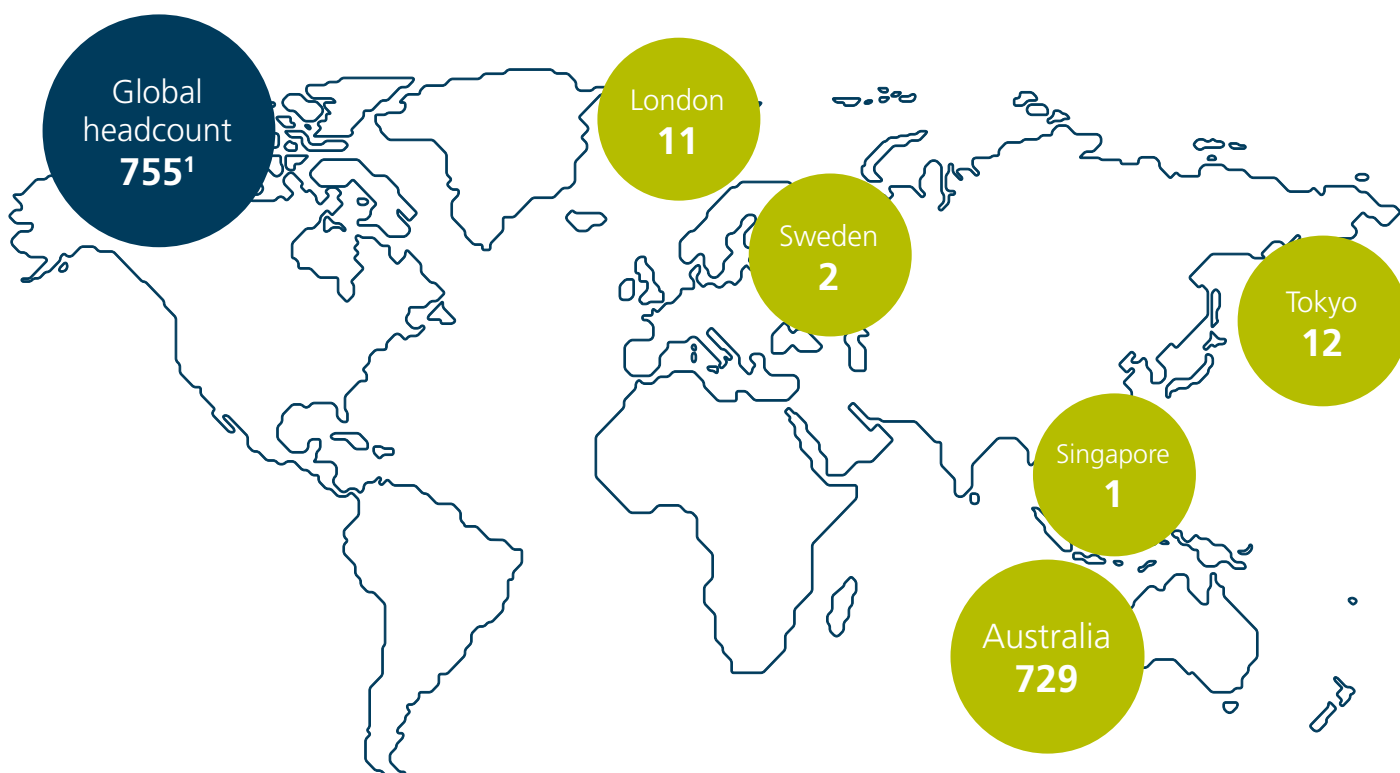
Challenger Life's products are distributed via independent financial advisers, all major advice hubs' Approved Product Lists (APLs) and via financial advisers tied to the leading administration platforms. Challenger Life is also focused on building institutional partnerships with large superannuation funds. In Japan, Challenger Life has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) to provide Australian and US dollar annuities.

Challenger's Funds Management business comprises Fidante Partners and CIPAM. The Fidante Partners' business model involves taking minority equity interests in separately branded boutique funds management firms, with Challenger providing distribution, administration and business support, leaving investment managers to focus entirely on managing investment portfolios.

CIPAM principally originates and manages fixed income and commercial real estate, along with providing investment solutions for leading global and Australian institutions, including Challenger Life.

In 2021, we progressed important initiatives to position Challenger for the future, including announcing the acquisition of a scalable digital bank that will enable us to meet more customers' needs with a wider product offering and more direct distribution channels.

Where we operate

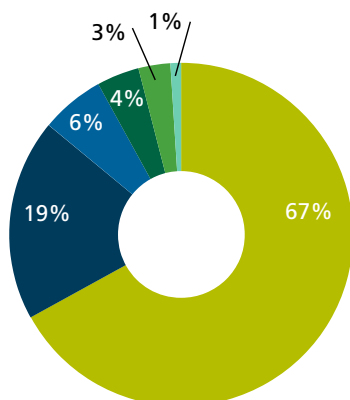


¹ As at 30 June 2021

Our investments and supply chain

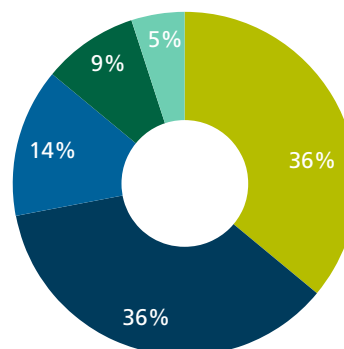
By location as at 30 June 2021

Fixed income portfolio



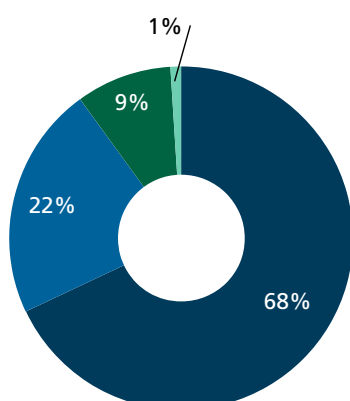
● Australia
 ● United States
 ● Europe
 ● United Kingdom
 ● New Zealand
 ● Rest of world

Equity and infrastructure portfolio



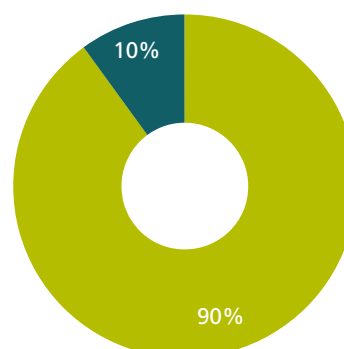
● Australia
 ● United States
 ● Europe
 ● United Kingdom
 ● Rest of world

Alternatives portfolio



● United States
 ● Europe
 ● United Kingdom
 ● Rest of world

Property portfolio

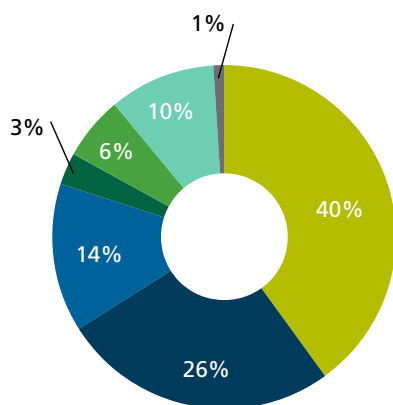


● Australia
 ● Japan



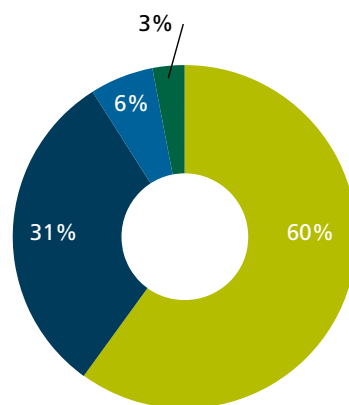
By sector as at 30 June 2021

Fixed income portfolio



● Industrials & Consumers ● Residential Property
● Banks, Financials & Insurance ● Government
● Commercial Property ● Infrastructure & Utilities ● Other

Property portfolio



● Office ● Retail ● Industrial ● Other

Our supply chain

At Challenger, we work with suppliers to procure a range of goods and services. The majority of Challenger's investment operations are conducted by our employees.

Our primary procurement categories are:

Human resources



Professional services



Marketing



Property management



Technology



Travel



Operations



Our modern slavery risk areas

At Challenger, our values are integral to our culture and linked to everything we do. One of these values is to Act with integrity, and this is about ensuring we're doing things the right way.

We believe risk is everybody's business and this is supported through our 'Making good decisions' framework which is outlined in [Our Code](#). As a part of this framework, our employees are encouraged to ask, "should we?" and not just "can we?".

We understand the significance of modern slavery risks and are committed to addressing the risk to people throughout our operations, investments and supply chain.

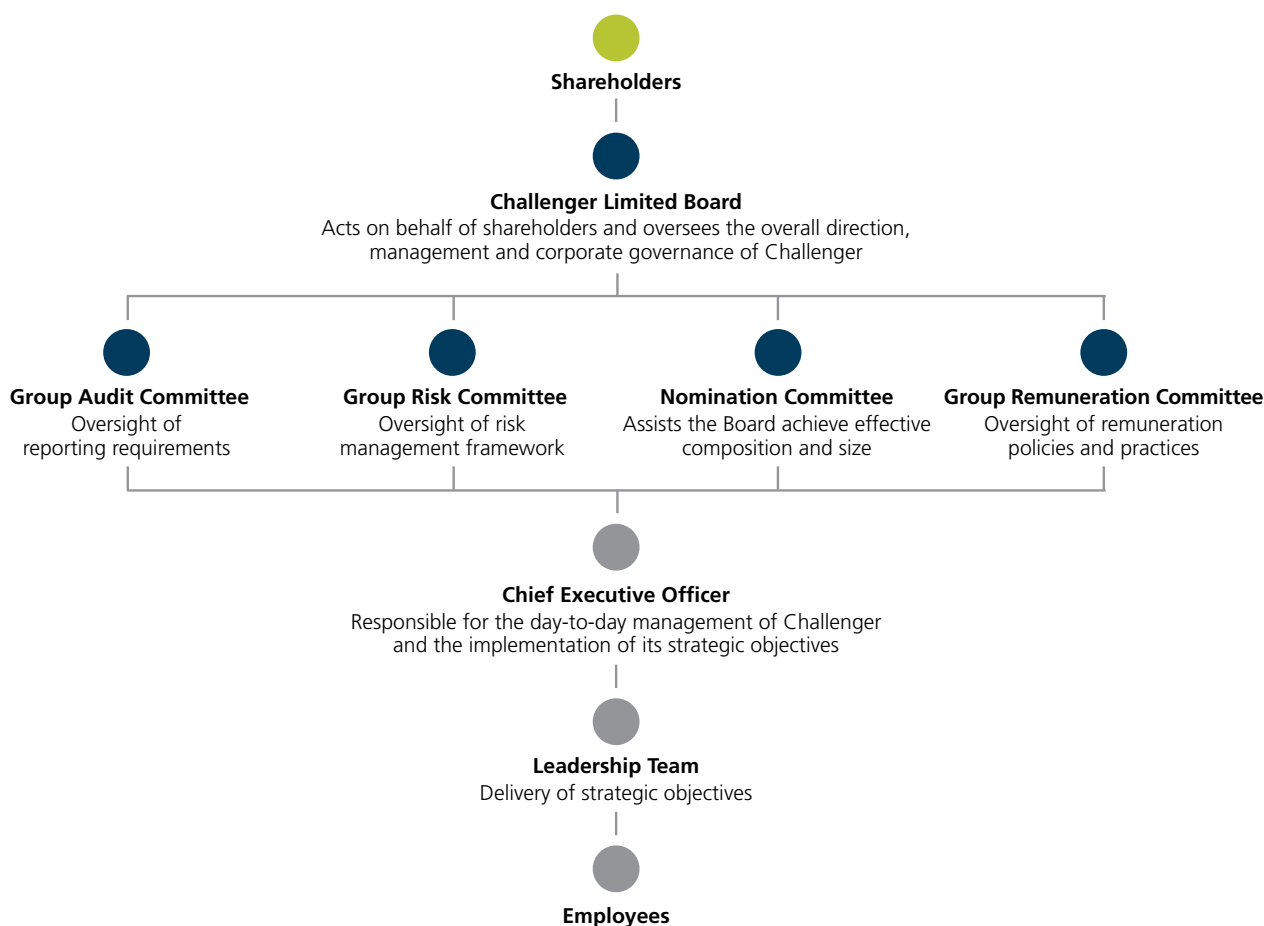
Challenger's approach to corporate governance

The Group Risk Committee (GRC) assists the Board in setting the appropriate risk appetite in relation to all risks, including that of modern slavery. The Challenger-wide ESG Steering Committee monitors key ESG risks and the effectiveness of mitigating activities. This committee is comprised of people from across the business who represent our broad range of stakeholders. Commencing in FY22, this committee will report into the GRC each quarter to ensure appropriate oversight.

Related policies

- Anti-money laundering and counter terrorism financing program and policy
- Code of conduct
- Complaint and dispute resolution policy and practice note
- Compliance policy
- Conduct risk and consequence management framework
- Fraud and corruption policy
- Human rights statement
- Incident management policy
- Operational risk policy and practice note
- Outsourcing policy
- Responsible investment policy
- Risk appetite statement
- Risk management strategy
- Whistleblower policy

[Read more](#) on our approach to Corporate governance.



Consideration of risks

At Challenger, we take a risk-based approach to addressing modern slavery risks and consider the following when assessing our operations, investments and supply chain.



Throughout FY21 we have continued to undertake actions to mitigate high risk areas across our operations, investments and supply chain - as identified in our initial risk assessment. Throughout this process we have not identified any specific instances of modern slavery.

High risk areas

Due to the nature of our business we do not cause or contribute to modern slavery practices in our day-to-day operations. However, we may be directly linked to modern slavery risk through our supply chain or investments. While we have not identified any instances of modern slavery, we understand the potential for risk in these areas and will continue to monitor them.

Risk category	Description
Facilities management	Through Challenger's facilities management, we procure many categories of services including cleaning and security. Workers in the facilities management supply chain may be from vulnerable populations, including low skilled or migrant workers, often subject to subcontracting arrangements. If not managed appropriately, this elevates the risk of potential modern slavery practices.
Overseas supply chains	Challenger sources IT equipment and services from some suppliers in the Asia-Pacific region. This region has the largest estimated instances of modern slavery globally, so has inherent risks. Materials to develop the equipment and services provided by cloud-based software providers are often sourced from countries with known human rights violations and significant levels of corruption.
Business practices	Challenger procures branded and unbranded items used for marketing purposes. This industry often employs business practices that can lead to an increased risk of modern slavery. It is highly price competitive with often short lead times for delivery, creating an environment to increase pressure on suppliers. These items are often mass produced at low cost, in countries with higher risks of modern slavery.
Funds Management	Through our boutique partners we are exposed to higher-risk industries through their investment-related activities and distribution channels. This includes agricultural & fishing, food and beverage, mining, transport and warehousing and electronics manufacturing & electronics recycling. These industries are known to operate in geographies with high instances of modern slavery or under poor business practices.

Our actions

At Challenger, we have a strong governance and risk management framework. We believe that good corporate governance enhances stakeholder confidence and adds value to our business. The way we work is informed by our risk culture, which is embedded throughout our business.

Managing risks and opportunities in our operations, investment portfolios and supply chain is a key element of this. We engage with our stakeholders regularly on economic, environmental, social and governance considerations and believe that better outcomes can be achieved by working together.

Our risk-based approach to considering modern slavery risks across our business is informed by the United Nations Guiding Principles on Business and Human Rights.

This approach looks at our commitment to human rights, our systems and controls, remediation considerations and our communication across the activities below.

The high risk areas identified through our risk assessment have guided our actions in FY21.



Actions taken in FY21

Commitment to human rights

Human rights policy

We published our Board-approved [Human rights statement](#) outlining the principles that guide our approach to human rights considerations. This complements our Board-approved Risk appetite statement that outlines our commitment to identifying and reducing the risk of modern slavery in our operations, investments and supply chain.

Industry engagement

Challenger continued to participate in the Financial Services Council's (FSC) ESG working group. This group developed a guidance note for the financial services industry in response to modern slavery considerations. We continued discussions with the Property Council of Australia (PCA) and commenced steps to join the Informed365 initiative to collaborate with industry peers on a single source of reporting for suppliers. We also became a signatory to the Investors Against Slavery and Trafficking (IAST) Asia-Pacific initiative to support awareness and bring attention to this important issue.

Stakeholder engagement

We continued to engage with our investment teams and other key stakeholders. Investment managers were informed of key ESG updates giving them the information they need to make informed decisions. This engagement also ensured we maintained a consistent approach to modern slavery. We also responded to a number of external stakeholder requests for information on our approach to modern slavery throughout the year.

Systems and controls

Governance

We established a Challenger-wide ESG Steering Committee. The purpose of this committee is to oversee Challenger's identification and consideration of ESG risks and opportunities, including the risk associated with modern slavery. It ensures an integrated approach aligned with ongoing risk management and strategy processes.

We also updated our due diligence processes for new supplier contracts to incorporate modern slavery considerations.

Risk assessment

We refined our data collection process conducted through our internal systems to improve reporting on high risk industries and geographies. We have also developed a modern slavery questionnaire to be used in line with our Outsourcing policy and have continued to identify areas of improvement for [risks identified in FY20](#).

Education and awareness

Our Modern slavery working group is comprised of representatives from across the business who work together to assess, mitigate and monitor risks of modern slavery. Members of the Modern slavery working group attended industry events and

webinars to enhance understanding of key modern slavery risks. In an effort to embed knowledge across the business, information gathered at these events was shared through team presentations. Supporting this, training was delivered to key teams to ensure those in key decision-making functions understand the relevant risks and how to identify them.

Policy integration

We completed a policy gap analysis and updated to reflect consideration of modern slavery risks:

- Outsourcing policy
- [CIPAM Real Estate responsible investment statement](#)
- Conflicts of interest policy
- [Whistleblower policy](#)

Supplier engagement

We worked with our boutique partners to incorporate modern slavery considerations into their investment assessments. We continued discussions with the PCA and commenced steps to join the Informed365 initiative, with a view to engaging with our suppliers via that platform.

Monitoring

We have continued to engage with our boutique partners to understand the risk of modern slavery in their portfolios.

Remediation and communication

Operational level grievance mechanisms

We updated our [Whistleblower policy](#) to include modern slavery practices as an example of Reportable Conduct under the policy. Modern slavery reports can be made through a number of reporting channels (including anonymously), and eligible persons making the report are provided legal protections.

Remediation

While we have not found any instances of modern slavery through our analysis, we will assess remediation actions on a case-by-case basis through our ESG Steering Committee.

Reporting

Information about assessing the risks of modern slavery as a part of our Sustainability strategy is provided in our [2021 Sustainability report](#).

Actions planned for FY22

At Challenger, we recognise that modern slavery is a global issue and is embedded throughout our economy. We know this will take time to change and we're committed to improving our efforts each year to ensure we're doing our part. We have a number of actions planned for FY22, some of which are already underway.

Commitment to human rights

- Continue to participate in industry initiatives aimed at eradicating modern slavery; and
- Continue to share our approach to addressing modern slavery risks with our stakeholders.

Systems and controls

- Continue to assess risks of modern slavery across operations, investments and our supply chain to monitor known and identify additional risk areas;
- Continue to enhance modern slavery risk assessment tools;
- Enhance reporting to better understand how much we spend with key suppliers each year, to facilitate risk assessments.

- Provide further education opportunities for employees;
- Update our Responsible investment policy to include broader consideration of modern slavery;
- Integrate modern slavery considerations into our risk management frameworks;
- Continue to integrate suppliers onto the Informed365 platform to address modern slavery risks;
- Utilise the Informed365 platform to send questionnaires to selected suppliers; and
- Incorporate modern slavery considerations across relevant policies and procedures as part of our bank integration.

Remediation and communication

- Continue to develop our approach to remediation through the ESG Steering Committee; and
- Utilise the Informed365 platform as an open communication channel with our suppliers.

The effectiveness of our actions

At Challenger, our approach to measuring the effectiveness of actions taken toward mitigating the risk of modern slavery continues to evolve. To support improved governance and oversight, we have established a Challenger ESG Steering Committee.

This committee will monitor the status and quality of measures put in place to mitigate identified risks. It will provide guidance and advice and make decisions about the relevant actions to initiate for new risks identified. It will also monitor progress on implementation and commencing in FY22 will report into the Board-level Group Risk Committee each quarter to ensure appropriate oversight.

How we collaborate

At Challenger, we regularly communicate with entities we own and control. They have been involved in the development of risk assessment processes, mitigating activities and generating ideas for continuous improvement. They have also been included in programs developed to educate employees on modern slavery risks. This will continue and be improved over time.

Appendix A

Meeting the legislation

Criterion	Section
Criterion 1 – identify the entity that is reporting	About this statement (p2)
Criterion 2 – describe the structure, operations and supply chains of the reporting entity	About us (p3-6)
Criterion 3 – describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls	Our modern slavery risk areas (p7-8)
Criterion 4 – describe the actions taken by the reporting entity (and owned or controlled entities) to assess and address those risks, including due diligence and remediation processes	Our actions (p9-11)
Criterion 5 – describe how the reporting entity assesses the effectiveness of these actions	The effectiveness of our actions (p11)
Criterion 6 - describe the process of consultation with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)	How we collaborate (p11)



