

Member Outcomes Assessment

1. Strategic and investment objectives of the Challenger Retirement Fund (Fund)

Our vision, in line with Challenger's vision, is to provide members with financial security for retirement. The strategic objectives of the Fund, designed to help us achieve this vision include:

- The provision of fee-free¹ superannuation products to members at competitive rates;
- To access Challenger Life Company Limited (Challenger Life) guaranteed products providing competitive fixed returns;
- Improved customer experience and engagement activities;
- Ensuring adviser fees are charged appropriately.

The Fund provides members with (depending on the product and investment option selected):

- Access to investment options that are guaranteed with fixed and reliable rates of return;
- Access to a cash option that provides a stable return;
- A guaranteed income stream for a set period or for life; or
- Life risk insurance via superannuation policies issued by MetLife Insurance Limited (closed to new business).

The Fund's investment strategy is to provide members with a guaranteed income with a low risk profile. This is achieved by investing into life policies issued by Challenger Life, to guarantee benefits provided to members who have selected a choice product offered by the Fund. The guarantees provided by Challenger Life are provided irrespective of the performance or allocations of the company's underlying investments.

The Fund's insurance strategy is to make "opt in" death and total and permanent disablement insurance benefits available to existing members of the Term Life (under Super) Plan (Term Life). Administration of insurance is outsourced to MetLife in accordance with an Administration Services Agreement entered into between MetLife and Challenger.

2. Annual determination – 30 June 2020

Each year, we are required to assess the performance of the Fund against a range of key assessment factors and make a determination that we are promoting the financial interests of members. A separate determination needs to be made for each product we offer.

Based on that assessment, we have determined that our products have promoted the financial interests of our members and are expected to continue to do so.

In reaching our overall determination for each product, we have placed more emphasis on the items that directly influence the financial interests of our membership base. Primary consideration has been given to the appropriateness of the investment strategy and for Term Life, the insurance strategy.

As part of assessing the appropriateness of the investment strategies for our members, we have where possible, incorporated a comparative component of each investment option to either relevant benchmarks or competitors' products with similar risk and return characteristics.

We have also given a larger emphasis on the basis for setting fees. Given the products that we offer are comprised of investment options on the lowest end of the standard risk measure continuum, fee

¹ There are no fees or charges payable to us, although you can agree to the payment of fees for financial advice and other services, as specified in the PDS.

levels are an important consideration given the relatively higher impact on net returns. We believe the unique offering of a no fee product is particularly suited to members seeking guaranteed returns when approaching or entering retirement.

As part of assessing the appropriateness of the insurance strategy for our members, we have taken into consideration a detailed comparative analysis that was undertaken throughout 2020 between Term Life and external providers that covered premium costs, claims experience and additional benefits.

Products offered by the Fund

We offer the following Choice products to members:

A superannuation plan for members in the accumulation stage:

- Challenger Guaranteed Personal Superannuation (**GPS**) – a low-risk superannuation fund that offers a guaranteed fixed rate investment option and a cash investment option.
- Term Life that offers death and total and permanent disablement insurance benefits to existing members through superannuation.

A pension income stream for members who are transitioning into or are in retirement:

- Challenger Guaranteed Allocated Pension (**GAP**) – a low-risk account-based pension fund that offers a guaranteed fixed rate investment option and a cash investment option.

A number of pension plans that are closed to new members:

- Challenger Guaranteed Term Allocated Pension (**TAP**)
- Challenger Guaranteed Income Pension Plan (**GIPP**)
- Challenger Guaranteed Lifetime Pension Plan (**GLPP**)

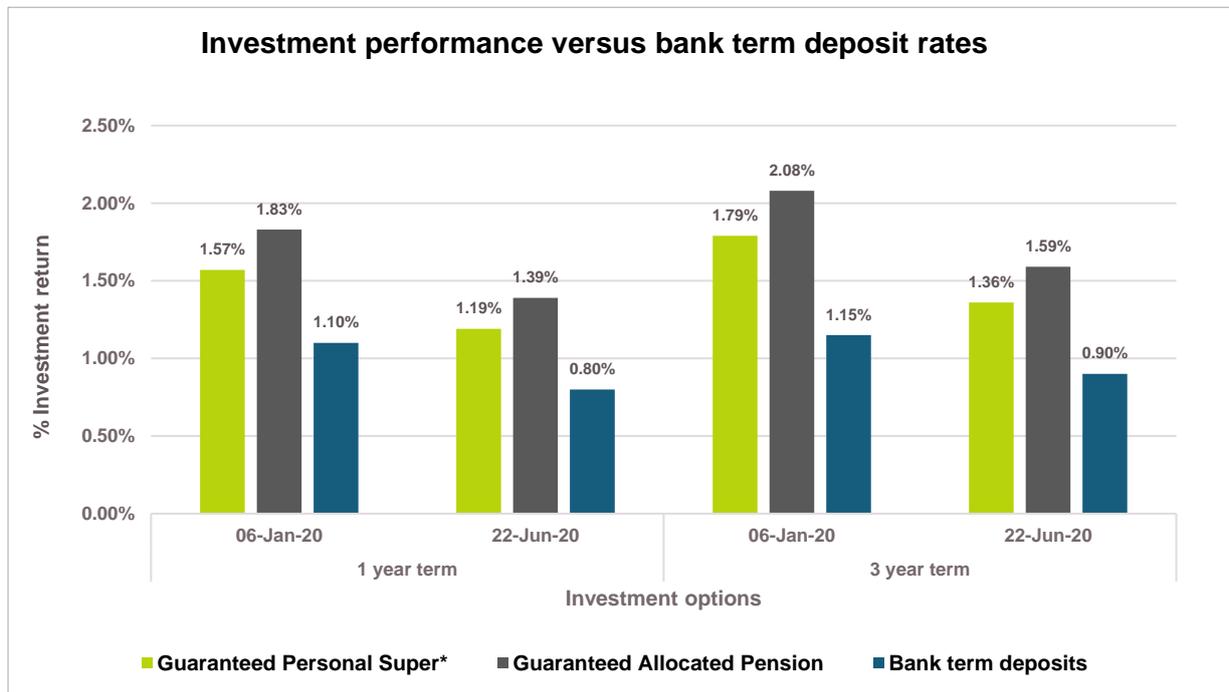
Investment performance

Members in the GPS, GAP and TAP are able to invest in the Guaranteed Cash option and the Guaranteed Fixed Rate option. When compared to relevant benchmarks and competitors' products with similar risk and return characteristics as shown in the charts below, the returns are very competitive and have delivered superior returns after fees and costs. This has all been achieved with a very low level of risk exposure consistent with comparable products.

Due to the unique nature of our products, there is a lack of reliable public comparative data that would provide appropriate like-for-like comparisons. We have looked to competitor products outside of superannuation including bank retail and annuity products with similar asset class and risk/return characteristics.

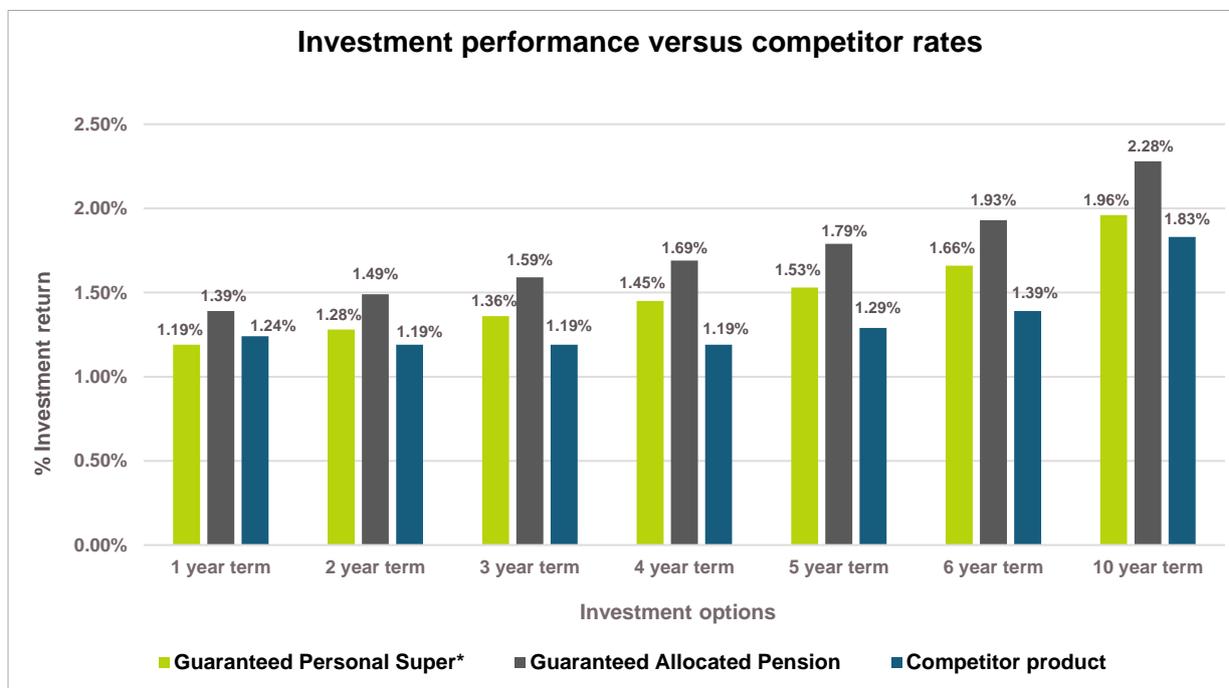
Guaranteed Fixed Rate investment option

The Guaranteed Fixed Rate option is a very low risk investment that offers a guaranteed rate of return for investment terms of one to ten years. The earning rate is fixed at the time of investment providing market and capital protection.



Source: RBA Retail deposit and investment rates (gross of tax) for January and June 2020 (bank term deposits 1 year and 3 year terms) and Challenger weekly rates for weeks commencing 6 January and 22 June 2020.

* The returns are net of 15% earnings tax deducted for superannuation accumulation accounts

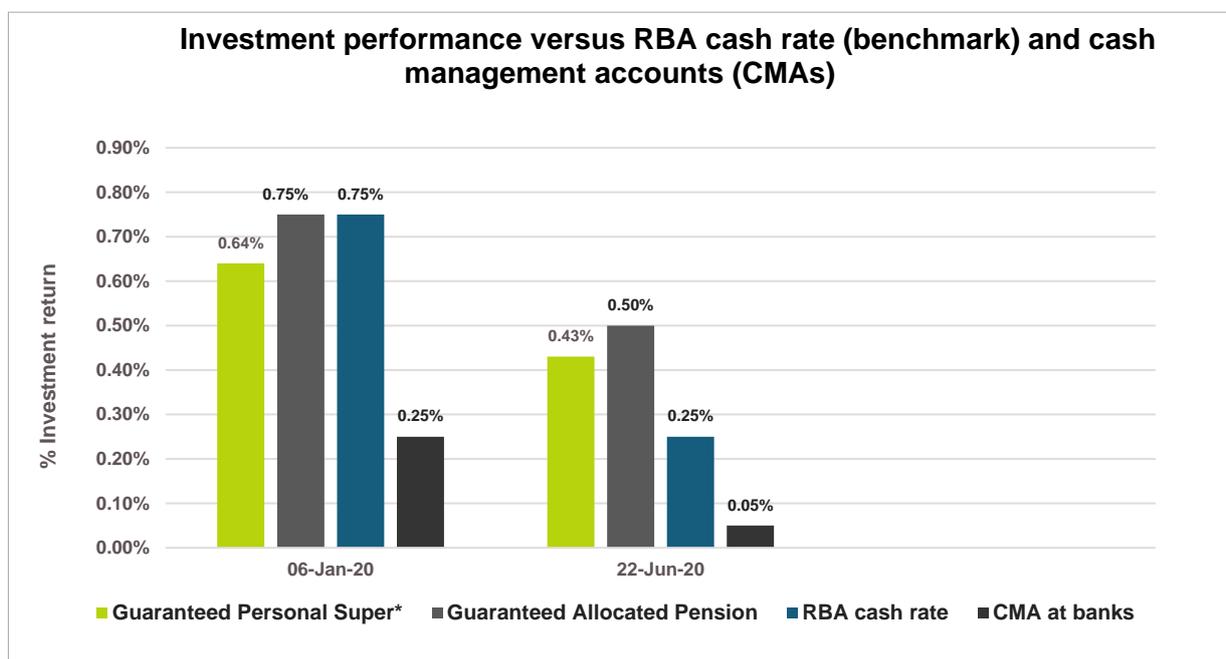


Source: Plan for Life, Weekly Annuities & Benchmarks Report and Challenger weekly rates for week commencing 22 June 2020.

* The returns are net of 15% earnings tax deducted for superannuation accumulation accounts.

Guaranteed Cash investment option

The Cash Rate option provides a stable return broadly in line with the Reserve Bank of Australia (RBA) official cash rate, while preserving the capital invested. It is a very low risk investment that offers a guaranteed earning rate that is set at the start of the week and remains fixed for that week.



Source: RBA Retail deposit and investment rates (gross of tax) for January and June 2020 (Savings accounts; Cash management accounts at banks). RBA Cash Rate Target and Challenger weekly rates for weeks commencing 6 January and 22 June 2020.
* The returns are net of 15% earnings tax deducted for superannuation accumulation accounts

Other Plans

We are unable to provide details of general investment performance for GIPP and GLPP as performance will differ depending on each member's individual circumstances. Payments promised to members were determined and agreed to by members when the income stream commenced, and Challenger Life guarantees to make those payments for the life of the member or chosen fixed term (whichever is applicable).

For additional information relating to these products, please refer to your Annual Statement or contact our Client Services team on 13 35 66.

Term Life which is insurance risk only does not have an investment component.

Fees and other costs

A key feature of each of the products is that the Fund does not charge or recover any fees, expenses or costs directly from member accounts. This means returns promised to our members are not reduced by management or administration fees. Whilst there are no fees or charges payable to us, members can agree to the payment of fees for financial advice and other services, as specified in the PDS.

The Fund is unique in offering fee free superannuation products to members. Data provided by APRA in the annual fund-level superannuation statistics (June 2020), highlights that the majority of super funds charge some level of fees.

Fees and costs across the Fund's products

| Product | Total fees ¹ (p.a) | Other costs ² (p.a) |
|------------------------------------|-------------------------------|--------------------------------|
| Guaranteed Personal Superannuation | Nil | Nil |
| Term Life (under Super) Plan | Nil | Nil |
| Guaranteed Allocated Pension | Nil | Nil |
| Term Allocated Pension Plan | Nil | Nil |
| Guaranteed Income Pension Plan | Nil | Nil |
| Guaranteed Lifetime Pension Plan | Nil | Nil |

¹ Fees include investment, management, administration, switching and any other fees that may be charged by Trustees

² Costs include any direct or indirect costs that may affect the returns of members.

Options, benefits and facilities

The options, benefits and facilities offered by the Fund are appropriate for members looking for secure, simple and fee free superannuation and retirement products. Our products are unique in the marketplace and offer solutions for members that have a specific need for guaranteed returns over a chosen timeframe, stable returns linked to the cash rate with very low risk or insurance coverage to assist the member's family financial needs in the event of death or total and permanent disability.

We are continually undertaking activities to improve member experience in the Fund and build greater awareness of superannuation and retirement.

We offer the following services for members:

| | |
|-------------------------------|--|
| Call Centre | Our Client Services team is available Monday to Friday, from 8am to 6pm AEDT via phone and email. |
| Offices to visit us | We have offices in Sydney (Head Office), Melbourne, Brisbane, Adelaide, and Perth. ² |
| Digital Services ³ | As part of our commitment to providing our customers with a secure, efficient and sustainable service we have made some upgrades to our InvestorOnline platform. The platform allows customers to securely view their investment details, download correspondence and upload instructions for action. |
| Educational | The Challenger website provides a range of educational material designed to assist members in the lead up to and whilst in retirement. We provide tools and resources that can be downloaded at no cost to members. Visit the website at www.challenger.com.au |

² With regards to the TLI Plan, MetLife who is both the Administrator and Insurer of the product has one primary office for members located in Pitt Street Sydney CBD.

³ Digital Services are not available for the TLI Plan

3. Determination summary

Challenger Guaranteed Personal Superannuation

The Trustee has determined that the financial interests of beneficiaries in Challenger Guaranteed Personal Superannuation are being promoted by the Trustee.

- The options, benefits and facilities offered under the product are appropriate to members looking for a secure, simple and fee free superannuation product.
- The investment strategy for each investment option, including the level of investment risk and return target is appropriate for members. Given the majority of members are aged 55 and over, the defensive nature and fee structure make it a unique and attractive offering within the superannuation system.
- A review of the investment options against relevant benchmarks or competitors' products with similar risk and return characteristics has shown these to be competitive and delivering superior returns after fees and costs.
- Members are not being disadvantaged by the scale of the Fund's business operations. The product invests into a life policy issued by Challenger Life and as a result, members receive the advantage of the size of Challenger Life's business operations and investment expertise.
- Given no fees and costs are charged to members, the basis for setting fees and costs are appropriate for all our members.

Term Life (under Super) Plan

The Trustee has determined that the financial interests of beneficiaries in the Term Life (under Super) Plan are being promoted by the Trustee.

- The insurance policy fees charged by MetLife do not inappropriately erode the retirement income of members as this is a risk (insurance) only superannuation product.
- The options, benefits and facilities offered under the product are appropriate to members looking for risk (insurance) only superannuation product.
- The product provides guaranteed annual renewal of insurance cover to the end of policy term as long as the member meets 'superannuation eligibility' criteria, with a continuation option to an ordinary policy.
- The plan is closed to new members. After conducting an extensive review of alternative options for members in the plan which considered the competitive pricing of premiums, additional benefits, fees and claims experience, the Trustee has determined that the insurance strategy for the product continues to be appropriate for members and is committed to maintaining the product for members.

Challenger Guaranteed Allocated Pension

The Trustee has determined that the financial interests of beneficiaries in the Challenger Guaranteed Allocated Pension are being promoted by the Trustee.

- The options, benefits and facilities offered under the product are appropriate to members looking for a simple way of converting their superannuation into secure and regular payments in retirement or when transitioning to retirement.
- The investment strategy for each investment option, including the level of investment risk and return target is appropriate for members. Given the majority of members are aged 65 and over, the defensive nature and fee structure make it a unique and attractive offering within the superannuation system.

- A review of the investment options against relevant benchmarks or competitors' products with similar risk and return characteristics has shown these to be competitive and delivering superior returns after fees and costs.
- Members are not being disadvantaged by the scale of the Fund's business operations. The product invests into a life policy issued by Challenger Life and as a result, members receive the advantage of the size of Challenger Life's business operations and investment expertise.
- Given no fees and costs are charged to members, the basis for setting fees and costs are appropriate for all our members.

Challenger Term Allocated Pension Plan

The Trustee has determined that the financial interests of beneficiaries in the Term Allocated Pension Plan are being promoted by the Trustee.

- The options, benefits and facilities offered under the product are appropriate to members looking for a secure, term income stream product.
- The investment strategy for each investment option, including the level of investment risk and return target is appropriate for members. Given all members are aged 65 and over, the defensive nature and fee structure make it a unique and attractive offering within the superannuation system.
- A review of the investment options against relevant benchmarks or competitors' products with similar risk and return characteristics has shown these to be competitive and delivering superior returns after fees and costs.
- Members are not being disadvantaged by the scale of the Fund's business operations. The product invests into a life policy issued by Challenger Life and as a result, members receive the advantage of the size of Challenger Life's business operations and investment expertise.
- Given no fees and costs are charged to members, the basis for setting fees and costs are appropriate for all our members.
- The product is a legacy product that is closed to new members. Many members, however, also receive other benefits whereby the pension is 50% Assets Test exempt from the Centrelink Assets Test. The Trustee is committed to maintaining the product and continue to pay pensions to the remaining members.

Challenger Guaranteed Income Pension Plan

The Trustee has determined that the financial interests of beneficiaries in the Guaranteed Income Pension Plan are being promoted by the Trustee.

- The options, benefits and facilities offered under the product are appropriate to members looking for a secure, term or lifetime income stream.
- The investment strategy for the product is appropriate for members. Payments promised to members were determined and agreed to by members when the income stream commenced, and Challenger Life guarantees to make those payments for the life of the member or chosen fixed term (whichever is applicable).
- Members are not being disadvantaged by the scale of the Fund's business operations. The product invests into a life policy issued by Challenger Life and as a result, members receive the advantage of the size of Challenger Life's business operations and investment expertise.
- Given no fees and costs are charged to members, the basis for setting fees and costs are appropriate for all our members.
- The product is a legacy product that is closed to new members. Many members, however, also receive other benefits whereby the pension is 100% or 50% Assets Test exempt (depending on when it was commenced) from the Centrelink Assets Test. The Trustee is committed to maintaining the product and continue to pay pensions to the remaining members.

Challenger Lifetime Pension Plan

The Trustee has determined that the financial interests of members in the Guaranteed Lifetime Pension Plan are being promoted by the Trustee.

- The options, benefits and facilities offered under the product are appropriate to members looking for a secure, lifetime income stream.
- The investment strategy for the product is appropriate for members. Payments promised to members were determined and agreed to by members when the income stream commenced, and Challenger Life guarantees to make those payments for the life of the member regardless of market conditions or how long members live .
- Members are not being disadvantaged by the scale of the Fund's business operations. The product invests into a life policy issued by Challenger Life and as a result, members receive the advantage of the size of Challenger Life's business operations and investment expertise.
- Given no fees and costs are charged to members, the basis for setting fees and costs are appropriate for all our members.
- The product is a legacy product that is closed to new members. Many members, however, also receive other benefits whereby the pension is 100% or 50% Assets Test exempt (depending on when it was commenced) from the Centrelink Assets Test. The Trustee is committed to maintaining the product and continuing to pay pensions to the members.

The Choice products (**Challenger Product(s)**) are part of the **Challenger Retirement Fund** (ABN 87 883 998 803) (SPIN CIT0101AU) (**Fund**). Challenger Retirement and Investment Services Limited (ABN 80 115 534 453) (AFSL 295642) (referred to as **Challenger, we, us or our**) is the trustee of the Fund. The Fund is governed by a trust deed dated 2 September 1993, as amended from time to time (**Trust Deed**). By investing in the Challenger Products, you agree to be bound by the terms of the Trust Deed. When you invest in a Challenger Product, your money is invested in a life policy issued by Challenger Life Company Limited (ABN 44 072 486 938) (AFSL 234670) (**Challenger Life**), another company in the Challenger group of companies. All references to guarantees in this document are references to guarantees provided by Challenger Life under this policy. No other company in the Challenger group of companies guarantees the performance of the Fund or assumes any liability to customers in connection with the Fund.

Challenger Term Life (under Super) Plan is Insured and Administered by MetLife Insurance Limited ABN 75 004 274 882 AFSL No. 238096 The Trustee has entered into an agreement with MetLife, whereby MetLife is appointed to administer the Policy. To assist in prompt administration, your contributions are made directly to MetLife and your benefits are paid by MetLife. In this respect, MetLife is acting on behalf of the Trustee. The Trustee is indemnified by a policy of insurance in respect of its duties as Trustee of the Fund. A Challenger Term Life (under Super) policy is not an investment in, deposit with, or other liability of Challenger Limited or any member company of the Challenger Group. None of these companies guarantees the insurance benefits under this policy.

The information in this document is current as at [26 March 2021] unless otherwise specified and is provided by Challenger Life. The information is general only and has been prepared without taking into account any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain and consider the Product Disclosure Statement (PDS) for the relevant product before making a decision about whether to acquire or continue to hold the relevant product. A copy of the PDS can be obtained from your financial adviser, our Investor Services team on 13 35 66, or at www.challenger.com.au.