



# 2020 Sustainability Report

Providing  
our customers  
with financial  
security for  
retirement





## About us

At Challenger, sustainability is part of everything we do. We create long-term value for our customers, our shareholders, our employees and our business through our sustainability strategy.

This strategy aims to provide financial security for retirement through:

- Responsible business practices;
- Constructive public policy settings; and
- Financially resilient customers and communities.

Our 2020 Sustainability Report outlines Challenger's approach to addressing our most material matters, tracks our key strategic achievements and demonstrates how we contribute to the UN Sustainable Development Goals (SDGs).

The final section of this report provides key performance data to track progress against our sustainability goals.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option.



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This report covers our activities from 1 July 2019 to 30 June 2020 and is an interactive report, designed to make it easy to navigate. The best way to view this report is with Adobe Acrobat Reader. Click on the links on the contents page or use the tabs at the top of each page to navigate this report. You can also use the underlined text links throughout the report to view related content within the report and online.





## Update from the Chair and CEO



conjunction with our Annual Review or full Annual Report.

Maintaining trust and confidence, and managing long-term risk responsibly, are key themes of our report. We also consider the impact of economic uncertainty and climate change and focus on the work we're doing to deliver better customer outcomes. The report provides extended discussions on each of these topics and more.

Reflecting our strong commitment to environmental, social and governance matters, throughout the year, we engaged with leading consultancy AECOM to enhance our understanding of current and potential climate-related risks and to develop mitigation strategies. In addition, CIP Asset Management<sup>1</sup> published responsible investment statements for its Fixed Income and Real Estate businesses, building on from the Challenger Life responsible investment statement published last year.

Meeting the challenge of sustainable retirement incomes is at the heart of our business. We engage with stakeholders across the retirement income system to advocate for better outcomes for retirees. While there is acknowledgement that reform is needed, the pandemic has impacted government's ability to progress legislative changes, so this will be an ongoing focus for us.

At Challenger, we have a dedicated high performing team committed to delivering for our customers. Following the outbreak of

coronavirus, we moved to a work-from-home model with minimal business disruption and continued high employee engagement.

More broadly, throughout the year we launched our new corporate values and refreshed code of conduct and were recognised globally for workplace gender equality.<sup>2</sup> We also created a new diversity and inclusion strategy, reinforcing our commitment to gender equality and placing a greater focus on inclusion.

We have made strong progress in aligning our community program with our business strategy by commencing a strategic partnership with COTA NSW. The goals of the program are to address the underemployment of Australians over 50; celebrate the value older Australians bring to the workplace; and improve workplace practices.

Change is continuous in our marketplace and we manage our business at all times to address emerging financial and non-financial risks in our business. It creates an exciting climate in which to evolve our sustainability approach and enables us to be transparent about the risks and opportunities we face.

**Peter Polson**  
Independent  
Chair

**Richard Howes**  
CEO and  
Managing Director

The 2020 financial year will be remembered as a year of disruption, volatile financial markets and an economic crisis not experienced since the second world war. These collective events have had an impact on financial performance, the coronavirus pandemic is a global health crisis, and primarily our thoughts go out to everyone affected directly, and indirectly, by COVID-19.

At Challenger, our dedicated and skilled team combined with strong corporate governance and risk culture have enabled us to manage the crisis. We continue to assist both current and future customers achieve financial security for retirement.

Throughout the year, we have expanded our customer reach, enhanced our products, built on our brand leadership and strengthened our capital position. Our business has evolved into

a more nimble and diverse operation, better able to respond to changes in the marketplace not just from COVID-19, but also within the broader financial services landscape.

Our business model enables us to adapt to a changing operating environment and ensure short and long-term risks are considered in everything we do. We are well positioned to deliver long-term growth through the disciplined implementation of our business strategy and aligned approach to sustainability.

To ensure understanding and transparency of our business, we provide comprehensive annual reporting of our financial and non-financial performance, strategy and outlook for the future. Our Sustainability Report covers the matters that have the most significant impact on our ability to create value for stakeholders. We encourage you to read it in

<sup>1</sup> Challenger Investment Partners has been rebranded to CIP Asset Management.

<sup>2</sup> Workplace Gender Equality Agency (WGEA) employer of choice, 2019 Gender Equality Global Report & Ranking, Equileap; Bloomberg Gender-Equality Index.





## Business highlights

### Our business strategy

To provide our customers with financial security for retirement



Increase the use of secure retirement income streams



Lead the retirement incomes market and be the partner of choice



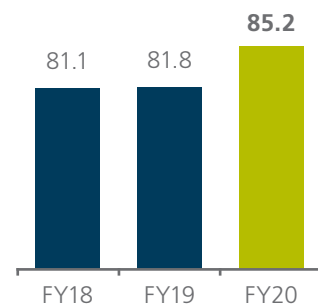
Provide our customers with excellent funds management solutions



Maintain leading operational and people practices

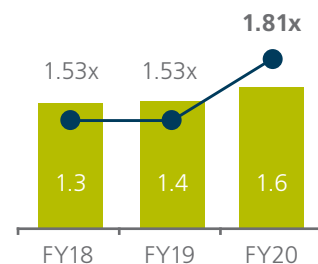
### FY19 highlights

Group assets under management (\$bn)



Value of assets managed by Challenger  
Increased by 4% despite COVID-19 pandemic market sell-off

Excess regulatory capital (\$bn)



Level of capital held above regulatory requirements  
Holding 81% more than APRA minimum requirements

■ Challenger Life Company Ltd (CLC) excess regulatory capital  
● CLC Prescribed Capital Amount (PCA) ratio<sup>2</sup>



New RBA  
Cash Linked lifetime annuity option



Established joint venture with Ares Management Corporation



Challenger values redefined



Launched second active in ActiveX series



Strengthened capital position



Recognised as a global top 100 employer for gender equality<sup>1</sup>

<sup>1</sup> Challenger was recognised for the first time as a global top 100 employer for gender equality in the 2019 Equileap Global Gender Equality rankings.

<sup>2</sup> PCA ratio represents the total Challenger Life Company Limited (CLC) Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount.





## Progress implementing our corporate sustainability strategy



### Responsible business practices

Responsible business practices that focus on our customers, employees, shareholders and the environment.

#### Progress:

- launched our new **corporate values** and refreshed **Code of Conduct**;
- achieved **successful transition to work from home** in response to COVID-19 with high employee engagement reported;
- recognised by WGEA<sup>1</sup>, Equileap<sup>2</sup> and Bloomberg<sup>3</sup> for workplace **gender equality**;
- launched a new **diversity and inclusion strategy** and **employee-led diversity networks**, to develop and support age, culture, LGBTQI+ and gender inclusion across the company.



### Constructive public policy settings

Taking action on issues affecting the ability of retirees to achieve financial security.

#### Progress:

- engaged directly with government and made **submissions on retirement income policy matters**;
- published **thought leadership articles** and conducted research with our partners focused on measuring retiree attitude and confidence in retirement;
- delivered **retirement income webinars** and increased **support through COVID-19** to a significant proportion of advisers;
- coordinated more than **220 CPD-accredited presentations** around Australia for advisers.



### Financially resilient customers and communities

Helping our customers and communities to be strong and financially resilient.

#### Progress:

- launched a three-year **strategic community partnership** with COTA NSW<sup>4</sup> to address the underemployment of Australians over 50;
- co-hosted an event with CEDA bringing together experts to discuss, **rethinking age in the workplace**;
- **supported January 2020 bushfire appeal** through company and employee donations (almost \$45,000 donated in total) and by providing additional volunteer leave to employees associated with the RFS;
- launched a **Retire with confidence** retirement income tool and **Retirement made simple** website hub to help retirees better understand the financial realities of retirement.

<sup>1</sup> Workplace Gender Equality Agency (WGEA) employer of choice.

<sup>2</sup> 2019 Gender Equality Global Report & Ranking, Equileap, 2019.

<sup>3</sup> Bloomberg Gender-Equality Index.

<sup>4</sup> Council on the Ageing New South Wales.



## What matters most

### Stakeholder engagement

Engagement with stakeholders plays a key role in shaping our approach to sustainability. At Challenger, we regularly engage with stakeholders through a number of channels. This engagement provides us the opportunity to assess feedback, understand concerns and respond to stakeholders. The key channels are listed below.

Customers	Shareholders	Employees	Government & regulators	Communities
Survey	Regular financial reporting	Intranet and Yammer	Policy analysis	Strategic partnership
Call centre	Investor Days	Employee briefings	Government and industry submissions	Volunteering
Website and social media	Management meetings with investors and prospective investors	Surveys	Industry forums and conferences	Workplace giving & matching
Presentations	Chair engagement with significant investors	Senior leadership forums	Ongoing meetings	Fundraising initiatives
		ESG workshops		Shared research activities
		Ongoing team meetings		

### FY20 Materiality process

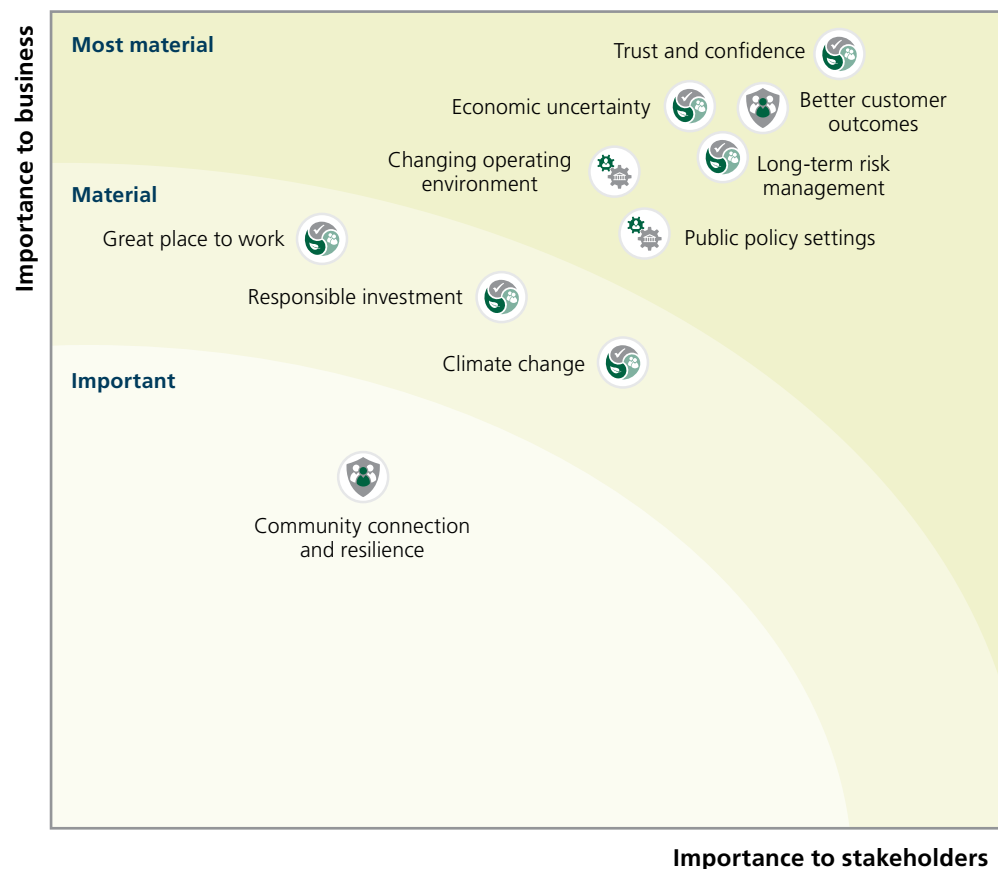
A key part of our engagement with stakeholders is our annual materiality process. It identifies the important environmental, social and governance (ESG) themes that shape our business and impact our community. Our material matters are what matters most to our stakeholders and our business. In addition to stakeholder engagement, we used the following information and activities to identify Challenger's most material matters:

- trend reports and competitor materiality;
- ESG-related media coverage;

- guidance from the GRI standards;
- the Sustainable Development Goals;
- external feedback from ESG themed surveys;
- ESG panel discussion with participants from Regnan, Sustainalytics & the Australian Institute of Company Directors; and
- ongoing discussion through an online forum.

Through the materiality process, we identified the following material matters and their relative importance to our business and to our stakeholders.

### Our material matters



### Sustainability strategic theme



Responsible business practices



Constructive public policy settings



Financially resilient customers and communities



# What matters most

## Our most material matters

### Sustainability strategy

### Material matter

### Link to business strategy & Sustainable Development Goals



**Responsible business practices that focus on our customers, employees, shareholders and the environment**

#### Trust and confidence

Our ability to continue to deliver value for our stakeholders relies on trust and confidence in our business. This is gained through setting and maintaining high standards and being transparent, particularly in times of crisis.



#### Economic uncertainty

As an investment management company, Challenger is impacted by market volatility and uncertainty and the low interest rate trend. The impact of the COVID-19 pandemic and government measures put in place will impact our ongoing approach.



#### Long-term risk management

Identifying and managing long-term risks is critical to the success of our business. Incorporating resilient business practices to mitigate risks allows our business to deliver on our long-term promises.



**Constructive public policy settings – taking action on issues affecting the ability of retirees to achieve financial security**

#### Changing operating environment

Providing great outcomes for our customers requires us to work within a complex operating environment. Regulatory shifts impact our business and our operating landscape. Following the COVID-19 pandemic, we will engage broadly to ensure we keep pace with changing requirements.



#### Public policy settings

We understand that Challenger has a role to play in public policy debate that drives financial security for retirement. The retirement income system is under review, and findings from the review will highlight key considerations.



**Helping our customers and communities to be strong and financially resilient**

#### Better customer outcomes

Consumer preferences and expectations are changing. Understanding customer needs and delivering appropriate products and services is key to helping provide our customers with confidence in retirement.



Note: Other material matters covered in this report include responsible investment, climate change, great place to work and community connection and resilience.





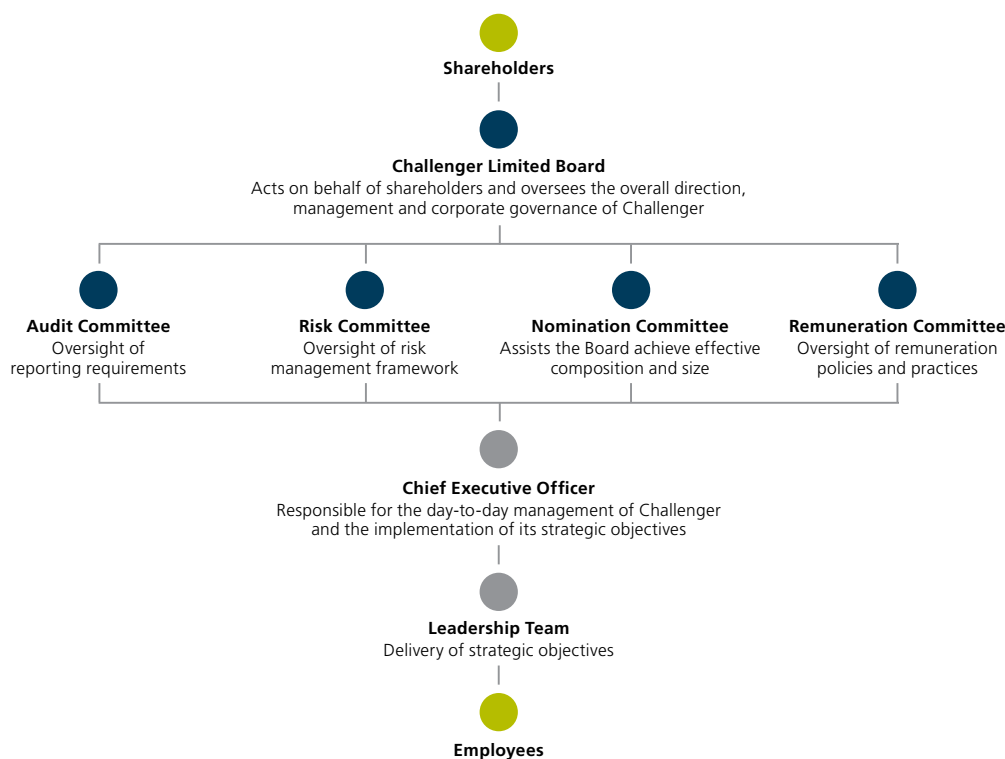
## Governance and risk management

At Challenger, our strong corporate governance and risk culture are embedded throughout our business and form the way we work. We believe that corporate governance adds value to our business and enhances stakeholder confidence. At Challenger, good corporate governance starts at the top. The Board acts on behalf of our stakeholders to oversee the risks and opportunities for the business to guide

our strategic direction. The Board ensures appropriate governance and oversight by establishing key frameworks and policies that assist management in delivering for all stakeholders.

The Chief Executive Officer (CEO) and Leadership Team (LT) have the delegated authority from the Board to implement strategies and policies.

### Challenger's approach to corporate governance



### Board and management committees

The following committees support the Board:

- Group Audit Committee – Oversight of regulatory reporting requirements;
- Group Risk Committee – Oversight of Challenger's risk management framework;
- Nomination Committee – Assists the Board to ensure it maintains an effective composition and size; and
- Remuneration Committee – Oversight of remuneration policies and practices.

Management committees and groups that are responsible for progressing our strategic agenda include:

- Executive Risk Management Committee;
- Work Health and Safety Committee;
- Diversity and Inclusion Committee;
- Our Community Committee; and
- Sustainability Action Group.

### Risk management

The management of risk is fundamental to Challenger's business and to building long-term shareholder value and to ensuring we deliver on our promises to our customers. At Challenger, risk is everybody's business.

The Board's Risk Appetite Statement outlines the level of risk that is acceptable in striving to achieve Challenger's strategic goals and financial objectives. This is combined with a risk management framework, which monitors, mitigates and manages the risks we're exposed to.

The Board recognises the broad range of risks Challenger faces as a participant in the financial services industry, including but not limited to: licence and regulatory risk; investment and pricing risk; climate change risk; strategic, market and reputation risk; operational risk; funding and liquidity risk; and conduct risk. The ongoing impact of the COVID-19 pandemic on the global economy and the ability of individuals, businesses and governments to operate is an additional risk the Board is monitoring.

The Board is committed to ensuring effective risk management. The Leadership Team is accountable for managing the risks within their divisions and is required to manage risk as part of business objectives with risk management integrated across all business processes. There are clear accountabilities for risk management for all employees and this is measured through Challenger's annual performance management process.

Sustainability issues are an important part of Challenger's risk management framework. There are a range of policies and practices to carefully consider sustainability risks when making key business decisions.

At Challenger, risk is everybody's business.



## Supply chain

At Challenger, managing risks and opportunities in our supply chain is an important part of our business. One of our core values is collaboration, as we know better outcomes can be achieved by working together. We engage with our suppliers on a regular basis on economic, environmental, social and governance considerations.

This year we commenced an initiative to review our supply chain as it relates to our procurement and investment practices with a particular focus on modern slavery risk. An internal working group was formed with representatives from across the business. This group met on a regular basis throughout the year to better understand our broad range of suppliers who provide goods and services across the business. Following a risk-based approach, we focused on the following:

1. Identifying key geographies and industries where highest risks may occur;
2. Reviewing policies and processes to strengthen governance and controls around high-risk areas;
3. Mapping existing controls across relevant functions and reviewing terms and conditions that may exacerbate modern slavery;
4. Reviewing responsible investment policies and related procedures to ensure they address risks of modern slavery;



5. Identifying areas where additional mitigating activities are required; and
6. Developing timeframes to implement changes.

While this process represented significant progress in understanding and mitigating risk in our operations and supply chain, we also established a plan to review and improve our approach each year.

The Group Risk Committee and Group Audit Committee are responsible for the governance and reporting of modern slavery risks. These committees delegate to management the responsibility of ensuring that these risks are monitored and reported against on a timely basis.

The activities undertaken and the outcomes of this work will be included in our 2020 Modern Slavery Statement.

We've made significant progress in understanding and mitigating risk in our operations and supply chain.



## Tax transparency

Challenger takes its obligation to comply with prevailing taxation laws, practice and reporting requirements seriously and is committed to paying our fair share of taxes. We maintain an open relationship with key regulators, including the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the Australian Taxation Office (ATO).

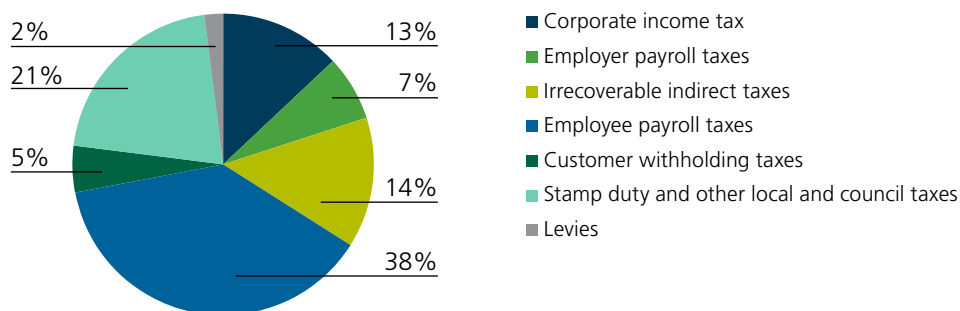
Challenger is a signatory to the Australian Board of Taxation's voluntary Tax Transparency Code (TTC). Our tax transparency disclosures in this report and in the tax note of our 2020 Annual Report are prepared in conformance with the TTC.

Our tax charter has been in place since 2007, governing how tax is managed within the organisation. It states that Challenger will comply with prevailing revenue laws while maintaining professional relationships with the regulatory and tax authorities where we operate. It also outlines how Challenger will manage its tax obligations in a sustainable way, considering the commercial and social imperatives of the business and our stakeholders.

Challenger's tax charter and tax risk governance is embedded in the broader Challenger risk governance frameworks and is reviewed and approved by the Board of Challenger on an annual basis. Challenger does not knowingly participate in the avoidance of tax or facilitate and/or promote the avoidance or evasion of tax by a third party.

Our total tax contribution (paid and collected) to and on behalf of the Australian Government (state and federal) for FY20 was \$128 million.

### Breakdown of total tax contribution



### Overseas subsidiaries

To help back our annuity obligations and to ensure we maintain a diversified and balanced portfolio, the Life business holds a broad range of offshore investments. As at 30 June 2020, 26.9% of Challenger Life Company Limited's investments were offshore. Challenger Life Company Limited is also party to a number of global reinsurance agreements.

Our Funds Management business also has operations offshore and invests in offshore assets both on behalf of Challenger Life Company Limited and third party institutional investors.

Due to these offshore investments and operations, a number of overseas subsidiaries are included in the Challenger Group organisational structure.

Certainty over commercial, legal and tax aspects of transactions we enter into is provided through the use of foreign structures. This certainty comes from using entities in jurisdictions with similar laws to Australia or

those that have substantially complied with the Organisation for Economic Co-operation and Development's (OECD) guidelines on tax transparency, including information exchange with global tax authorities.

When Challenger invests in offshore assets, we are required to establish wholly owned subsidiaries in the countries where the investment is located, consistent with other institutional investors in Australia and globally. This makes investing alongside institutions from other countries more efficient; creates exposures to assets that Challenger may not otherwise be able to access directly on its own; allows investors to pool their capital, creating economies of scale; and reduces investment risk through portfolio diversification.

The investment returns that Challenger makes are taxable in the source country of the investment and are also taxed in Australia. This results in an effective tax rate for the group of 28.9% (2019 – 29.2%) with no material tax rate difference recognised between the Australian and offshore operations in the year.







Our refreshed values and Code of Conduct support us to build trust.

## Trust and confidence

### Why does it matter?

Building trust across corporate Australia has never been more important. According to the 2020 Edelman Trust Barometer, the main ways a company can build trust are to pay fair wages, focus on education and retraining, embrace an all-stakeholder model and partner across institutions.<sup>1</sup>

### Our response

These areas of focus are core to how we operate. At Challenger, we have set and maintained high standards and actively engage in industry-wide commitments. We recognise that our ability to continue to deliver value for our stakeholders relies on trust and confidence in our business. This also includes how we conduct ourselves through this global pandemic and the decisions we make coming out of it.

### Our new values

In September 2019 we redefined our corporate values. Our values are integral to our culture and linked to everything we do. They represent what makes our culture special. These values set out the behaviours we need to meet community expectations and ensure we can deliver on our vision and strategy, now and in the future.

Our values are:

- Act with integrity;
- Aim high;
- Collaborate; and
- Think customer.

These values were developed with input from over 150 employees across our business to ensure they resonate and reflect what's required for the Challenger team to operate in the best way possible. To guide our people through decisions, our values are clear, meaningful and memorable.

### Our Code

In February 2020 we also refreshed and updated our [Code of Conduct](#) (our Code). Our Code sets out expectations for how we act, solve problems and make fair and balanced decisions. It brings together our corporate values and our group policies and statements. It also outlines what is expected of leaders, how consequences are managed, and where employees can go to speak up.

Our Code sits across all areas of our business and applies to everyone, irrespective of their role, seniority or any other factor, and all Challenger employees have a shared responsibility to apply it consistently.

#### Delivering on the UN SDGs



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



<sup>1</sup> 2020 Edelman Trust Barometer, January 2020.



## Public disclosure

To guide our business practices, we have a suite of policies that are regularly reviewed to ensure current issues, legislative changes and trends are captured and considered.

These include:

**Anti-Money Laundering and Counter Terrorism Financing policy**

**Code of Conduct**

**Conflicts of Interest policy**

**Continuous Disclosure policy**

**Discrimination and Harassment policy**

**Fraud and Corruption policy**

**Gifts, Benefits and Entertainment policy**

**Group Compliance policy**

**Group Information Security policy**

**Inside Information policy and Practice Note**

**IT Acceptable Use policy**

**Political Donations policy**

**Privacy policy**

**Regulated Persons policy**

**Risk Appetite Statement**

**Social Media policy**

**Staff Trading policy**

**Whistleblower policy**

**Work Health and Safety policy**

**Workplace Bullying policy**

Note: to enhance disclosure, highlighted policies are discussed in detail.

## Political donations policy

At Challenger, we have taken the approach of not making political donations. We understand the importance of following best practice approaches and remaining flexible to changing community expectations. We engage actively with politicians and other government representatives to contribute to effective public policy outcomes in a way that meets the expectations of our stakeholders and supports our customers and business.

### Our Code

Challenger code of conduct



1 Challenger Code of conduct

challenger

## Privacy policy

The privacy of our customers' data is extremely important to us. This is why we follow a 'privacy-by-design' approach, where

privacy drives decision-making processes. This approach applies to every stakeholder and is used throughout our business. To find out more on Challenger's approach and how we balance the introduction of new technology with privacy, go to the [Long-term risk management](#) section of this report.

Our Privacy policy sets out our approach for ensuring we manage our customers' information in a way that meets existing privacy regulations and our customers' expectations. We have had no significant privacy complaints or breaches during the 2020 financial year. Challenger was not required to make any data breach reports to the Office of the Australian Information Commissioner under Australia's Notifiable Data Breaches scheme during the year.

## Whistleblower policy

Challenger is committed to demonstrating transparency and enhancing stakeholder trust. Through our whistleblower provisions, employees, contractors, former employees, suppliers, service providers and relatives are encouraged to speak up.

Our [Whistleblower policy](#) outlines the process for raising concerns and the protections and support available to whistleblowers. We provide an independent whistleblower service so users can easily raise concerns through multiple channels and be assured of their anonymity if they desire.



Through our conduct and public disclosure, we are contributing to the development of effective, accountable and transparent institutions



## Engagement in industry

At Challenger, we understand the value in engaging with key industry associations to build relationships with our stakeholders. Through our membership of the Association of Superannuation Funds of Australia (ASFA), the Financial Services Council (FSC) and the Property Council of Australia (PCA), we engage and respond to issues facing the industry. We participate in working groups to develop policy and contribute to industry submissions to government and regulators. Challenger also engages more broadly outside the financial services industry through its membership of the Committee for Economic Development of Australia (CEDA) and four CEDA Trustee representatives.

Events and initiatives that promote sustainable outcomes for Australian retirees are valuable and at Challenger, we look to support these wherever possible.

Challenger has an ongoing sponsorship of ASFA's Leadership Symposium. This is an opportunity to bring industry leaders from the superannuation sector together to discuss key challenges faced in delivering retirement outcomes for Australians. This annual event is run in conjunction with ASFA's annual conference and is attended by senior executives and key policy makers.

Through our work with stakeholders outside the financial services industry, we have provided support for COTA Australia to establish a Retirement Income Roundtable. The Roundtable brings together a diverse range of industry participants to discuss policy reform in superannuation and retirement income, with a view to better meeting the needs of consumers.

We have also opted into the [Insurance in Superannuation Voluntary Code of Practice](#) (the Code). The Code came into effect from 1 July 2018, and sets standards that will provide greater understanding, clearer accountability and consistency of delivery for insurance benefits provided in superannuation across the industry. The Code was developed by co-owners ASFA, the FSC and the Australian Institute of Superannuation Trustees (AIST) who support their respective members to implement it.

Our engagement in industry extends beyond business. At Challenger, we understand the importance of the protection of human rights, in our operations, supply chain and investment portfolios. Through participating in the FSC's Environmental, Social and Governance (ESG) working group, we contribute to industry awareness of the *Modern Slavery Act, 2018* supporting good labour practices.



By taking effective measures to end modern slavery we are contributing to the creation of decent work

We actively engage with academics around Australia and around the world. Challenger representatives participate at academic conferences and workshops, both as attendees and as presenters to further work on improving outcomes for retirees. These include the annual Superannuation Researchers Colloquium and events with the UNSW Business School, Macquarie Business School and the Centre of Excellence in Population Ageing Research (CEPAR). We also have partnered with CSIRO and Monash University on an Australian Research Council (ARC) project. Through this project, research is conducted to consider better ways for Australians to grow and ultimately spend their superannuation balance in retirement.



## Case study: Supporting our tenants through the crisis

At Challenger we understand the importance of working with our stakeholders to find solutions, especially in times of crisis. This is part of how we build long-term confidence, trust and prosperity.

When the impact of the COVID-19 pandemic on businesses and communities started to emerge, everyone across Challenger mobilised. This resulted in varied tailored responses from all aspects of our business.

For CIP Asset Management's (CIPAM) Real Estate team, this has meant significant industry collaboration with the:

- Shopping Centre Council of Australia;
- Australian Retailers Association;
- The Pharmacy Guild of Australia;
- National Retail Association; and
- Property Council of Australia.

CIPAM's Real Estate team embodied our values through their approach to engagement with commercial tenants across the portfolio. With a large number of tenants materially impacted by the pandemic, the need for rental relief was both genuine and immediate. The team understood that supporting our tenants through the crisis was the right thing to do and acted quickly.

The federal government established a National Cabinet comprised of State and Territory leaders to assist with its response to the pandemic.

Through collaboration, debate and

compromise the National Cabinet released a Commercial Real Estate Mandatory Code of Conduct. This sets out the principles for States and Territories to regulate interactions between landlords and tenants through the pandemic. The Code of Conduct applies to tenants whose businesses have annual turnover of less than \$50 million and have experienced a decline in revenue of more than 30%.

Acting ahead of the industry, before the industry Code of Conduct was finalised, the team had already begun to formulate a framework to help guide negotiations with impacted tenants and to develop workable agreements. Discussions were considered case by case, with impacted tenants receiving up to 50% rental relief – a principle based on sharing the impact.

For small business tenants, this was taken a step further than the industry Code of Conduct with the option for these tenants to defer payment of the reduced rent, for an extended period – providing them with greater opportunity to keep their businesses operational through the disrupted period.

In addition, we have been working with a retail advice consultant, to provide every food and beverage tenant with a one hour consultation. This initiative provided these tenants with an opportunity to hear what others are doing and get ideas on ways to potentially restructure and optimise their businesses.





Maintaining capital strength is essential to protecting our customers.

## Economic uncertainty

### Why does it matter?

Persistent challenges in the market have seen increasing economic uncertainty over the past 18 months, and even more so since March 2020 following the pandemic-related market sell-off.

The impacts of the ongoing drought, the devastating summer bushfires, the low interest rate environment, trade challenges and continued market volatility have all added to economic uncertainty. This was compounded by the global pandemic, which has tipped the world into recession.

### Our response

As an investment management company, Challenger is impacted by market volatility and economic uncertainty. The need to hold a diversified portfolio of assets remains an important focus for our business and our stakeholders. With increased market volatility, we have recently repositioned the investment portfolio to more defensive settings and increased our already strong capital buffers to withstand further market shocks.

We maintain a portfolio that can be quickly repositioned in periods of market volatility.

#### Delivering on the UN SDGs



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



### Managing our asset allocation through the pandemic

At Challenger, our vision is to provide our customers with financial security for retirement, and a robust risk management approach is critical to achieving this. It is a driving factor in our asset allocation framework that guides our investment approach. We seek to hold a diversified portfolio with exposure across different asset classes as well as industries and geographies. Applying our risk management strategy, we match our long-term liabilities through investment in high-quality long-term assets.

These investments generate regular and predictable investment income, which we use to provide our customers with secure and stable income. As a key part of our risk approach, we seek to minimise key risks, such as interest rate, inflation and foreign exchange risks.

We also maintain a portfolio that can be quickly repositioned in periods of increased market volatility. This is what played out in March 2020, following the market sell-off. We quickly reduced exposures to equities and infrastructure and sub-investment grade bonds in order to reduce our capital intensity and increase our excess capital, positioning us well to withstand further market volatility.



Through our diversified approach, we contribute to SDG 8

<sup>1</sup> Return on equity (ROE).



## Investing in a low-interest rate environment

To increase the demand for secure and stable retirement income streams by Australian retirees, we're focused on ensuring our products meet the changing needs of our customers.

The ultra-low interest rate environment has the potential to impact future annuity sales. Some customers and advisers are concerned about investing in a low interest rate environment and believe interest rates are at or near cyclical lows and will begin to rise. This can be a barrier to buy long-term income streams such as lifetime annuities for some customers and advisers. In order to address this concern, we recently added a new option to our lifetime annuity product range. For more information on our products and our focus on customers, see the [Better customer outcomes](#) section of this report.

## Government response to COVID-19 and the impact on our business

The federal government established a National Cabinet comprised of State and Territory leaders to assist with its response to the pandemic. The government subsequently made a series of policy announcements to help address the major economic impacts resulting from social distancing measures. A JobKeeper program was introduced to provide payments to businesses experiencing hardship to enable them to continue to pay their employees. In addition, the government increased social security welfare payments for job seekers and provided specific

stimulus measures to different parts of the economy. States and Territories followed this with economic stimulus packages to assist small business and sole traders, along with localised implementation of national codes of conduct for commercial tenancies and aged care facilities. Policy announcements impacting the superannuation sector included early release of superannuation and reductions in the minimum superannuation

drawdown amounts. Members of the Challenger Retirement Fund were eligible to benefit from these changes.

These changes have impacted some activities at Challenger. Our Funds Management business was impacted by the government measure to allow early release of superannuation. As superannuation funds looked to increase their liquidity,

we experienced redemptions within our investment portfolios. We also recognised the importance of consumer understanding of these changes and contributed education pieces to support this.

Find out more about the Code of Conduct for commercial tenancies and Challenger's approach in the [Trust and confidence](#) section of this report.





Our employees ask, “should we?” and not just “can we?”.

## Long-term risk management

### Why does it matter?

Identifying and managing long-term risks is critical to running a business today. By building resilience into risk frameworks, businesses are better prepared for and protected against shocks over the long term.

In the World Economic Forum’s latest Global Risks Report, they acknowledge that, “while digital technology is bringing tremendous economic and societal benefits to much of the global population, issues such as... the lack of a global technology governance framework and cyber insecurity all pose significant risk”.<sup>1</sup> Being prepared for external impacts such as these will be significant for business going forward.

### Our approach

At Challenger, managing long-term risk ensures we can continue to provide secure and stable incomes to our customers. Incorporating resilient business practices to mitigate risks is a key factor in enabling us to deliver on our vision to provide our customers with financial security for retirement.

Challenger maintains a robust risk framework and, with our commitment to ongoing improvement, we are open and alert to

the evolution of industry practices and are committed to maintaining a respectful and transparent relationship with our regulators. Challenger has no appetite for conducting business activities unfairly, or in contravention of the law, or which are inconsistent with our brand and reputation. Operationally, we manage risks carefully to minimise the likelihood of material impact on our stakeholders.

Our risk management framework includes the systems, strategies, policies, procedures, controls and people required to manage our material risks. At Challenger, risk is everyone’s business. There are clear accountabilities for risk management for all employees and this is measured through our performance management process. Our culture is one which encourages our employees to think about our customers, and ask, “should we?” and not just “can we?” when making decisions. This is supported through our ‘Making good decisions’ framework outlined in our [Code of Conduct](#). We also strongly encourage all Challenger employees with a concern to speak up, and we have the reporting structures in place to ensure that risks are appropriately escalated and monitored.

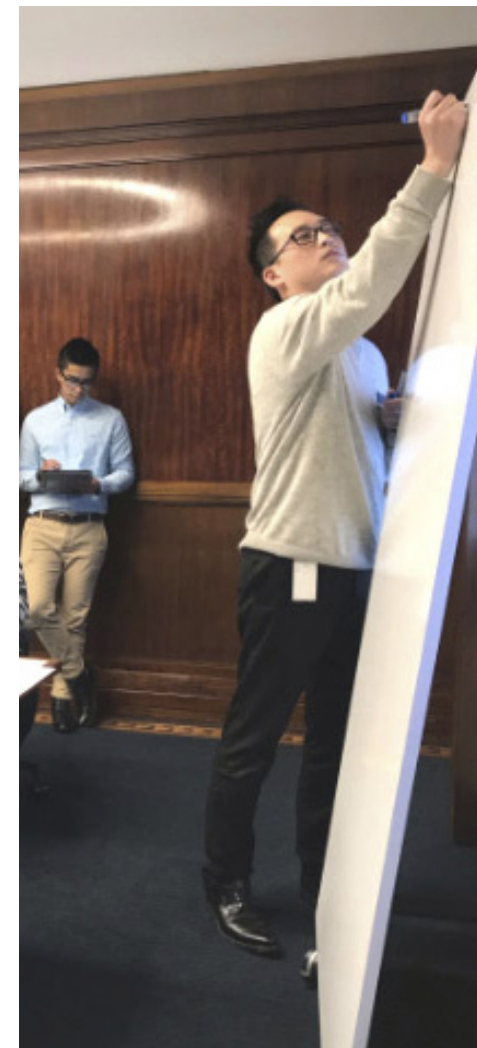


Effective risk management contributes to higher levels of economic productivity through diversification

#### Delivering on the UN SDGs



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



<sup>1</sup> World Economic Forum Global Risks Report, January 2020.





## Response to a global pandemic

At Challenger we have the systems in place to enable employees to work from home effectively. This meant, when the COVID-19 pandemic lockdown restrictions came into place in March 2020, we were able to quickly transition employees to a work from home environment with minimal disruption to our day-to-day activities or impact on our customers. We carefully reviewed our control environment following our change to work practices to ensure that we continued to maintain a robust and secure operating environment.

New processes are being introduced to make it easier for our customers to interact with us through digital means and for our employees to interact with each other in a meaningful way as we transition to new ways of working. Our Risk team's involvement in process development ensured that potential compliance risks and unintended consequences from new ways of working, were identified quickly and managed from the outset. As a part of our risk framework, any changes that may increase Challenger's residual risk exposure are escalated to our Executive Risk Management Committee for approval.

## Technology and privacy

As new technologies are introduced, there is a balance between using these to advance business while at the same time, maintaining the privacy of stakeholders. The pace and scope of technological change continues to provide many opportunities to add features and efficiencies in the way we do business, potentially changing our threat and risk landscape. To continue to provide our customers with financial security for retirement, we introduce new tools and technology that facilitate retirement planning through education.

The pace and scope of technological change provides opportunities to enhance the way we do business.

At Challenger, we ensure we implement changes in a considered way, managing potential risks and barriers, so we can provide great experiences for our stakeholders. We have a broad range of robust policies and procedures to guide us through our 'privacy-by-design' approach. This approach puts how we handle the privacy of our stakeholders' data front of mind to shape our technology solutions. This ensures customer outcomes reflect the right balance between enhanced experience and privacy safeguards.

Challenger's Privacy policy sets out its commitment to compliance with the Australian Privacy Principles and the *Privacy Act, 1988*. It also includes information about how customers can make a complaint if they feel their information has been mishandled. At Challenger, we take our legal obligations very seriously, and recognise that our strong privacy culture and employee values are equally important in protecting personal information. Our values ensure we undertake responsible decision-making throughout our business.

Our commitment extends beyond our business through our partnership with Privacy Awareness Week. Every year we support the Office of the Australian Information Commissioner's national campaign to promote sound privacy practices for our people, both in and out of the workplace.





## Incorporating ESG considerations into our investment decision-making strengthens our business.

### Delivering on the UN SDGs



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Ensure sustainable consumption and production patterns

## Responsible investment

### Why does it matter?

Effective investment strategies consider environmental, social and governance (ESG) issues.

A report issued in March 2020 by the Responsible Investment Association Australasia (RIAA), outlines an increased industry and client-driven focus. Key take-outs from this report include:

- Nine in 10 Australians feel it is important that their financial institution invests responsibly and ethically.
- Recent extreme weather conditions in Australia have prompted 2 in 5 Australians to think about switching financial institutions (banks, super funds etc.) to one which invests ethically or responsibly.
- Half of Australians say they would be motivated to invest and save more money if they knew their savings or investments made a positive difference in the world.<sup>1</sup>

There is increasing evidence that through transition-based ESG integration, investment managers can focus on ESG without impacting financial performance. Through the current COVID-19 crisis, ESG portfolios have generally outperformed,<sup>2</sup> prompting renewed focus on responsible investing. Key areas of focus for responsible investment include assessment of climate-related

risks and opportunities, engagement and active ownership, ESG integration and data management, as well as assessing the risks of modern slavery.

### Our approach

By incorporating ESG considerations into our investment decision-making and portfolio construction, we are protecting ourselves and our customers from non-financial risks and making our business more resilient.

At Challenger, we have adopted an integrated investment management approach to deliver responsible outcomes. We recognise that the consideration of ESG factors provides us with a greater understanding of potential risks and opportunities that could affect the value, performance and reputation of our investment decision-making. We are a signatory to the Principles for Responsible Investment (PRI), and each year we report against the principles to demonstrate our progress and contribution to elevating the importance of responsible investment.

We have a Board-approved Responsible Investment policy and our Board, relevant chief-level employees and our investment teams are responsible for the effective management of the integration of ESG considerations in the investment decision-making process.

In February 2020, CIP Asset Management (CIPAM)<sup>3</sup> released a Responsible Investment statement for its Fixed Income business and then followed this up in April with one for its Real Estate business. (Both these statements are published on the CIPAM website.)



<sup>1</sup> 'From values to riches 2020: charting consumer expectations and demand for responsible investing in Australia', Responsible Investment Association Australasia, March 2020.

<sup>2</sup> 'MSCI ESG Indexes during the coronavirus crisis', MSCI Research, April 2020.

<sup>3</sup> Challenger Investment Partners has been rebranded and is now known as CIP Asset Management.



We have also continued to build our knowledge and capability on ESG topics and issues, and have taken steps to demonstrate our commitment to continuing education. Examples of this include:

- participating in the 2019 PRI conference;
- hosting an event to discuss the integration of climate change risks and opportunities into investment analysis. This event featured a presentation by the CEO of the Investor Group on Climate Change;
- hosting the Fidante Investment Forum in three locations across Australia for advisers and investment professionals, which included a session covering ESG;
- hosting events led by EY Australia to discuss the federal government's *Modern Slavery Act, 2018* with internal participants and our boutique partners; and
- working with a consultancy to analyse our climate risks and opportunities. (To read more about the work performed, risks identified and way forward, see the [Climate change](#) section of this report.)

In addition, with the *Modern Slavery Act, 2018* (the Act) coming into effect on 1 July 2019, Challenger has undertaken work to meet its obligations under the Act. This includes establishing an internal working group to assess potential risks across our operations and supply chain, including investments. Challenger's first Modern Slavery Statement will be published in line with the federal government's reporting deadlines.



Through considering the risks to people of modern slavery, we are contributing to **SDG 8**, taking effective measures to eradicate modern slavery

### Our boutique partners

Fidante Partners comprises co-owned, separately branded, boutique active investment managers. Through the selection process for new third-party investment managers, we discuss our expectations around ESG considerations and we work closely with these managers to ensure integration of ESG considerations in their investment practices. With our assistance, all Fidante boutiques have developed their own standalone ESG policies and are now signatories to the PRI.



Through ESG advice provided to our boutiques, we contribute to **SDG 12**, to encourage sustainable practices

### Impact investing – a future consideration

There are many opportunities in the impact investing market in Australia. Another recent report from RIAA showed exponential growth in the impact investing market in Australia. As at 31 December 2019, the value of Australian impact investing was \$19.9 billion.<sup>1</sup> The report highlighted that the potential demand for impact investments from Australian investors in the next five years is likely to reach \$100 billion. This presents a significant opportunity for Challenger to explore in coming years.

The Sustainable Development Goals (SDGs) are the most widely used framework to measure impact. Challenger uses a leading data service to provide analysis and reporting on the impact of our portfolios, and to what extent their revenue contribution

supports the SDGs. As the capability of this data analysis improves, Challenger will be positioned well to identify opportunities for impact investing within our existing portfolios and framework.



### Boutique spotlight: Alphinity Investment Management and Resonance Asset Management



#### Alphinity Investment Management

The Alphinity Sustainable Share Fund goes one step further than ESG, with its focus on sustainability. It has a clear responsible investment mandate and is committed to supporting companies with strong practices and make a positive contribution toward a sustainable society. A key area of focus for the fund is to invest in companies that ultimately contribute to the advancement of the SDGs.

Since inception in 2010, this fund has experienced strong performance and inflows with positive client feedback. In May 2020, it was added to the AMP MyNorth Sustainable Managed Platform, which is the first sustainable managed platform offered by AMP.



#### Resonance Asset Management

Resonance Asset Management became a member of Bioenergy Australia in 2019. Bioenergy Australia is the premier industry body committed to accelerating Australia's bioeconomy.

Understanding the potential in this area, Resonance hosted an in-depth discussion of opportunities within the bioeconomy. Along with leaders in the sector, the discussion provided a granular understanding of the mid-scale water and bioenergy infrastructure investment opportunities and how to access these long-term return-focused investments.

Resonance is also continuing to actively explore investment opportunities that support a low-carbon economy.

<sup>1</sup> 'Benchmarking Impact: Australian Impact Investor Insights, Activity and Performance Report 2020', Responsible Investment Association Australasia.





The Black Summer bushfire season highlighted the need to act on climate change.

## Climate change

### Why does it matter?

In Ross Garnaut's climate change report published in 2008, he predicted "that fire seasons will start earlier, end slightly later, and generally be more intense... [and that] this effect increases over time, but should be directly observable by 2020".<sup>1</sup> The Black Summer bushfire season has further heightened the growing expectation and increased regulatory pressure for companies to review and disclose climate-related financial risks.

### Our response

At Challenger, we recognise that the physical and transition risks related to climate change, if not considered, will have financial impacts. Physical risks will impact real assets and transition risks will be felt more widely across our investment portfolios. Throughout the year, we have taken steps to better assess and mitigate potential impacts of climate change on our business.

In November 2019, we engaged AECOM, a leading consultancy in climate resilience, to help us assess current and potential future



climate-related risks and to develop effective mitigation strategies for the future. Our work with AECOM included:

- analysis of policy and market context for areas relevant to Challenger, based on a breakdown of material areas of investment;
- developing and analysing climate scenarios; and
- identifying priority climate-related risks and opportunities at a market sector level.

Analysis was conducted through internal workshops with key decision-makers across

the Challenger business. Through this process, real estate assets and debt investments under Challenger Life Company Limited (CLC) and CIP Asset Management (CIPAM) were identified for climate scenario analysis.



By assessing our risks and opportunities from climate change, we're contributing to SDG 13

We conducted climate scenario analysis to assess risks and opportunities for Challenger.

#### Delivering on the UN SDGs



Take urgent action to combat climate change and its impacts

<sup>1</sup> The Garnaut Climate Change Review, Ross Garnaut, September 2008.





## Climate scenario analysis

In alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework, we applied scenarios to identify and assess both transition and physical risks and opportunities.

**Transition risk scenario (RCP 2.6)<sup>1</sup>** – which assumes the requirement of aggressive greenhouse gas mitigation efforts in order to transition to a low carbon economy.

Area of risk identified	Impact analysis
<b>Policy</b>	Changes to building industry standards may increase capital and operational expense or result in stranded assets. Changes to government policy enforcing carbon pricing and emissions reduction targets.
<b>Legal</b>	Risk of increased exposure to liability and potential to face penalties for failure to disclose climate-related risks.
<b>Market</b>	Risk of increased energy and power pricing variability resulting in increased costs and difficulties in planning capital expenditure. Risk of increased costs associated with 100% use of electricity over other energy sources. Risk of investment downturn in local or regional economies that rely on a dominant sector and are not economically diverse (e.g. mining or tourism towns). Product and investment strategies do not align with shifting consumer preferences for low carbon impact and climate-resilient investments, resulting in the reduction in value of the investment portfolio. Reduced discretionary spending during periods of poor consumer confidence, resulting in reduced value of investments in related sub-sectors.
<b>Technology</b>	The risks associated with the velocity of technological obsolescence and reliability of new technology, as well as uncertainty around future cost-benefit ratio and return on investment. Uptake of automated vehicles will create a more efficient road network that will reduce the need for heavy rail for movement of freight, resulting in market devaluation of assets in that sub-sector.
<b>Reputation</b>	Adverse reputational impact due to investment in companies or sectors facing litigation associated with climate risk disclosure or mismanagement. Ability to attract and retain quality tenants, and a skilled workforce, may be impacted negatively if Challenger is seen to be lagging in its management of climate risk.

**Physical risk scenario (RCP 8.5)<sup>1</sup>** – which assumes inadequate global effort to reduce emissions, leading to increasing average global temperatures and costly adaptation to manage physical impacts.

Risks identified	Impact analysis
<b>Extreme heat</b>	Increasing demand and pressure on building heating, ventilation and air conditioning systems, as well as on increasing demand on energy and water, leading to increased operational costs. Increased incidences of power supply or network failure, as well as heat stress on local communities.
<b>Bushfires</b>	Damage to infrastructure and property, as well as smoke penetration, resulting in business interruptions, repair costs and respiratory issues for employees, customers and visitors.
<b>Drought</b>	Lack of soil moisture may impact structural integrity of buildings. Availability of water to meet operational and maintenance demands which may lead to increased costs.
<b>Extreme rainfall &amp; flooding</b>	Increased risk of localised flooding and exceeding drainage capacity resulting in increased cost and reduced access to sites.
<b>Storm surge</b>	Increased safety issues for employees and the surrounding community. Damage to asset exteriors, as well as utilities and services causing increased maintenance and repair costs and business interruptions.
<b>Typhoons &amp; cyclones</b>	Increase in safety issues for employees and the surrounding community and demand for properties to be used as evacuation shelters during cyclone events. Damage to asset exteriors, as well as utilities and services, causing increased maintenance and repair costs and business interruptions.
<b>Sea level rise/coastal inundation</b>	Inundation leads to limited access and rising sea levels resulting in early retirement of existing assets and significant capital loss. Inundation and sea level rise contributing to degradation to building infrastructure, resulting in increased maintenance and capital costs. Increased incidence and severity of tidal intrusion reducing the ability of storm water drainage to adequately function, leading to increasing flood risk at the site.

<sup>1</sup> Scenarios are based on Representation Concentration Pathways (RCPs) outlined in the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report.



## Our approach in response to these risks

At Challenger, we seek to hold a diversified portfolio of assets and manage risks in accordance with our asset allocation framework. This combined with our Responsible Investment policy and approach to ESG integration, mitigates risk across our portfolios. Following the above scenario analysis, we have strengthened our approach to managing climate-related risks across both CLC, CIPAM Real Estate and CIPAM Fixed Income portfolios. Within CLC, we take a diversified approach to investing to reduce the risks associated with climate change. For more information on our risk management framework, refer to the [Long-term risk management](#) section of this report.

The CIPAM Real Estate business undertakes climate risk assessments before acquiring any new asset, and the entire real estate portfolio undergoes scenario analysis every three years to monitor the above risks. For more information, refer to the [CIPAM Real Estate Responsible Investment statement](#).

Additionally, the CIPAM Fixed Income business considers climate change risks on all investments and believe that climate change and its associated risks, both from a physical and transition perspective, have become an increasingly important consideration within fixed income markets and will continue to grow in relevance in the coming years. For more information, refer to the [CIPAM Fixed Income Responsible Investment statement](#).

Challenger will continue to monitor our climate-related risks and disclose information that is material to our stakeholders. We will also continue to put processes in place that aim to reduce identified risks as they arise. For more information on our approach to governance and risk management, go to the [Governance and risk management](#) section of this report.



Disclosing our approach to climate-related risks contributes to **SDG 13**, improving institutional capacity on climate change

## Our operational footprint

We remain committed to reducing and measuring the impact that our direct operations have on the environment. Each year we have strengthened our data collection processes to ensure a robust measurement of our emissions. In line with this approach, we have once again offset all known relevant greenhouse gas emissions for our offices, making our business operations carbon neutral. This year we partnered with NDevr Environmental Pty Ltd. to calculate our footprint. Our full emissions reporting is provided in the [Performance and reference data](#).

We have offset all known relevant greenhouse gas emissions for our offices.

In FY20, our overall greenhouse gas emissions reduced by 10% from our FY19 footprint. We've also seen a 4.64% reduction in scope 3 emissions, which is driven largely by almost all employees working remotely and travel restrictions imposed since March 2020 due to the COVID-19 pandemic. When comparing like-for-like information in our scope 2 and 3 emissions from FY19 to FY20, we have:

- reduced our flights and accommodation by 25% and 8% respectively;
- reduced the impact of our employees commuting, seeing a 43% reduction; and
- reduced our use of taxis and hire cars by 29%.

When comparing our footprint from FY19 to FY20, we discovered an error in the calculation of our IT consumables data, resulting in an increase in our FY19 total carbon emissions to 5,562.60 tCO<sub>2</sub>-e (up from 5,286.90 tCO<sub>2</sub>-e). Verified carbon credits have been purchased and surrendered to offset these additional emissions. The comparisons above are based on the updated figures. We've validated our carbon footprint by having our energy and emissions externally assured.





Diversity, inclusion and wellbeing are key to making Challenger a great place to work.

#### Delivering on the UN SDGs



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Reduce inequality within and among countries

## Great place to work

### Why does it matter?

Creating a sustainable business today is not only about the quality of the product or service that is delivered, it is also about the quality of a firm's conduct, both internally and externally.

The 2019 CEDA Company Pulse report identified that customers and employees are the most important stakeholders to large companies.<sup>1</sup> The benefits of setting the right corporate culture include enhanced reputation as well as greater retention and recruitment of value-driven employees. Research shows that gender and ethnic diversity, inclusion, and performance go hand in hand.<sup>2</sup> While this year has posed challenges in maintaining a great place to work, having the right programs and processes in place supports continued superior business outcomes.

### Our response

At Challenger our employees are our greatest asset. We know that people want to work for organisations that are purpose driven and share their values. We have strong programs in place that celebrate diversity and inclusion, create engagement throughout our business and focus on health and wellbeing and flexible work practices, ensuring we can support our people in times of crisis.

### Support and engagement in times of crisis

The COVID-19 crisis is a human issue. Ensuring the health and wellbeing of our employees has been a key focus throughout this period. Our offices across Australia, Japan and the UK closed in March 2020 and resulted in all but a very small cohort of employees working from home. At Challenger, we've offered flexible work arrangements for a number of years and this facilitated a smooth transition to all employees working remotely. Our flexibility, commitment to health and wellbeing and willingness to embrace technology throughout this period have enabled us to support our people throughout this crisis.

We're committed to keeping our people informed and engaged so they feel supported at all times.

As the pandemic and related measures to contain it unfolded, we:

- communicated regularly with employees, keeping them up to date with our approach – including regular video updates from the Leadership Team;
- established a dedicated updates and frequently asked questions page on our company intranet;

- held a number of online discussion forums with leaders across the business;
- increased the awareness of our Employee Assistance Program (EAP) through additional communication;
- provided access to a Work From Home Wellbeing hub; and
- provided free flu vaccinations for all Australian employees.

We also established a program of regular pulse surveys to help us understand how our people were thinking and feeling about the impact of COVID-19. Results from our survey in May 2020, which were materially consistent with prior surveys, indicated that:

- 98% of employees were confident in the Leadership Team's ability to navigate through the disruption;
- 94% of employees felt that Challenger cared about their wellbeing;
- 93% of employees felt positive about their ability to work from home;
- 91% of employees felt well connected to their teams; and
- 96% of employees felt that communication had been strong and well informed.

At Challenger, we're committed to keeping our people informed and engaged so they feel supported at all times.

<sup>1</sup> Company Pulse 2019, CEDA, September 2019.

<sup>2</sup> Gender-Equality Index Report, 2019, Bloomberg.





Our employee-led committee, Sustainability Action Group, drives employee engagement with environmental and community focused initiatives throughout the business. When employees transitioned to working remotely, the committee created a Sustainability at Home hub to encourage employees to take steps to be more sustainable in their day-to-day lives at home.

### Attracting and retaining a top class team

A key focus at Challenger is having the right practices and processes in place to attract and grow great talent. Throughout the year, we've used the LinkedIn recruitment platform as one of our tools to directly source external candidates and build succession plans for critical roles.

We know that career development is important for employees at all levels. We have regular sessions for our Executive Management Team and Senior Manager Forum, and we've increased the frequency of engagement with these groups throughout the COVID-19 pandemic. To support career planning for our employees, this year we piloted a 'Career Conversations' program with our Senior Management Forum leaders, which will be rolled out to all people leaders later this year. Our ninth cohort completed our Leadership Foundations program and to develop and retain talented women, we ran a second cohort of the Women Leading @ Challenger program.

To support our employees, we offer a range of employee benefits, including



discounted gym memberships, access to health assessments, regular social events, career workshops and programs, and free flu vaccinations. We're also continuing to support and expand flexible working to enable our employees to better balance work and life commitments. This includes strengthening our existing offerings provided to employees who are transitioning back to work from parental leave and have elder and disability care commitments.

All of these help make Challenger a great place to work.



Through our flexible work arrangements, we're supporting **SDG 8**, by providing full and productive employment

### Diversity and inclusion

At Challenger, we pride ourselves on attracting and retaining people with the diverse skills and experience we need to succeed. Creating a diverse and inclusive workplace supports this and, in July 2019, we launched our new Diversity and Inclusion strategy.

The strategy focuses on three key areas:

1. Diverse and inclusive workplace – an environment where differences are valued and employees have a strong sense of belonging;
2. Gender equality – improving business outcomes through equal representation, opportunities and reward for women and men; and
3. Employment opportunities for people aged over 50 – supporting employment outcomes for people aged over 50.

This new strategy is complemented by four employee diversity networks created to empower employees to shape Challenger's diversity and inclusion agenda in the areas that matter most. The networks and their areas of focus are:



Our approach to diversity and inclusion empowers inclusion, contributing to **SDG 10**

**Together @ Challenger – LGBTQI + inclusion**



**engAGE – Age inclusion**



**Kaleidoscope – Cultural inclusion**



**equal aGender – Gender inclusion**







## Case study: *together@* – LGBTQI+ diversity network



In February 2020, Challenger celebrated the 2020 Sydney Gay and Lesbian Mardi Gras, to launch the new LGBTQI+ network – Together @ Challenger.

The network has passionate employees with a vision of making Challenger an employer of choice for LGBTQI+ employees by:

- fostering a culture of LGBTQI+ understanding and inclusion;
- building external awareness of Challenger's commitment to LGBTQI+ inclusion; and
- contributing to achieving positive LGBTQI+ outcomes outside of Challenger.

Through our other diversity and inclusion networks, we also celebrated the Lunar New Year, International Women's Day and the Diwali festival.

## Gender equality

We understand the important role gender equality plays in achieving a diverse and inclusive workplace and are committed to continuous improvement in this area.

We believe we can best realise the benefits gender equality delivers through a specific focus on recruitment, performance management, talent identification, succession planning, remuneration and career development. In February 2020, this resulted in Challenger being recognised as an Employer of Choice by the WGEA for the third year in a row.

Reflecting the progress made toward achieving gender equality, we were also included for the first time in the 2020 Bloomberg Gender-Equality Index and ranked as a Global Top 100 employer in the 2019 Equileap Global Gender Equality Ratings.

To encourage greater representation of women at senior levels of the organisation, Challenger introduced gender composition targets in January 2016. As at 30 June 2020, 38% of leadership roles were held by women, slightly below our 40% target and representing an 11 percentage point increase since targets were introduced. Improving the proportion of women in management roles at Challenger will be an ongoing focus for us.

Challenger is committed to pay equity. Management and the Board review gender pay equity annually as part of the remuneration process, and this focus has ensured that for the past six years gender pay equity for similar roles has been maintained.



Gender targets and leadership programs support **SDG 5**, supporting equal participation in the workforce

## Human rights

We respect and support human rights as set out in the Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Conventions.<sup>1</sup> At Challenger, we do this through our corporate policies, programs and initiatives, and broader governance and stakeholder management methods. We are committed to providing a fair, safe and healthy work environment for our employees that is free from unlawful discrimination, harassment and bullying and where individuals are treated with respect and courtesy. We also respect and support the rights of employees to establish, join or not join trade unions or other associations, and we recognise any local rights to collective bargaining.

At Challenger, we do not tolerate or support the use of child labour, forced or compulsory labour, or any form of slavery or slavery-like practices in our operations or our supply chain.

With the introduction of the *Modern Slavery Act, 2018*, Challenger is committed to ensuring we develop appropriate systems and processes to do our part to eliminate modern slavery in all its forms. For more information on our approach, see the [Changing operating environment](#) section in this report.



Focusing on human rights supports **SDG 8**, taking steps to eradicate modern slavery

<sup>1</sup> These conventions address: freedom of association; collective bargaining; forced labour; minimum age; worst forms of child labour; equal remuneration; and discrimination.



## Employee engagement and wellbeing

At Challenger, we believe that how we do things, is just as important as what we do. In September 2019, we launched our refreshed corporate values and implemented a program to embed them into systems, processes and practices throughout the business.



For more information on our new values, go to the [Trust and confidence](#) section of this report.

We are committed to creating an environment where our people can thrive. Every second year we conduct an employee engagement survey where we ask our employees for feedback and ideas on ways we can improve our workplaces and ways of working.

Our 2019 overall sustainable engagement score was 84%.<sup>1</sup> This level of engagement is well above both the Australian National Norm (ANN) and the Global Financial Services

Norm (GFSN). The survey also highlighted that we needed to invest more in our systems and tools to match the rate of growth and progress to sufficiently support our employees. In response, in November 2019 we successfully implemented the Workday Human Capital Management (HCM) system. Workday has made it easier for employees to complete requests, update their details and interact with their personal information. Over 70% of employees accessed Workday in the first week of deployment. Additional modules were launched in June 2020 to support learning management and recruitment.

We also understand the importance of supporting our employees inside and outside the workplace, including encouraging flexible working arrangements. This year, we saw a significant increase in the number of men taking up new flexible work arrangements and parental leave. As at 30 June 2020, 92 employees (~12% of all employees) had formal flexible working arrangements in place. Reflecting efforts to mainstream flexible work for men and women, 30% of flexible work arrangements are for men.

Our wellbeing approach looks at five key pillars, Health, Work, Life, Community and Finance, and we're committed to delivering a holistic wellbeing program. Some of this year's highlights include:

- delivering career development lunch and learn sessions;
- providing access to free flu vaccinations;
- creating a Working from Home Wellbeing hub;



- promoting voluntary superannuation contributions that are matched by Challenger\*; and
- supporting the community through fundraising, including contributing to Australian bushfire and drought relief appeals.

\*Up to \$500 per employee per year

## Health and safety

The Challenger Work Health and Safety (WHS) Committee includes a mix of employees from across our business. The Committee meets regularly and provides updates to the Board via the Executive Risk Management Committee regarding both hazards and risks and the actions that have been put in place to manage them. This year a special COVID-19 work from home implementation committee was established to adapt our WHS practices and policies to our new remote working environment. Through this committee, a 'Keeping our

offices COVID safe handbook' and return to office plan were developed.

To further support a safe and healthy workplace for our employees, Challenger has a range of key policies including:

- Our Code of Conduct;
- Discrimination and Harassment policy;
- Whistleblower provisions;
- Work Health and Safety policy; and
- Workplace Bullying policy.

To keep our employees safe and healthy at work, we are committed to continuous improvement of our health and safety practices to ensure we identify potential and actual risks.

We believe that how we do things is just as important as what we do.

<sup>1</sup> Willis Towers Watson, March 2019.





The ability to keep pace with changing requirements is essential for sustainable success.

#### Delivering on the UN SDGs



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

## Changing operating environment

### Why does it matter?

Regulatory bodies have a significant impact on the Australian financial services industry. In a recent statement from the Council of Financial Regulators, “members agreed that financial institutions, regulators and governments will need to continue to show flexibility in order to support the objectives of economic recovery, resilience of financial institutions, and fair household and business outcomes”.<sup>1</sup>

As recommendations from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry come into effect, further regulatory pressure will also arise from other external events, like climate change and a global pandemic.

The ability to keep pace with changing requirements is essential for sustainable success.

### Our response

Challenger’s operating environment is complex, impacted by regulatory shifts. We understand that working with our many stakeholders and increasing focus in this area is the right approach.

### Regulatory focus

In response to the COVID-19 crisis, the government has deferred legislating a number of incomplete reforms flowing from the Royal Commission for a period of six months. Regulators have provided further relief by delaying the start date for some reforms also by six months. The intent of this deferral is to enable industry to better focus on issues arising from the pandemic.

At Challenger, we’re engaging broadly to ensure we continue to meet our existing and upcoming obligations. Major reforms that our business is preparing for include:

- Financial Accountability Regime;
- Design and Distribution Obligations; and

- Revised ASIC Regulatory Guide 97 on fees and costs disclosure.

As these changes come through, we are adjusting our business planning and regulatory change project timelines.

Changes stemming from the Royal Commission that have already been legislated and implemented by regulators have not been affected. This includes ceasing of grandfathered commissions, which will commence on 1 January 2021, and the member outcomes testing, which came into effect from 1 January 2020.



Supporting regulatory change contributes to accountable and effective institutions



<sup>1</sup> Quarterly Statement by the Council of Financial Regulators, June 2020.



## Future of financial advice

Disruption in the financial advice market has continued this year. This has included client remediation work, adviser movement, change of ownership and exit from the market of substantial advice businesses, all of which have had an impact on our distribution channels. At Challenger, we're committed to providing financial security for our customers by increasing access to our products. We work with our partners to develop effective distribution for our products. Increasing competition and advances in technology provide the opportunity to innovate how we get our products to our customers.

Our [Retire with confidence](#) tool provides information that contributes to financial security for retirement.

Our new [Retire with confidence](#) tool, available on the Challenger website, helps Australian pre-retirees and retirees understand how a comprehensive retirement income plan can help support their lifestyle and protect their retirement income from potential risks.

Advisers remain an important distribution channel and we're committed to improving adviser experiences to increase the allocation made to annuities. We continue to find ways to make our annuities available on the platforms they use. We also work on enhancing products available to enable them to tailor better retirement solutions for their clients.



Profit-for-member funds are actively reviewing their retirement income offering for their members and we are focused on strengthening our relationships with them to support this. Our focus is on understanding member needs as well as fund priorities to explore how our products can contribute to providing financial security for their members.

Our Funds Management business, continues to build on our leadership position as one of the fastest growing active fund managers. They've achieved this by adding new boutiques and expanding our products and accessing new distribution channels.



Enhancing distribution supports access to financial institutions

## Growing expectations

The government and our regulators are also recognising the financial impacts of what have been traditionally considered non-financial risks. Through the introduction of the federal *Modern Slavery Act, 2018*, the government seeks to reduce the risk to people through the eradication of modern slavery. At Challenger, we share the concern about the prevalence of modern slavery across a wide range of industries and geographies. Through an internal project group, we are actively seeking to identify risks, and update processes and practices to mitigate them. Our risk-based approach is informed by the United Nations Guiding Principles on Business and Human Rights. We're doing this not only to ensure we

comply with the legislation but also to genuinely work towards supporting people at risk.

Our regulators have focused on the financial risk of climate change for a number of years. With the Black Summer bushfire season in Australia this year, focus on the need to consider climate risk has increased. Throughout the pandemic, regulators have maintained this focus. In June 2020, the Reserve Bank of Australia (RBA) was one of 66 central banks to endorse a warning on the financial risk of not acting now to transition to a low-carbon economy. At Challenger, we understand that climate risk is a financial risk. For more information on our approach, go to the [Climate change](#) section of this report.





## The retirement income framework will work to improve stability and security for retirees.

### Public policy settings

#### Why does it matter?

Australians over 50 are making up a larger proportion of the population and are the most vulnerable to systemic shocks. A survey conducted in June 2020 by National Seniors Australia (NSA) revealed that 65% of Australians over 50 are concerned about their retirement income levels.

This has increased since their report in January 2020 where 53% of older Australians were worried about outliving their savings.<sup>1</sup> This will be a key consideration in the government reviewing the retirement income system.

#### Our response

At Challenger, we gain an understanding of what's important to Australians over 50 through our research, customer insights and active engagement with stakeholders. This approach ensures we're informed to effectively contribute to the public policy debate.

#### Shift in government focus

At Challenger, we advocate for better outcomes for retirees. We engage with stakeholders across the retirement income system to progress change that supports financial security for retirement. We work with the government to ensure the system seeks to meet the needs of older Australians

now and in the future. Through our broad engagement with industry and the development of partnerships, we're ensuring our voice is heard. Providing relevant and reliable research and thought leadership will continue to support our approach to finding the right solutions.

While there is acknowledgement across the industry that reform is needed, the pandemic has impacted the government's ability to progress legislative changes. As a result, development and implementation of the retirement income framework, announced in May 2018, has been deferred and will now commence from 1 July 2022. The framework aims to improve stability and security for retirees. It aims to build on previous reforms and support the development of new innovations that contribute to financial security for retirement.

The market downturn and economic uncertainty created by the pandemic highlight the need for better retirement income solutions for Australians. The impact of lower dividend yields is likely to mean many retirees will have less income and will be placed under increased financial strain. Understanding the needs of retirees and how the retirement income system can be improved to enhance their resilience will be an important focus into the future.

#### Ongoing uncertainty

With the Australian population ageing, we're working now to understand what we can do to prepare for the future. The pandemic has created additional turmoil in the superannuation system, significantly impacting this vulnerable demographic. This has Australian retirees worried about what their retirement holds, highlighting the current system needs reform.

Our collaborative approach drives partnership opportunities. Working with our partners, COTA Australia and National Seniors Australia (NSA), we're working to broaden the awareness of the risks in the current approach to retirement income. To support this work, we've also developed research and thought leadership:

- [The Yin and Yang of retirement philosophies; June 2020;](#)
- [Retirement income worry: Who worries and why?, January 2020;](#) and
- [Understanding life expectancies, September 2019.](#)

Going forward, we will continue to engage broadly and seek to educate Australians about what contributes to financial security for retirement.

#### Delivering on the UN SDGs



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Reduce inequalities within and among countries



Creating inclusive policy expands access to financial services



We're promoting inclusion by considering vulnerable groups in our population

<sup>1</sup> Retirement income worry: Who worries and why?, National Seniors Australia and Challenger, January 2020.



Our customers  
are top of mind in  
everything we do.

#### Delivering on the UN SDGs



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

## Better customer outcomes

### Why does it matter?

Consumer preferences and expectations are changing. According to a recent report from Salesforce, “84% of customers say the experience a company provides is as important as its products and services”.<sup>1</sup>

Understanding customer needs and delivering appropriate products and services is key to providing confidence in retirement.

### Our response

At Challenger, our customers are top of mind in everything we do. Knowing what our customers need helps us design and deliver the right services and products to provide them with financial security for retirement. We’re committed to ensuring our customers have the knowledge and support they need.

### Changing customer expectations

We understand that customer expectations change, and it’s important to us at Challenger that we know how we can support them. This year we surveyed our current, prospective and recent customers to understand their needs and gain insight into

overall customer satisfaction, with current and recent customers achieving satisfaction scores of 95% and 82% respectively.

We also learned through this process that our focus should be on the future. We identified drivers of satisfaction and advocacy for our customers and measured our performance against them. Going forward, providing more digital interaction and customer financial wellbeing will be key areas of focus for us.

With more than half of our customers interacting digitally with other institutions, we’re evolving our processes to reflect their preferences.

Through our education initiatives and communicating progress on our new community partnership, we’re finding ways to support the financial wellbeing of our customers.

Changes in the advice landscape are also impacting our customers. Customers are looking for a closer relationship with Challenger and see us as retirement ‘experts’. Our customers want us to provide them with information about changes that impact retirees and are concerned about how to find a new adviser. In response, we’ve implemented an Adviser Referral pilot, referring new and existing customers who do not have a financial adviser, to an external panel of advisers who have experience in retirement planning and income advice.



<sup>1</sup> State of Marketing, Salesforce Research, May 2020.



## Educating customers & advisers

At Challenger, we continue to invest in educating prospective customers on the role annuities can play to help support their lifestyle and protect their retirement income from potential risks. Following our brand campaign launch, 'Look forward with confidence' in June 2019, we've implemented several education initiatives aimed to get more people understanding the importance of annuities as part of a comprehensive retirement income plan. Key initiatives in the 2020 financial year included:

- re-launching our Facebook channel to promote and amplify content;
- sponsoring the NSW Seniors Expo;
- hosting a direct to customer webinar; and
- issuing quarterly 'Retirement Matters' emails to prospective customers.

Through conversations with our customers, we know that planning for retirement means navigating overwhelming amounts of (often conflicting) information. To support our customers to better understand what's available to them in retirement, in May 2020 we launched our [Retire with confidence](#) tool.

This tool is designed to guide Australians aged 60–80 through three steps to educate them on:

1. how long their super may last;
2. the support they may get from the Age Pension; and
3. how they can build a comprehensive retirement income plan by adding a lifetime income stream.

We developed a 'Navigating a changing environment' page on our website as part of our increased efforts to assist our customers through the COVID-19 crisis.

The tool demonstrates how a lifetime income stream, along with other sources of retirement income, may make their retirement income last for longer and links to our new Adviser Referral program.

At Challenger, we also aim to support and educate advisers. We do this through on-the-ground support by our Distribution team, technical support from a team of retirement income and aged care specialists, and in facilitating a number of adviser education programs. Over the year over 5,700 advisers have attended our webinars, and monthly readership of our TechNews newsletters remains strong.



Educating our customers contributes to **SDG 4** to enable others to promote sustainable development

## Improved product design

Our products change in line with stakeholder expectations and requirements. Through listening to our customers and complying with changing government legislation, we update our products for the current environment. Our CarePlus product provides a compelling offer for those moving into aged care with regular income for their lifetime to help with aged

care fees. This is combined with certainty for beneficiaries who are guaranteed repayment of the investment.

We have also added a new option to our Liquid Lifetime annuity to give retirees more confidence to invest in a lifetime product in a low interest rate environment. The new RBA Cash Linked option will reset a retiree's future lifetime payments in line with changes in the RBA's cash rate.

We remain dynamic in our approach to product design to enable flexibility as our operating environment changes.



Our products and services contribute to **SDG 8**

## Brand trust & confidence

The COVID-19 global pandemic created significant disruption across businesses and communities around the world. At Challenger, we wanted to provide our people and our customers with confidence through this challenging time. We supported our people through the shift to [working from home](#), which included changes to how they work and how they support our customers. To ensure our customers received a consistent and high level of service, we improved our processes by:

- enhancing protocols around customer hardship;
- ensuring procedures were in place in response to government changes; and
- increasing acceptance of signatures and documents through digital channels.

We also understand the importance of providing access to information that may impact our customers. Through the COVID-19 crisis, we significantly increased our efforts to assist our customers with enquiries and confirm their investments are safe. We also established our '[Navigating a changing environment](#)' page on the Challenger website. This site provides customers and advisers with information and updates as changes occur giving them confidence in our approach.



Supporting people through times of crisis builds accountability and trust in institutions, contributing to **SDG 16**

"After all these years with Challenger, I've never had to pull out the file... your payments go through every month on time and I have to do nothing so I'm very happy."

Challenger customer testimonial





We announced a partnership to address underemployment of people over 50.

## Community connection and resilience

### Why does it matter?

Society holds the business community to a high standard and expects them to do the right thing for all of their stakeholders. According to CEDA's 2019 Pulse Report, "there is an increasing expectation that business can and should take a greater role in shaping discussions and outcomes on key economic, social and environmental issues fundamental to our future prosperity".

To demonstrate genuine support, businesses are moving their strategies to focus on partnerships to address key social issues.



### Our response

#### Strategic investment

In September 2019, Challenger announced a strategic three-year partnership with COTA NSW. Through this partnership, we aim to deliver a program to address the underemployment of people over 50. This program will celebrate the value older Australians bring to the workplace and improve workplace practices to attract and retain older employees into their companies. We want people talking about the issue and thinking about better ways of working.

The initial research phase is currently underway and includes surveys, forums and workshops with employers and employees of all ages. The outcomes of the research will provide guidance and inform the design of an ongoing program and related initiatives. While the COVID-19 pandemic has delayed some of the initial research activities, it has also meant that we will get a broader perspective from participants of the impact of the pandemic on older employees.

At Challenger, our sustainability strategy aims to provide financial security for retirement, and we know that continuing to work as you age

is a key driver in achieving this. We understand that there are fewer opportunities for people over 50, due to stigma and discrimination, and we believe there is significant value being left behind for mature-aged people, workplaces and the economy. Through our community program, we aim to provide services that reduce barriers to staying in or re-entering the workforce, such as training, process redesign and access to networks. We're starting this program in New South Wales with an aim to expand the program nationally and engage with workplaces of all sizes across urban and regional Australia.

#### Delivering on the UN SDGs



Reduce inequality within and among countries



Strengthen the means of implementation and revitalise the global partnership for sustainable development





To raise awareness on this important issue, in October 2019, Challenger supported CEDA to host a business forum to consider, 'Rethinking age in the workplace'. This forum brought together a panel of experts to discuss how business can and should change to better support an age-diverse workforce.



Through this partnership we're contributing to **SDG 17**, building on our experience and resourcing strategies through partnership



Addressing age discrimination in the workplace contributes to **SDG 10**, providing equal opportunity to all

## Supporting the community

At Challenger, we encourage our employees to support the community. To enable this we offer one day every year to volunteer for a cause of their choice. We also provide a payroll giving program, allowing our employees to give through their pre-tax income with Challenger matching contributions up to \$500 per employee each year.

This year, through employee matching and giving, and other fundraising activities, we donated over \$250,000 to charity. This included almost \$45,000 for the Australian Red Cross, which was donated to support the January 2020 bushfire appeal.

**We donated over \$250,000 to charities, including almost \$45,000 to the Australian Red Cross.**



## Case study: Taking action in times of crisis

At Challenger, we encourage our people to support the community. During the devastating bushfire season over the 2019/20 summer, we were proud to support Chris Syme – Manager Client, Distribution and Finance Systems Support – in his commitment to the NSW Rural Fire Service (NSW RFS). Chris has been a member of the NSW RFS for seven years and currently holds the rank of Deputy

Captain. He is a valued member of the Challenger team and when he asked for time off to volunteer, we were very supportive. Throughout the Black Summer fire season Chris volunteered for 13 days, working over 150 hours, together with farmers, NSW National Parks and Wildlife Service, NSW Police, NSW Ambulance, NSW State Emergency Service, Forestry Corporation, private contractors and

residents to tackle the fires. Challenger is very proud of Chris's contribution to the community. When asked about his experience, Chris said, "It was an honour to volunteer with the NSW RFS and to be supported by Challenger to do this throughout the bushfire season".



## Material issue boundary map

Challenger material issue	GRI material topic	Boundary
<b>Responsible practices</b>		
Trust and confidence*	GRI 102: General Disclosures – Ethics and integrity GRI 415: Public policy (415-1) GRI 418: Customer privacy (418-1) GRI 419: Socioeconomic compliance (419-1)	Internal and external
Economic uncertainty*	Challenger-specific topic	External
Long-term risk management*	GRI 102: General Disclosures – Strategy GRI 201: Economic performance (201-1)	Internal and external
Responsible investment	Challenger-specific topic	Internal and external
Climate change	GRI 201: Economic performance (201-2) GRI 305: Emissions	Internal and external
Great place to work	GRI 205: Anti-corruption (205-1) GRI 401: Employment (401-1 & 401-3) GRI 403: Occupational health and safety (403-1 & 403-2) GRI 404: Training and education (404-1) GRI 405: Diversity and equal opportunity (405-1 & 405-2)	Internal
<b>Constructive policy</b>		<b>Internal</b>
Changing operating environment*	Challenger-specific topic	Internal and external
Public policy settings*	Challenger-specific topic	Internal and external
<b>Customers and community</b>		
Better customer outcomes*	Challenger-specific topic	Internal and external
Community connection and resilience	GRI 201: Economic performance (201-1)	Internal and external

\*Material matter rated highest in importance to both our stakeholders and our business.



## Environment

### 2020 greenhouse gas emissions

Emissions <sup>1</sup>	Units	2020 Source data	2020 tCO <sub>2</sub> -e	2019 tCO <sub>2</sub> -e	2018 tCO <sub>2</sub> -e
<b>Scope 1</b>					
Natural gas	GJ	39.1	2.0	4.0	3.5
<b>Total scope 1</b>	<b>GJ</b>	<b>39.1</b>	<b>2.0</b>	<b>4.0</b>	<b>3.5</b>
<b>Scope 2<sup>2</sup></b>					
Electricity	MWh	1,072.9	880.3	899.4	838.1
<b>Total scope 2</b>	<b>MWh</b>	<b>1,072.9</b>	<b>880.3</b>	<b>899.4</b>	<b>838.1</b>
<b>Scope 3</b>					
<b>Utilities</b>					
Natural gas <sup>3</sup>	GJ	39.1	0.5	1.0	0.9
Electricity <sup>3</sup>	MWh	1,072.9	94.6	111.2	116.8
Electricity (base building)	MWh	1,012.1	877.1	842.7	841.5
Water	ML	3.2	2.6	5.3	5.2
<b>Equipment &amp; Services</b>					
Paper	tonnes	5.8	13.4	14.9	11.8
IT equipment	\$ (000)	3,120.7	565.7	276.0	383.6
Postage & couriers	\$ (000)	225.0	357.6	220.4	135.8
<b>Travel &amp; Commuting</b>					
Accommodation	occupancy nights	1,153	73.8	80.4	114.1
Flights	(000) km	5,277.1	1,688.7	2,265.5	2,088.0
Employee commuting <sup>4</sup>	(000) km	2,923.0	398.8	703.7	641.3
Taxis and hire cars	\$ (000)	158.3	29.1	40.8	24.1
Transport fuels (employee business travel) <sup>5</sup>	litres	n/a	n/a	n/a	1.2

Emissions <sup>1</sup>	Units	2020 Source data	2020 tCO <sub>2</sub> -e	2019 tCO <sub>2</sub> -e	2018 tCO <sub>2</sub> -e
<b>Food &amp; Beverage</b>					
Fruit <sup>5</sup>	\$ (000)	n/a	n/a	5.2	38.8
Milk <sup>5</sup>	\$ (000)	n/a	n/a	4.7	6.0
Other foods (from major events) <sup>6</sup>	\$ (000)	111.4	43.2	50.5	121.9
<b>Waste</b>					
Landfill & recycling	tonnes	55.7	34.5	36.9	45.3
<b>Total scope 3</b>			<b>4,179.4</b>	<b>4,659.2</b>	<b>4,576.1</b>
<b>Overall total</b>		<b>-</b>	<b>5,061.7</b>	<b>5,562.6</b>	<b>5,417.8</b>
Topic	Units	2020 tCO <sub>2</sub> -e	2019 tCO <sub>2</sub> -e	2018 tCO <sub>2</sub> -e	
Direct energy consumption by primary source	GJ	39.1	78.2	67.7	
Indirect energy consumption by primary source	GJ	3,862.6	4,154.1	3,970.1	
Direct GHG emissions (scope 1)	tCO <sub>2</sub> -e	2.0	4.0	3.5	
Energy indirect GHG emissions (scope 2)	tCO <sub>2</sub> -e	880.3	899.4	838.1	
Other indirect GHG emissions (scope 3)	tCO <sub>2</sub> -e	4,179.4	4,659.2	4,576.1	
GHG emissions per employee	tCO <sub>2</sub> -e	6.7	7.7	8.0	
Operational intensity <sup>7</sup>	tCO <sub>2</sub> -e/m <sup>2</sup>	0.42	0.46	0.45	
Total cost of environmental fines and penalties	\$ (000)	nil	nil	nil	

<sup>1</sup> Challenger references an operational control boundary for emissions.

<sup>2</sup> Incorporates scope 2 emissions calculated using a 'location-based' method. Calculations are based on the Department of Environment National Greenhouse Accounts Factors published in July 2019.

<sup>3</sup> Under the GHG Protocol, emissions from natural gas come from its consumption (scope 1) and production and distribution losses (scope 3), and emissions from electricity come from its consumption (scope 2) and transmission and distribution losses (scope 3).

<sup>4</sup> Employee commute has been estimated using average commuting in the financial services industry statistics from Australian Bureau of Statistics.

<sup>5</sup> Emissions sources reported in 2018 & 2019 have been excluded in 2020 as they make up less than 1% of our total emissions profile.

<sup>6</sup> Major events include AGM, an Employee Update briefing and Sydney end-of-year celebration.

<sup>7</sup> Australian offices only.



Audit Services

## Greenhouse Gas Emissions Measurement Verification Report Challenger Limited for the year ended 30 June 2020

### Independence

C & N Audit Services confirms that we are not aware of any actual or perceived conflict of interest in having completed this engagement or detail any perceived conflict of interest and how this was addressed. Robert Edwards confirms that he has not carried out more than five previous consecutive audits for Challenger Limited.

### Summary of procedures undertaken

The procedures we conducted in our limited assurance engagement included; interviews conducted to gather information, analysis of procedures to gather evidence, testing of calculations the audited body performed Identification, testing of assumptions and supporting calculations, and other audit procedures deemed necessary to for an audit opinion.

### Use of our limited assurance engagement report

This report has been prepared for the use of Challenger Limited and the intended users identified in the terms of the engagement for the sole purpose of reporting on Challenger Limited's carbon inventory in line with the Climate Active Carbon Neutral Standard framework. Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than Challenger Limited for any consequences of reliance on this report for any purpose.

### Inherent limitations

There are inherent limitations in performing assurance—for example, assurance engagements are based on selective testing of the information being examined—and because of this, it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all misstatements, as an assurance engagement is not performed continuously throughout the period that is the subject of the engagement and the procedures performed on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given its nature and the methods used for determining, calculating and sampling or estimating such data. The procedures performed in a limited assurance engagement vary in nature from, and are narrower in scope than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than that in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Challenger Limited's carbon neutral claim has been prepared, in all material respects, in accordance with the relevant Climate Active carbon neutral standard.

### Conclusion

Based on the procedures performed, nothing has come to our attention that would lead to believe that the Challenger Limited's carbon inventory has not been prepared in all material respects in accordance with the relevant Climate Active carbon neutral standard framework.

C & N Audit Services

Robert Edwards  
Director

Date: 23 July 2020



C&N Audit Services  
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Liability Limited by a scheme approved under Professional Standards Legislation

T: 07 3391 6322

ABN: 50 511 378 343





# People

## Employee profile

Number of employees	FTE <sup>1</sup>	Headcount
Overall total	734.6	751

Unless stated otherwise, employee headcount is used as the basis for the following disclosures.

Employees by contract type and gender	Female	Male	Total
<b>Permanent</b>			
Full-time	236	403	639
Part-time	50	6	56
<b>Fixed term</b>			
Full-time	17	33	50
Part-time	3	3	6
<b>Total</b>	<b>306</b>	<b>445</b>	<b>751</b>

Contingent workers by type and gender	Female	Male	Total
Agency	1	5	6
Independent contractors	0	2	2
Casual	11	2	13
<b>Total</b>	<b>12</b>	<b>9</b>	<b>21</b>

Employees by region and gender	Female	Male	Total
Adelaide	3	1	4
Brisbane	6	6	12
Hobart	4	5	9
Melbourne	8	18	26
Perth	1	2	3
Sydney	275	389	664
London	6	12	18
Tokyo	3	9	12
Other	0	3	3
<b>Total</b>	<b>306</b>	<b>445</b>	<b>751</b>

Employees by age group	Total
Under 30	127
30 - 39	269
40 - 49	258
50 - 59	81
60 and over	16
<b>Total</b>	<b>751</b>

New hires by age group	Total
Under 30	44
30 - 39	54
40 - 49	46
50 - 59	16
60 and over	5
<b>Total</b>	<b>165</b>

<sup>1</sup> Full-time equivalent.



## People

New hires by region and gender	Female	Male	Total
Adelaide	1	0	1
Brisbane	1	2	3
Hobart	0	0	0
Melbourne	2	3	5
Perth	0	0	0
Sydney	53	70	123
London	6	12	18
Tokyo	3	9	12
Other	0	3	3
<b>Total</b>	<b>66</b>	<b>99</b>	<b>165</b>

Voluntary turnover by age group	Total
Under 30	22
30 - 39	31
40 - 49	28
50 - 59	7
60 and over	1
<b>Total</b>	<b>89</b>

Voluntary turnover <sup>1</sup> by region and gender	Female	Male	Total
Adelaide	0	0	0
Brisbane	0	1	1
Hobart	0	1	1
Melbourne	2	1	3
Perth	0	0	0
Sydney	39	38	77
London	3	2	5
Tokyo	0	2	2
Other	0	0	0
<b>Total</b>	<b>44</b>	<b>45</b>	<b>89</b>

## Employee safety and wellbeing

Work health and safety	2016	2017	2018	2019	2020
Lost time injury frequency rate (days <sup>2</sup> )	2.4	1.6	0	0	0
Workers compensation claims	6	3	4	3	0
Absenteeism days per FTE	3.1	2.8	2.7	2.7	2.9
Fatalities <sup>3</sup>	nil	nil	nil	nil	nil
Work health and safety training <sup>4</sup>	n/a <sup>5</sup>	550	296	552	361

## Employee benefits

Employee benefits by employment type	Permanent full-time & part-time	Temporary
Life insurance	yes <sup>6</sup>	yes <sup>6</sup>
Disability and invalidity coverage	yes <sup>6</sup>	yes <sup>6</sup>
Parental leave – paid	yes <sup>7</sup>	no
Stock ownership	yes	no
<b>Other:</b>		
– salary continuance	yes <sup>6</sup>	no
– superannuation top-up (up to \$1,000)	yes	yes
– superannuation on unpaid parental leave	yes	no

<sup>1</sup> Voluntary turnover refers to employees who resign or retire.

<sup>2</sup> Lost time injury frequency is the average number of days all full-time and part-time employees as well as contractors were not able to perform their work due to a work-related injury.

<sup>3</sup> Includes full-time and part-time employees as well as contractors.

<sup>4</sup> Number of employees who have taken the work health and safety online training module. This is a compulsory module with employees required to take the training every two years.

<sup>5</sup> No data was available to report this metric in 2016.

<sup>6</sup> Default fund members only.

<sup>7</sup> Employees who have worked at Challenger for more than 12 months.



# People

## Diversity

### Board and Nomination Committee diversity – gender and age

	Female	Male	Total
<b>Board</b>			
Under 50	0	1	1
50 and over	2	6	8
<b>Nomination Committee</b>			
50 and over	2	5	7

### Internal employee movement by gender

	Female	Male	Total
Transfers	10	17	27
Secondments	7	6	13
Promotions	20	27	47
<b>Total</b>	<b>37</b>	<b>50</b>	<b>87</b>

### Remuneration positioning for women compared to men against the market median

	Salary package	Total reward
FY14	-2%	-3%
FY15	1%	-1%
FY16	-1%	-2%
FY17	-1%	-1%
FY18	0%	-1%
FY19	0%	1%
FY20	-1%	-3%

### Gender salary comparison by level<sup>1</sup>

### Average female salary as a percentage of average male salary

Senior management	87.17%
Other management	85.80%
Non-management	88.61%

### Parental leave return rate

	Female	Male
Employees who took parental leave during the year	22	7
Employees who returned to work after parental leave during the year	25	10
Employees who returned to work after parental leave and were still employed 12 months after return <sup>2</sup>	12	7
Parental leave return to work rate (%) <sup>2</sup>	100%	90%

<sup>1</sup> This comparison is by level only and not a like-for-like comparison.

<sup>2</sup> Based on employees who returned from parental leave in either FY18 or FY19 and were still employed as at 30 June 2020.



# People

## Diversity measurable objectives for 2020

### Objective: Gender balance

Improving business outcomes through equal representation and opportunities for women and men.

Initiatives	Outcomes																				
<b>Achievement of gender composition targets.</b>	<p>To encourage greater representation of women at senior levels of the organisation, Challenger introduced gender composition targets in 2016. As at 30 June 2020, 38% of leadership roles were held by women, slightly below our 40% target, and representing an 11% increase since targets were introduced.</p> <p>As a consequence of COVID-19, employee recruitment was limited in the second half of 2020, which impacted our progress. Opportunities exist to improve the proportion of women appointed to non-manager roles to build a stronger future pipeline.</p> <table><thead><tr><th></th><th>June 2016</th><th>June 2020 (%)</th><th>June 2020 (n)</th><th>FY20 Target</th></tr></thead><tbody><tr><td><b>Women in all roles</b></td><td>42%</td><td>43%</td><td>321</td><td>45%</td></tr><tr><td><b>Women in management</b></td><td>29%</td><td>38%</td><td>58</td><td>40%</td></tr><tr><td><b>Board</b></td><td>25%</td><td>25%</td><td>2</td><td>30%</td></tr></tbody></table>		June 2016	June 2020 (%)	June 2020 (n)	FY20 Target	<b>Women in all roles</b>	42%	43%	321	45%	<b>Women in management</b>	29%	38%	58	40%	<b>Board</b>	25%	25%	2	30%
	June 2016	June 2020 (%)	June 2020 (n)	FY20 Target																	
<b>Women in all roles</b>	42%	43%	321	45%																	
<b>Women in management</b>	29%	38%	58	40%																	
<b>Board</b>	25%	25%	2	30%																	
<b>Building Challenger’s profile as an employer of choice for women.</b>	<p>During FY20, Challenger was recognised as an employer of choice for women, in the following ways:</p> <ul style="list-style-type: none"><li>• WGEA Employer of Choice for Gender Equality for the third consecutive year;</li><li>• Equileap Global Top 100 employer for gender equality; and</li><li>• Inclusion on the Bloomberg Global Gender-Equality Index.</li></ul>																				
<b>Gender diverse succession plans and a pipeline of talented women established.</b>	<p>During the annual talent and succession review, where possible, internal successors were identified for key leadership roles, with women represented on 59% of these succession plans. In FY20, the proportion of women rated in the highest talent category of ‘invest to grow’ was significantly higher than men for our second and third tier leadership teams. In addition, 43% of internal promotions were women (an 8% increase on FY19).</p>																				
<b>Implement talent management program for high potential women.</b>	<p>Completed a second Women Leading @ Challenger program, and following feedback have refined design for FY21. To facilitate and support more successful career and development discussions, a Career Conversations program was piloted with the Senior Management Forum in November 2019. Due to COVID-19, the rollout of the program to all people leaders has been deferred until later in the year.</p>																				
<b>Gender balance achieved for recruitment activities.</b>	<p>Achieved a significant improvement in the gender equity of shortlists for directly sourced hires. Improvements were also noted for agency hires, following regular communication with external recruitment partners regarding commitment to gender equity. In FY20, 42% of all appointments and 56% of appointments to management roles, were women.</p>																				





## People

### Diversity measurable objectives for 2020 (continued)

#### Objective: Work/Life Integration

Supporting employees to achieve meaningful engagement in their work and life.

Initiatives	Outcomes
<b>Continuing to support and expand flexible working.</b>	Ninety formal flexible work arrangements are currently in place across the organisation, with 29% of these arrangements being for men. During COVID-19, most employees worked remotely for an extended period. In an employee survey, 97% reported that they had adjusted to working from home and 94% indicated a preference to work from home some or all of the time following a return to business as usual. Following the success of working from home, we expect to see an ongoing shift to most employees working from home some of the time.
<b>Strengthening support provided to employees.</b>	A new relationship with Parents at Work was established throughout the year, providing access to a range of online resources and seminars to prepare for the return to work following a period of extended parental leave. It also includes resources and referral services to support employees navigating elder care and disability care responsibilities. Work has commenced to strengthen and formalise existing support provided to employees impacted by family and domestic violence, supported by members of the gender employee diversity network. We also developed a Work From Home Wellbeing hub to support employees while working remotely.

#### Objective: Gender pay equity

Extending pay equity to all levels in the organisation.

Initiatives	Outcomes
<b>Calibration processes in place to remove bias from performance assessment and remuneration outcomes.</b>	The annual performance review process was completed throughout May and June 2020. Calibration of performance ratings was first undertaken at the divisional level, and then at the organisational level by the Leadership Team. Challenger has successfully closed gender pay gaps for like roles and this has been maintained for FY20.
<b>Maintaining existing parity of remuneration for like roles. Improved organisation-wide and by level pay gaps.</b>	Gender pay gaps remain by management level and across the organisation more broadly, with the pay gap for fixed salary increasing for women in senior management roles by 4%.



## People

### Diversity measurable objectives for 2020 (continued)

#### Objective: Diverse and inclusive workforce

A workplace where differences are valued and employees have a strong sense of belonging.

Initiatives	Outcomes
<p><b>Supporting employees to shape the diversity agenda and extend Challenger's diversity focus to areas which matter to them.</b></p> <p><b>Recognising and celebrating important events and milestones that represent the many different backgrounds and perspectives of employees at Challenger.</b></p>	<p>Challenger's new Diversity &amp; Inclusion Strategy was launched in October 2019 and focuses on three areas:</p> <ul style="list-style-type: none"> <li>• gender equality;</li> <li>• age equality; and</li> <li>• diverse and inclusive workplace.</li> </ul> <p>The strategy is complemented by four employee diversity networks created to empower employees to shape Challenger's diversity and inclusion agenda. The networks and their areas of focus are:</p> <ul style="list-style-type: none"> <li>• Together@Challenger – LGBTQI+ inclusion;</li> <li>• engAGE – Age inclusion;</li> <li>• Kaleidoscope – Cultural inclusion; and</li> <li>• equal aGender – Gender inclusion.</li> </ul> <p>Reflecting the new strategy and increased employee participation and engagement, the Diversity and Inclusion Committee was re-established, chaired by CEO, Richard Howes.</p>

#### Objective: Aged employment

Supporting employment outcomes for older employees.

Initiatives	Outcomes
<p><b>Increasing the proportion of employees aged over 50, retention of existing employees over 50 and creating opportunities to employ older workers.</b></p>	<p>During FY20, the proportion of employees aged over 50 increased from 11.2% to 12.1%. This compares to 23% of workers in financial services and 30% of workers in all industries in Australia.</p> <p>Retention of employees aged over 50 was strong during FY20, with only five departures compared to 10 departures in FY19.</p> <p>During the year, Challenger's new partnership with COTA NSW was established. This significant partnership aims to improve understanding and address employment issues faced by older workers.</p>



## Community, research and other data

### Sponsorship of community events, program development and research

Activities	Total
Sponsorship of COTA Australia	\$50,000
Research grant for National Seniors Australia	\$55,000
J.P. Morgan corporate challenge sponsorship	\$15,000
FICAP – Financial Industry Community Aid Program	\$11,000
Australian Red Cross Appeal	\$25,000
Rural Aid	\$3,000
Dementia Australia	\$500
Black Puppy Foundation	\$1,000
<b>Total</b>	<b>\$160,500</b>

### Other data

Topic	Total
Percentage of tenants with green leases <sup>1</sup>	12%
Percentage of accessible properties <sup>2</sup>	100%

<sup>1</sup> Green leases are in line with standards set through the federal Department of Industry, Science, Energy and Resources.

<sup>2</sup> Accessible properties are those that are accessible for people with disabilities.







## Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
<b>General Disclosures</b>			
<b>GRI 102: General Disclosures 2016</b>	102-1 Name of the organisation	Challenger Limited	
	102-2 Activities, brands, products and services	<a href="https://www.challenger.com.au/about-us">https://www.challenger.com.au/about-us</a>	
	102-3 Location of headquarters	5 Martin Place Sydney NSW 2000	
	102-4 Location of operations	<a href="https://www.challenger.com.au/about-us/contact-us/australian-offices">https://www.challenger.com.au/about-us/contact-us/australian-offices</a>	
	102-5 Ownership and legal form	<a href="https://www.challenger.com.au/about-us">https://www.challenger.com.au/about-us</a>	
	102-6 Markets served	<a href="https://www.challenger.com.au/about-us">https://www.challenger.com.au/about-us</a>	
	102-7 Scale of the organisation	2020 Annual Report: About Challenger	
	102-8 Information on employees and other workers	Performance and reference data – People	<u>37</u>
	102-9 Supply chain	Supply chain	<u>09</u>
	102-10 Significant changes to the organisation and supply chain	No significant changes during the reporting period.	
	102-11 Precautionary approach	2020 Corporate Governance Statement: Principle 7 – Recognise and manage risk	
	102-12 External initiatives	FTSE4GOOD index (voluntary) Principles of Responsible Investment (voluntary)	

GRI standard	Disclosure	Reference or response	Page
<b>GRI 102: General Disclosures 2016</b>	102-13 Membership of associations	Asian Association for Investors in Non-Listed Real Estate Vehicles Association of Superannuation Funds of Australia Australian Payroll Association Pty Ltd Australian Securitisation Forum Committee for Economic Development of Australia Financial Institutions Remuneration Group Inc Financial Services Council Governance Risk Compliance Institute (NSW) National Seniors Australia Ltd Australian Property Institute Principles for Responsible Investment Association Property Council of Australia Shopping Centre Council of Australia Women in Banking & Finance Women in Super	
	102-14 Statement from senior decision-maker	Update from the Chair and CEO	<u>03</u>
	102-16 Values, principles, standards and norms of behaviour	Responsible Practices – Trust and confidence	<u>11</u>
	102-18 Governance structure	About us – Governance and risk management	<u>08</u>



## Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
<b>General Disclosures (continued)</b>			
<b>GRI 102: General Disclosures 2016</b>	102-40 List of stakeholder groups	About us – What matters most	<u>06</u>
	102-41 Collective bargaining agreements	Challenger does not have any employees covered by collective bargaining agreements.	
	102-42 Identifying and selecting stakeholders	About us – What matters most	<u>06</u>
	102-43 Approach to stakeholder engagement	About us – What matters most	<u>06</u>
	102-44 Key topics and concerns raised	About us – What matters most	<u>06</u>
	102-45 Entities included in the consolidated financial statements	2020 Annual Report: note 22 to the Financial Statements	
	102-46 Defining report content and topic boundaries	Material issues boundary map	<u>34</u>
	102-47 List of material topics	About us – What matters most	<u>06</u>
	102-48 Restatements of information	The overall FY19 emissions profile was restated to reflect a correction to the information used to calculate IT equipment emissions. The resulting increase in emissions was 275.7, increasing the overall FY19 emissions to 5,562.6.	
	102-49 Changes in reporting	As a result of the 2020 materiality assessment undertaken, the following changes were made to the material issues identified: <ul style="list-style-type: none"> <li>• 'Challenging investment markets' became 'Economic uncertainty';</li> </ul>	

GRI standard	Disclosure	Reference or response	Page
<b>GRI 102: General Disclosures 2016</b>	102-49 Changes in reporting (continued)	<ul style="list-style-type: none"> <li>• 'Responsible investment' and 'Climate change' are discussed as separate topics, outside of 'Long-term risk management';</li> <li>• 'People and culture' became 'Great place to work';</li> <li>• 'Retirement policy settings' became 'Public policy settings';</li> <li>• 'Great customer experiences' became 'Better customer outcomes'; and</li> <li>• 'Supporting our community' became 'Community connection and resilience'.</li> </ul>	
	102-50 Reporting period	1 July 2019 – 30 June 2020	
	102-51 Date of most recent report	11 August 2020	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding this report	Jodi Litzenberger	
	102-54 Claims of reporting in accordance with the GRI Standards	About us – Report outline and contents	<u>02</u>
	102-55 GRI content index	GRI content index	<u>44</u>
	102-56 External assurance	The energy and greenhouse gas emissions calculations provided in this report have been externally assured by CN Audit Services. Other topics in this report have not been externally assured.	<u>36</u>



## Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
<b>Responsible practices</b>			
<b>Material topic: Trust and confidence</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Responsible practices – Trust and confidence About us – What matters most	<u>11</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices – Trust and confidence	<u>11</u>
	103-3 Evaluation of the management approach	Responsible practices – Trust and confidence	<u>11</u>
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	Responsible practices – Trust and confidence	<u>11</u>
<b>GRI 418: Customer Privacy 2016</b>	418-1 Complaints concerning privacy	Responsible practices – Trust and confidence	<u>11</u>
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions were identified in relation to non-compliance with laws and/ or regulations, including corruption.	
<b>Economic uncertainty (not aligned to GRI)</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Responsible practices – Economic uncertainty About us – What matters most	<u>14</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices – Economic uncertainty	<u>14</u>
	103-3 Evaluation of the management approach	Responsible practices – Economic uncertainty	<u>14</u>

GRI standard	Disclosure	Reference or response	Page
<b>Material topic: Long-term risk management</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Responsible practices – Long-term risk management About us – What matters most	<u>16</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices – Long-term risk management	<u>16</u>
	103-3 Evaluation of the management approach	Responsible practices – Long-term risk management	<u>16</u>
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	2020 Annual Report: note 3 to the Financial Statements	
<b>Material topic: Responsible investment (not aligned to GRI)</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Responsible practices – Responsible investment About us – What matters most	<u>18</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices – Responsible investment	<u>18</u>
	103-3 Evaluation of the management approach	Responsible practices – Responsible investment	<u>18</u>





## Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
<b>Responsible practices (continued)</b>			
<b>Material topic: Climate change</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Responsible practices – Climate change About us – What matters most	<u>20</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices – Climate change	<u>20</u>
	103-3 Evaluation of the management approach	Responsible practices – Climate change	<u>20</u>
<b>GRI 105: Emissions</b>	305-1 Direct (Scope 1) GHG Emissions	Performance and reference data – Environment	<u>35</u>
	305-2 Energy direct (Scope 2) GHG Emissions	Performance and reference data – Environment	<u>35</u>
	305-3 Other indirect (Scope 3) GHG Emissions	Performance and reference data – Environment	<u>35</u>
	305-4 GHG Emissions intensity	Performance and reference data – Environment	<u>35</u>
	305-5 Reduction of GHG emissions	Performance and reference data – Environment	<u>35</u>
<b>GRI 201: Economic performance</b>	201-2 Financial implications and other risks and opportunities due to climate change	Responsible practices – Climate change	<u>20</u>
<b>Material topic: Great place to work</b>			
<b>GRI 103: Management Approach 2016</b>	103 -1 Explanation of the material topic and its boundaries	Responsible practices – Great place to work About us – What matters most	<u>23</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices – Great place to work	<u>23</u>
	103-3 Evaluation of the management approach	Responsible practices – Great place to work	<u>23</u>

GRI standard	Disclosure	Reference or response	Page
<b>GRI 205: Anti-corruption 2016</b>	205-1 Confirmed incidents of corruption and actions taken	No employees were disciplined or dismissed due to non-compliance with anti-corruption policies in the year.	
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	Performance and reference data – People	<u>37</u>
	401-3 Parental leave	Performance and reference data – People	<u>39</u>
<b>GRI 403: Occupational Health and Safety 2016</b>	403-1 Worker's representation in formal health and safety committees	Responsible practices – Great place to work	<u>26</u>
	403-2 Injuries, lost days, absenteeism and work-related fatalities	Performance and reference data – People	<u>38</u>
<b>GRI 404: Training and Education 2016</b>	404-3 Percentage of employees receiving regular performance and career development reviews	Responsible practices – Great place to work	<u>24</u>
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	Performance and reference data – People	<u>39</u>
	405-2 Ratio of basic salary and remuneration of women to men	Performance and reference data – People	<u>39</u>



## Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
<b>Constructive policy</b>			
<b>Material topic: Changing operating environment (not aligned to GRI)</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Constructive policy – Changing operating environment	<u>27</u>
		About us – What matters most	<u>06</u>
	103-2 The management approach and its components	Constructive policy – Changing operating environment	<u>27</u>
	103-3 Evaluation of the management approach	Constructive policy – Changing operating environment	<u>27</u>
<b>Material topic: Public policy settings (not aligned to GRI)</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Constructive policy – Public policy settings	<u>29</u>
		About us – What matters most	<u>06</u>
	103-2 The management approach and its components	Constructive policy – Public policy settings	<u>29</u>
	103-3 Evaluation of the management approach	Constructive policy – Public policy settings	<u>29</u>
<b>Material topic: Better customer outcomes (not aligned to GRI)</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Customers and community – Better customer outcomes	<u>30</u>
		About us – What matters most	<u>06</u>
	103-2 The management approach and its components	Customers and community – Better customer outcomes	<u>30</u>
	103-3 Evaluation of the management approach	Customers and community – Better customer outcomes	<u>30</u>

GRI standard	Disclosure	Reference or response	Page
<b>Material topic: Community connection &amp; resilience</b>			
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its boundaries	Customers and community – Community connection and resilience	<u>32</u>
		About us – What matters most	<u>06</u>
	103-2 The management approach and its components	Customers and community – Community connection and resilience	<u>32</u>
	103-3 Evaluation of the management approach	Customers and community – Community connection and resilience	<u>32</u>
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	Customers and community – Community connection and resilience	<u>32</u>
		Performance and reference data – Community, research and other data	<u>43</u>



## Glossary

**Australian Institute of Superannuation Trustees (AIST)** – AIST advocates for financial wellbeing in retirement for all Australians regardless of their gender, culture, education or socio-economic background.

**Australian Modern Slavery Act, 2018** – The Australian Modern Slavery Act requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chain.

**Australian Prudential Regulation Authority (APRA)** – APRA is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia.

**Australian Research Council (ARC)** – ARC is a Commonwealth entity and advises the Australian Government on research matters, administers the National Competitive Grants Program, a significant component of Australia's investment in research and development, and has responsibility for Excellence in Research for Australia (ERA).

**Australian Securities and Investments Commission (ASIC)** – ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. It is an independent Commonwealth Government body and administer the *Australian Securities and Investments Commission Act 2001*.

**Australian Superannuation Funds Association (ASFA)** – ASFA is the peak policy, research and advocacy body for Australia's superannuation industry.

**Bioenergy Australia** – Bioenergy Australia is the industry body focused on supporting the growth and development of Australia's bioeconomy.

**Bloomberg Gender-Equality Index (GEI)** – The Bloomberg GEI tracks the performance of public companies committed to disclosing their efforts to support gender equality through policy development, representation and transparency.

**Centre of Excellence in Population Ageing Research (CEPAR)** – CEPAR is a collaboration between academia, government and industry, committed to delivering solutions to one of the major economic and social challenges of the 21st century.

**Commercial Real Estate mandatory Code of Conduct** – This outlines a set of good faith leasing principles for commercial tenancies, including retail office and industrial, between owners, operators and other landlords. This code applies to small-to-medium-sized businesses with an annual turnover of up to \$50 million that are eligible for the JobKeeper Payment scheme.

**Committee for Economic Development of Australia (CEDA)** – CEDA is an independent, membership-based think tank identifying policy issues that matter for Australia's future and pursues solutions that deliver better economic and social outcomes for the greater good.

**Commonwealth Scientific and Industrial Research Organisation (CSIRO)** – The CSIRO is Australia's national science research agency.

**Council on the Ageing (COTA) Australia** – COTA is the peak federal organisation working to advance the rights, interests and futures of Australians as they age.

**Council on the Ageing, New South Wales (COTA NSW)** – COTA NSW is the peak organisation for people over 50 in NSW.

**Equileap** – Equileap is a global organisation providing data and insights on gender equality in the corporate sector and promoting gender equality in the workplace.

**ESG** – Environmental, social and governance.

**Financial Services Council (FSC)** – The FSC's vision is for all Australians to have a fair and financially secure future. They support their membership in achieving outcomes that will contribute to their vision.

**FTSE4Good index** – The FTSE4Good Index is a series of ethical investment stock market indices launched in 2001 by the FTSE Group. Challenger submits annual reports to the index, which are assessed to provide opportunities for continuous improvement.

**Fundamental Conventions of the International Labour Organisation** – The eight conventions covering subjects that are considered as fundamental principles and rights at work: freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

**Global Reporting Initiative (GRI)** – The GRI is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and corruption.

**Green lease** – A green lease is a lease between the landlord and tenant, which aims to ensure that the ongoing use and operation of the building minimises environmental impacts. A green lease differs from conventional leases in that it incorporates ecologically sustainable development (ESD) principles.



## Glossary

**Insurance in Superannuation Voluntary Code of Practice (the Code)** – The Code is the superannuation industry's commitment to high standards when providing insurance to fund members.

**International Labour Organisation (ILO)** – The ILO is a United Nations agency, which sets international labour standards, promotes rights at work and encourages decent employment opportunities, the enhancement of social protection and the strengthening of dialogue on work-related issues.

**Intergovernmental Panel on Climate Change (IPCC)** – The IPCC is the United Nations body for assessing the science related to climate change.

**Investor Group on Climate Change (IGCC)** – The IGCC is a collaboration of Australian and New Zealand investors focusing on the impact that climate change has on the financial value of investments.

**JobKeeper Payment scheme (JobKeeper)** – JobKeeper is a temporary subsidy for businesses significantly affected by coronavirus (COVID-19).

**NABERS** – NABERS is a national rating system that measures the environmental performance of Australian buildings, tenancies and homes.

**National Cabinet Mandatory Code of Conduct for Commercial Leasing Principles** – The National Cabinet's code is to impose a set of good faith leasing principles for application to commercial tenancies (including retail, office and industrial) between owners/operators/ other landlords and tenants, where the tenant is an eligible business for the purpose of the Commonwealth Government's JobKeeper programme.

**National Seniors Australia (NSA)** – The NSA is the pre-eminent consumer lobby for older Australians.

**Organisation for Economic Co-operation and Development (OECD)** – The OECD is an intergovernmental economic organisation with 37 member countries, founded in 1961 to stimulate economic progress and world trade.

**Paris Agreement** – At COP 21 in Paris, on 12 December 2015, parties to the United Nations Framework Convention on Climate Change (UNFCCC) reached a landmark agreement to combat climate change and to accelerate and intensify the actions and investments needed for a sustainable low carbon future. The Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

**Privacy Awareness Week (PAW)** – PAW is the Australian Information Commissioner's initiative to look at ways that society, business and agencies prevent, detect and protect privacy in NSW.

**Property Council of Australia (PCA)** – The PCA is the leading advocate for Australia's property industry.

**Responsible Investment Association Australasia (RIAA)** – RIAA champions responsible investing and a sustainable finance system in Australia and New Zealand.

**Task Force on Climate-related Financial Disclosures (TCFD) recommendations** – Recommendations from an industry-led task force focusing on voluntary climate-related financial disclosures split across thematic areas of governance, strategy, risk management, and metrics and targets.

**Tax Transparency Code (TTC)** – The TCC is a set of principles and 'minimum' standards to guide disclosure of tax information by businesses.

**United Nations Framework Convention on Climate Change (UNFCCC)** – The UNFCCC is an international environmental treaty adopted and implemented by countries all around the world in 1994 to address the issue of climate change. The 197 countries that ratified the agreement represent almost universal global involvement.

**United Nations Principles for Responsible Investments (PRI)** – The PRI are a set of six principles that guide investors to consider ESG factors in investment decisions.

**United Nations Sustainable Development Goals (SDGs)** – The SDGs are a call to action to improve the wellbeing of current and future generations. They aim to tackle the world's biggest challenges through the promotion of sustainable development to 2030.

**Universal Declaration of Human Rights (UDHR)** – The UDHR is a document that sets out fundamental human rights to be universally protected, developed through the United Nations.

**Workplace Gender Equality Agency (WGEA)** – WGEA is an Australian Government statutory agency charged with promoting and improving gender equality in Australian workplaces.