




Challenge Limited		Principle: PRI 12.3
Objective: Mandatory		Reason for interaction
Type of engagement	Individual/ internal staff engagements	<input checked="" type="checkbox"/> To support investment decisions relating to E&S risks <input checked="" type="checkbox"/> To influence corporate practice for identification of E&S risks <input type="checkbox"/> Other: identify
	Collaborative engagements	<input type="checkbox"/> To support investment decisions relating to E&S risks <input checked="" type="checkbox"/> To influence corporate practice for identification of E&S risks <input type="checkbox"/> Other: identify
	Service provider engagements	<input type="checkbox"/> To support investment decisions relating to E&S risks <input checked="" type="checkbox"/> To influence corporate practice for identification of E&S risks <input type="checkbox"/> Other: identify

PRIVATE RI REPORT

2020

Challenger Limited

About this report

This report is an export of the individual Signatory organisation responses to the PRI Reporting Framework during the reporting period specified above. It shows your responses to all completed indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders. The PRI will **not publish** this report on its website. Instead, you will be able to access the public RI Transparency report of your organisation and that of other signatories on the PRI website.

The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information.

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PRI disclaimer

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OO 01	Mandatory	Gateway/Peering	General
OO 01.1	Select the type that best describes your organisation or the services you provide.		
<input type="radio"/> Non-corporate pension or superannuation or retirement or provident fund or plan <input type="radio"/> Corporate pension or superannuation or retirement or provident fund or plan <input type="radio"/> Insurance company <input type="radio"/> Foundation <input type="radio"/> Endowment <input type="radio"/> Development finance institution <input type="radio"/> Reserve - sovereign or government controlled fund <input type="radio"/> Family office <input checked="" type="radio"/> Other, specify <p style="margin-left: 40px;">Challenger Limited is an ASX-listed investment management company established in 1985. Challenger has two main businesses - Life and Funds Management.</p>			
OO 01.3	Additional information. [Optional]		
<p>Challenger Limited is an ASX-listed investment management company established in 1985. Challenger has two main businesses, Life and Funds Management.</p> <p>Challenger Life is the leading provider of annuities and guaranteed retirement income streams in Australia. The Life business is regulated by the Australian Prudential Regulation Authority (APRA) and provides products aimed at investors seeking the security and certainty of guaranteed cash flows with protection against market, inflation and longevity risks. Annuity premiums, along with shareholder capital, are invested in a diversified and high quality portfolio of assets to deliver predictable, long-term cash flows to meet commitments to our annuitants while providing attractive returns for shareholders.</p> <p>Challenger's Funds Management business is comprised of Fidante Partners and Challenger Investment Partners and is one of Australia's fastest growing fund managers. Fidante Partners comprises of co-owned, separately branded, boutique active investment managers. Challenger provides administration, distribution and business management support to the boutiques and shares in the profits of the boutique partnerships through its equity ownership. Challenger Investment Partners develops and manages assets under Challenger's brand for the Life business and third party investors. Challenger Investment Partners invests in fixed income and property assets.</p> <p>Challenger's vision is to provide customers with financial security for retirement. Our teams are committed to achieving this goal, and their efforts are being invested in the following strategies to achieve our long term vision:</p> <ul style="list-style-type: none"> - Increase the Australian retirement savings pool allocation to secure and stable incomes - Be recognised as the leader and partner of choice in retirement income solutions with a broad product offering - Provide clients with relevant investment strategies exhibiting consistently superior performance - Maintain a highly engaged, diverse and agile workforce committed to outstanding client service with a strong risk and compliance culture <p>For more information on Challenger Limited, please refer to our website: www.challenger.com.au</p>			
OO 02	Mandatory	Peering	General
OO 02.1	Select the location of your organisation's headquarters.		
Australia			
OO 02.2	Indicate the number of countries in which you have offices (including your headquarters).		
<input type="radio"/> 1 <input checked="" type="radio"/> 2-5 <input type="radio"/> 6-10 <input type="radio"/> >10			
OO 02.3	Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).		
717.4			
OO 03	Mandatory	Descriptive	General
OO 03.1	Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.		
<input type="radio"/> Yes <input checked="" type="radio"/> No			
OO 04	Mandatory	Gateway/Peering	General
OO 04.1	Indicate the year end date for your reporting year.		
31/12/2019			
OO 04.2	Indicate your total AUM at the end of your reporting year.		
Total AUM 49,300,000,000 AUD 33395800775 USD			

OO 04.5	Additional information. [Optional]
<p>Challenger Limited publicly reported Assets and Funds under management as at 31 December 2019 was AUD \$86.3bn. For PRI purposes the AUM associated with our Funds Management Boutique Partners through external segregated mandate appointments by their third party clients totalling AUD \$37.0bn has been excluded.</p>	

OO 05	Mandatory to Report, Voluntary to Disclose	Gateway	General
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OO 05.1	Provide an approximate percentage breakdown of your AUM at the end of your reporting year using the following asset classes and investment strategies:
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	Internally managed (%)	Externally managed (%)
Listed equity	<10%	<10%
Fixed income	10-50%	10-50%
Private equity	0	0
Property	10-50%	<10%
Infrastructure	0	<10%
Commodities	0	0
Hedge funds	0	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Money market instruments	0	0
Other (1), specify	0	0
Other (2), specify	0	0

OO 06	Mandatory	Descriptive	General
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OO 06.1	Select how you would like to disclose your asset class mix.
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- as percentage breakdown
- as broad ranges

OO 06.3	Indicate whether your organisation has any off-balance sheet assets [Optional].
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- Yes
- No

OO 06.5	Indicate whether your organisation uses fiduciary managers.
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- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

OO 07	Mandatory to Report, Voluntary to Disclose	Gateway	General
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OO 07.1	Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.
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Internally managed	5	SSA
	25	Corporate (financial)
	29	Corporate (non-financial)
	41	Securitised
Externally managed	23	SSA
	33	Corporate (financial)
	31	Corporate (non-financial)
	13	Securitised

OO 08	Mandatory to Report, Voluntary to Disclose	Peering	General
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OO 08.1 Provide a breakdown of your organisation's externally managed assets between segregated mandates and pooled funds or investments.

Asset class breakdown	Segregated mandate(s)	Pooled fund(s) or pooled investment(s)	Total of the asset class (each row adds up to 100%)													
[a] Listed equity	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50%	100%													
[b] Fixed income - SSA	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	100%													
[c] Fixed income – Corporate (financial)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	100%													
[d] Fixed income – Corporate (non-financial)	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	100%													
[e] Fixed income – Securitised	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	100%													
[g] Property	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50%	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50%	100%													

[h] Infrastructure	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %	100%																	
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OO 08.2 Additional information. [Optional]

OO 09 Mandatory Peering General

OO 09.1 Indicate the breakdown of your organisation's AUM by market.

95	Developed Markets
5	Emerging Markets
0	Frontier Markets
0	Other Markets

OO 10 Mandatory Gateway General

OO 10.1 Select the active ownership activities your organisation implemented in the reporting year.

Listed equity – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

We require our external managers to engage with companies on ESG factors on our behalf.

We do not engage directly and do not require external managers to engage with companies on ESG factors.

Listed equity – voting

We cast our (proxy) votes directly or via dedicated voting providers

We require our external managers to vote on our behalf.

We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

Fixed income SSA – engagement

We engage with SSA bond issuers on ESG factors via our staff, collaborations or service providers.

We require our external managers to engage with SSA bond issuers on ESG factors on our behalf.

We do not engage directly and do not require external managers to engage with SSA bond issuers on ESG factors. Please explain why you do not.

Fixed income Corporate (financial) – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

We require our external managers to engage with companies on ESG factors on our behalf.

We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (non-financial) – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

We require our external managers to engage with companies on ESG factors on our behalf.

We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Fixed income Corporate (securitised) – engagement

We engage with companies on ESG factors via our staff, collaborations or service providers.

We require our external managers to engage with companies on ESG factors on our behalf.

We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

OO 11 Mandatory Gateway General

OO 11.1 Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Listed equity

We address ESG incorporation.

We do not do ESG incorporation.

Fixed income - SSA

We address ESG incorporation.

We do not do ESG incorporation.

Fixed income - corporate (financial)

We address ESG incorporation.

We do not do ESG incorporation.

Fixed income - corporate (non-financial)

We address ESG incorporation.

We do not do ESG incorporation.

Fixed income - securitised

We address ESG incorporation.

We do not do ESG incorporation.

Property

We address ESG incorporation.

We do not do ESG incorporation.

Cash

We address ESG incorporation.

We do not do ESG incorporation.

OO 11.2 Select the externally managed assets classes in which you and/or your investment consultants address ESG incorporation in your external manager selection, appointment and/or monitoring processes.

Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Listed equity	<p>Listed equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - SSA	<p>Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - corporate (financial)	<p>Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>
Fixed income - corporate (non-financial)	<p>Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process</p> <p><input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process</p> <p><input type="checkbox"/> We do not do ESG incorporation</p>

Fixed income - securitised	Fixed income - securitised - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
	<input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Property	Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
	<input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Infrastructure	Infrastructure - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
	<input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation

OO 11.4 Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

Our internally managed Listed Equity assets are managed under equity quantitative strategies. We are currently researching ways in which ESG can be incorporated into the portfolio. We have conducted some back tests on using ESG as alpha factors or as a universe screening tool, but the preliminary results are mixed. We are now doing further work to understand the results and to conduct further back tests before incorporating ESG into our investment process.

When carrying out due diligence for the appointment of new third party investment managers, Challenger promotes its expectations in respect of ESG considerations as a formal part of the investment manager selection and review process. Challenger seeks to understand the third party investment manager's approach and resource capability with respect to responsible investment and encourages the third party investment manager to discuss ESG considerations undertaken in their own investment decision-making and ownership practices in their reports to Challenger. There is a specific clause contained within the IMA which clearly sets out the third party investment manager's approach to ESG considerations, including an adequate explanation as to how ESG risks are accounted for and the proxy voting reporting arrangements that have been agreed between Challenger and the third party investment manager.

In 2018 Challenger hired a dedicated ESG Specialist to support the Fidante boutique external managers with their responsible investment activity.

OO 12 Mandatory Gateway General

OO 12.1 Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules	
<input checked="" type="checkbox"/>	Organisational Overview
<input checked="" type="checkbox"/>	Strategy and Governance
RI implementation directly or via service providers	
Direct - Fixed Income	
<input type="checkbox"/>	Fixed income - SSA
<input checked="" type="checkbox"/>	Fixed income - Corporate (financial)
<input checked="" type="checkbox"/>	Fixed income - Corporate (non-financial)
<input checked="" type="checkbox"/>	Fixed income - Securitised
Direct - Other asset classes with dedicated modules	
<input checked="" type="checkbox"/>	Property
RI implementation via external managers	
Indirect - Selection, Appointment and Monitoring of External Managers	
<input checked="" type="checkbox"/>	Listed Equities
<input checked="" type="checkbox"/>	Fixed income - SSA
<input checked="" type="checkbox"/>	Fixed income - Corporate (financial)
<input checked="" type="checkbox"/>	Fixed income - Corporate (non-financial)
<input checked="" type="checkbox"/>	Fixed income - Securitised

- Property
- Infrastructure

	Closing module
<input checked="" type="checkbox"/>	Closing module

OO LE 01	Mandatory to Report, Voluntary to Disclose	Gateway	General
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OO LE 01.1	Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.
0	Passive
95	Active - quantitative (quant)
5	Active - fundamental and active - other

OO FI 01	Mandatory to Report, Voluntary to Disclose	Gateway	General
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OO FI 01.1	Provide a breakdown of your internally managed fixed income securities by active and passive strategies
SSA	Passive
	0
	Active - quantitative (quant)
0	Active - fundamental and active - other
	100
	Passive
Corporate (financial)	Active - quantitative (quant)
	0
	Active - fundamental and active - other
0	100
	Passive
	0
Corporate (non-financial)	Active - quantitative (quant)
	0
	Active - fundamental and active - other
0	100
	Passive
	0
Securitized	Active - quantitative (quant)
	0
	Active - fundamental and active - other
0	100

OO FI 03	Mandatory	Descriptive	General
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OO FI 03.1	Indicate the approximate (+/- 5%) breakdown of your SSA investments, by developed markets and emerging markets.
SSA	Developed markets
	100
0	Emerging markets
	0

OO FI 03.2	Indicate the approximate (+/- 5%) breakdown of your corporate and securitized investments by investment grade or high-yield securities.
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Type	Investment grade (+/- 5%)	High-yield (+/- 5%)	Total internally managed
Corporate (financial)	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%	100%

OO FI 03.3 Additional information. [Optional]

Given that OO FI 01.1 was focused on internally managed assets and OO FI 03.2 is focused on internally managed assets (indicated in last column) we have answered OO FI 03.1 in relation to internally managed assets.

OO SAM 01 Mandatory to Report, Voluntary to Disclose Gateway General

OO SAM 01.1 Provide a breakdown of your externally managed listed equities and fixed income by passive, active quant and, active fundamental and other active strategies.

Listed equity (LE)	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
Fixed income - SSA	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
Fixed income - Corporate (financial)	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
Fixed income - Corporate (non-financial)	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
Fixed income - Securitised	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100

OO SAM 01.2 Additional information [Optional].

All Fidante Boutiques are Active Managers.

OO PR 01 Mandatory to Report, Voluntary to Disclose Descriptive General

OO PR 01.1 Indicate the level of ownership you typically hold in your property investments.

- a majority stake (50% and above)
- a significant minority stake (10 and above, and under 50%)
- a limited minority stake (<10%)

- a mix of ownership stakes
- N/A, we manage properties, new constructions and/or refurbishments on behalf of our clients, but do not hold equity in property on their behalf

OO PR 01.2 Provide a breakdown of your organisations allocation to Real Estate Investment Trusts (REITs) or similar

- >50%
- 10 – 50%
- <10%
- 0%

OO PR 02 Mandatory to Report, Voluntary to Disclose Gateway General

OO PR 02.1 Provide a breakdown of your organisation’s property assets based on who manages the assets.

Property assets managed by	Breakdown of your property assets (by number)
Managed directly by your organisation	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> 0%
Managed via third-party property managers appointed by you	<input checked="" type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by other investors or their property managers	<input type="radio"/> >50% <input checked="" type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> 0%
Managed by tenant(s) with operational control	<input type="radio"/> > 50% <input type="radio"/> 10-50% <input checked="" type="radio"/> < 10% <input type="radio"/> 0%
Total 100%	

OO PR 03 Mandatory to Report, Voluntary to Disclose Descriptive General

OO PR 03.1 Indicate up to three of your largest property types by AUM.

Types	Main property types (by AUM)
Largest property type	<input type="radio"/> Industrial <input type="radio"/> Retail <input checked="" type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify
Second largest property type	<input type="radio"/> Industrial <input checked="" type="radio"/> Retail <input type="radio"/> Office <input type="radio"/> Residential <input type="radio"/> Leisure/Hotel <input type="radio"/> Mixed use <input type="radio"/> Other, specify

Third largest property type	<ul style="list-style-type: none"><input type="radio"/> Industrial<input type="radio"/> Retail<input type="radio"/> Office<input type="radio"/> Residential<input type="radio"/> Leisure/Hotel<input type="radio"/> Mixed use<input checked="" type="radio"/> Other, specify <p style="margin-left: 40px;">Industrial, Social Infrastructure, Mixed Use</p>
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OO Checks

Checks

If there are any messages below, please review them before continuing. If there are no messages below, please save this page and continue.

SG 01.1 Indicate if you have an investment policy that covers your responsible investment approach.

✓ Yes

SG 01.2 Indicate the components/types and coverage of your policy.

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3 Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4 Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

Challenger is one of the largest investment managers in the Asia-Pacific region. Challenger recognises the responsibilities we have as a company in relation to sustainability and the environment, our people and the community in which we operate. We also acknowledge the relevance of environmental, social (including labour standards) and governance factors and believe that there are links between long-term sustainable returns and the quality of an organisation's ESG practices.

Challenger undertakes to consider ESG factors in investment decision-making and ownership practices. Challenger has adopted an integrated investment management approach to deliver responsible investment outcomes. In line with these practices is our belief that the consideration of ESG factors will provide us with a greater understanding of areas of potential risk and opportunity that could ultimately affect the value, performance and reputation of the investment decision-making that we undertake.

Challenger recognises that ESG considerations cover a wide range of issues and that the means of applying RI Principles in a practical sense are still developing across the industry. Accordingly, Challenger aims to concentrate its efforts on those considerations it considers material, particularly those where Challenger feels it can exert its influence towards achieving a specific outcome.

SG 01.5 Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

Challenger's internal listed equity strategies comprise passive investment in stock market indices (e.g. S&P 500, ASX 200) via swaps and ETFs and active quantitative equity market neutral strategies applying factor investing in a long-short format with a global universe.

Our current view is that for passive index products seeking a passive exposure incorporating ESG factors results in an active exposure. Invariably, an active product is more expensive than a passive product. Challenger is however seeking to conduct further research to understand if there is a (net of cost) premium to be earned from investing in companies based on their ESG scores. Two possible approaches of integration being considered are:

Adjusting the weights of securities in an index based on their ESG ratings so that securities that rank poorly (highly) on ESG are underweighted (overweighted) and Investing into off-the-shelf or custom responsible investment indices.

For internal equity market neutral strategies, given the strategy is implemented in a systematic manner, ESG integration requires extensive back testing using historical data to examine the impact on portfolio return, volatility and risk-adjusted return. Challenger seeks to conduct further back tests with approaches including:

Excluding securities with poor ESG ratings from the investable universe

Setting the maximum exposures of stocks based on their ESG ratings as part of the portfolio construction process and

Applying ESG scores as a new factor alongside the existing factors, to buy stocks with high ESG ratings and sell stocks with low ESG ratings.

In 2019 Challenger purchased access to MSCI ESG data in order to assist with its ESG integration efforts. Challenger has conducted preliminary back tests of using ESG scores either as a new factor or a universe screening tool. The preliminary results show some potential of ESG in improving the return and risk profiles of the portfolio, but further testing is required in 2020 in order to understand how such ESG ratings can be meaningfully

integrated into this strategy. Challenger's internal listed equity team are continuing to conduct further research into ESG integration in the active quantitative space.

No

SG 01 CC	Mandatory to Report, Voluntary to Disclose	Descriptive	General
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SG 01.6 CC Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm. As a the end of 2019 this process was still ongoing and preliminary results are expected in 2020. At this time, Challenger will seek to determine how these risks are factored into investment strategies.

No

SG 01.7 CC Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

No

Describe why your organisation has not yet assessed the likelihood and impact of climate risks

Research is ongoing and results are expected in 2020.

SG 01.8 CC Indicate whether the organisation publicly supports the TCFD?

Yes

No

Explain the rationale

As part of our risk management practices, we will continue to manage the broad range of risks that apply to Challenger, including climate risk. We will also continue to monitor our climate risk approach and disclosures to ensure they remain appropriate. This includes consideration of future adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. At this stage, Challenger has not publicly endorsed the TCFDs.

SG 01.9 CC Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

No

Describe how and over what time frame the organisation will implement an organisation-wide strategy that manages climate-related risks and opportunities.

In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm. As a the end of 2019 this process was still ongoing and preliminary results are expected in 2020.

At this time, Challenger will seek to determine how these risks are factored into its organisation-wide strategy. We expect that implementation is likely to occur over a number of years.

SG 1.10 CC Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

SG 02	Mandatory	Core Assessed	PRI 6
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SG 02.1 Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment

URL

<https://www.challenger.com.au/about/Businesspractices.asp>

Attachment (will be made public)

Asset class-specific RI guidelines

Engagement policy

URL/Attachment

URL
<http://www.challenger.com.au/about/Businesspractices.asp>

Attachment (will be made public)

(Proxy) voting policy

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.challenger.com.au/about/Businesspractices.asp <input type="checkbox"/> Attachment (will be made public)

We do not publicly disclose our investment policy documents

SG 02.2 Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.challenger.com.au/about/Businesspractices.asp <input type="checkbox"/> Attachment

Governance structure of organisational ESG responsibilities

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.challenger.com.au/about/Businesspractices.asp <input type="checkbox"/> Attachment

ESG incorporation approaches

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.challenger.com.au/about/Businesspractices.asp <input type="checkbox"/> Attachment

Active ownership approaches

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.challenger.com.au/about/Businesspractices.asp <input type="checkbox"/> Attachment

Reporting

URL/Attachment
<input checked="" type="checkbox"/> URL http://www.challenger.com.au/about/Businesspractices.asp <input type="checkbox"/> Attachment

We do not publicly disclose any investment policy components

SG 02.3 Additional information [Optional].

The Challenger Responsible Investment Policy addresses Challenger's approach to responsible investment including reporting, engagement and voting.

SG 03 **Mandatory** **Core Assessed** **General**

SG 03.1 Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

SG 03.2 Describe your policy on managing potential conflicts of interest in the investment process.

Challenger Limited is required to have in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by it or its representatives in the provision of financial services.

Challenger Limited's Conflicts of Interest Policy aims to ensure that:

- Challenger Limited's financial services are not significantly compromised by conflicts of interest and that adequate management procedures are in place;
- any actual and potential conflicts of interest between Challenger companies and their clients are identified, managed effectively and, if necessary, reported in a timely and consistent manner in accordance with applicable laws, regulatory and prudential requirements, industry codes of practice and licensing obligations;
- Challenger Limited maintains the integrity of its advice and services to clients;

- Challenger Limited and its representatives act efficiently, honestly and fairly;
- Challenger Limited and its representatives comply with all relevant financial services laws; and
- Challenger Limited and its representatives comply with their agency and fiduciary obligations under the common law.

Challenger Limited also has other policies in place which cover related issues, such as:

- Corporate Code of Conduct
- Staff Trading - personal account dealing;
- Trade Allocation;
- Related Party Transactions and
- Information Barriers.

No

SG 04	Voluntary	Descriptive	General
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SG 04.1 Indicate if your organisation has a process for identifying and managing incidents that occur within investee entities.

- Yes
 No

SG 04.2 Describe your process on managing incidents

Challenger has established a consistent process for the escalation, management, recording and reporting of Incidents and Near Misses. The Incident Management Policy and Practice Note comprises one of the key elements of the Risk Management Framework for Challenger. To operate within the complex and regulated financial services environment, it is essential that there are clearly identifiable and well-articulated procedures in place to manage Incidents and Near Misses that may arise from time to time. Employee training and education provides opportunities for continual improvement in Challenger's management of Incidents. Challenger and its consolidated entities are required to mark to market value assets and investments. Challenger is generally a long terms holder of assets to match the term of life insurance contract liabilities. There is a Financial Risk Committee (FRC) appointed to assist the Board in managing investment portfolios, approving transactions, and managing investment risk. In undertaking its role, FRC receives asset performance reports from Asset Class heads and these reports include as relevant ESG factors integrated into acquisition and divestment decisions and ongoing asset management obligations. Where ESG factors have materially impacted current or future value of a portfolio asset FRC report to the Board the nature of the ESG incident and the proposed actions to manage. For the Funds Management Business, operations monitor and report internally instances of third party managers non-adherence to the Investment Mandate terms including as relevant any ESG matters.

SG 05	Mandatory	Gateway/Core Assessed	General
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SG 05.1 Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
 Biannually
 Annually
 Less frequently than annually
 Ad-hoc basis
 It is not set/reviewed

SG 06	Voluntary	Descriptive	General
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SG 06.1 List the main responsible investment objectives that your organisation set for the reporting year.

Responsible investment processes

- Provide training on ESG incorporation

Key performance indicator

Increase access to ESG educational events and research for investment staff

Progress achieved

In 2019 Challenger held an event on the integration of climate change risks and opportunities into investment analysis with the CEO of the IGCC presenting her insights on the topic to Challenger and boutique investment teams.
 Challenger's ESG Specialist and Head Strategy for CIP Fixed Income presented at the Challenger Life Company offsite at a special ESG session.
 Challenger's ESG Specialist attended the PRI in Person conference in Paris and presented ESG insights to internal investment teams.
 Challenger's ESG Specialist also presented to internal sales teams on trends and developments in ESG.
 Several ESG update mail-outs were sent out throughout the year to investment staff and the wider Challenger and boutique audience, informing teams on latest news and research findings in the field of responsible investment.

- Provide training on ESG engagement

- Improved communication of ESG activities within the organisation

Key performance indicator

Dedicated ESG resource to focus on supporting investment teams in their ESG integration practices and communication of ESG-related information across the firm.

Progress achieved

Challenger's dedicated ESG Specialist has been supporting investment teams across Challenger and the Fidante boutique partners with their ESG integration practices and activity including updating ESG policies. Challenger's ESG specialist works closely with Challenger's Corporate Affairs and Sustainability team to communicate and collaborate on ESG and Sustainability activities across the firm. In 2019 this included work on Modern Slavery risks and on Climate Change-related risks and opportunities assessment. Challenger hired an external expert to run workshops with senior figures across the business as part of this assessment.

ESG is part of every boutique investment teams' business plan and progress is monitored on a quarterly basis. This is part of boutique board papers.

In 2019 Challenger's ESG specialist presented at several offsites and strategy days for various teams across the business, incorporating an ESG focus into their activities and future plans.

Challenger's ESG Specialist is also highly focused on engaging with clients and consultants on their RI goals and requirements and communicating these back to investment teams to ensure alignment on RI work.

- Improved engagement to encourage change with regards to management of ESG issues
- Improved ESG incorporation into investment decision making processes

Key performance indicator

Access to third party ESG data and research

Progress achieved

In 2019 Challenger signed a contract with an ESG data provider to enable ESG integration for its investment teams and portfolio reporting for its Fidante boutiques. Challenger and several boutique investment teams were consulted as part of the due diligence process. Challenger also negotiated and made available a 3-month free trial with the ESG data provider to all of its boutiques and encouraged them to purchase a licence. Fidante is able to provide portfolio reporting and tracking of ESG metrics across its portfolios using this ESG data.

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Participate in relevant RI initiatives

Progress achieved

Challenger's ESG specialist attended the PRI in Person conference in Paris and various other RI events around the conference bringing back insights to Challenger's investment teams and wider business.

Challenger hosted a lunch with CEDA on "Rethinking age in the workplace" where Michelle Taylor, Challenger's Chief Executive, People, Corporate Affairs & Sustainability, moderated a panel of experts. The event examined the economic and social benefits of a diverse and engaged workforce that offers opportunities to workers – young and old; Policy initiatives that encourage older adults to remain in the workplace; and inclusive leadership and eliminative bias in the workplace with regard to perceptions of age.

Challenger held an ESG event on its premises for internal and boutique investment teams with guest speaker Emma Herd from IGCC on climate-risk integration.

Challenger voted in the PRI annual ballot in 2019.

Fidante hosted the Fidante Investment Forum in three location across Australia for advisers and investment professionals, which included an ESG session. Challenger's ESG Specialist interviewed Alphinity's principal Stephane Andre, on Sustainability, ESG integration and the Sustainable Development Goals.

Challenger's Senior Manager of Sustainability and Challenger's ESG specialist attended the IGCC Climate Summit in 2019.

- Encouraging others to join a RI initiative

Key performance indicator

Fidante Boutique Investment Managers - PRI signatories

Progress achieved

Challenger's Funds Management business is comprised of Fidante Partners and Challenger Investment Partners. Challenger Investment Partners manage the internally managed property and fixed income assets covered by the Challenger PRI report. Fidante Partners comprises of co-owned, separately branded, boutique active investment managers. Fidante funds are generally managed by one of the boutiques and this AUM is covered under the externally managed assets element of Challenger PRI report. As part of growing the business, Fidante establishes and acquires stakes in new boutiques.

During 2019, encouraged and assisted its existing boutiques to further develop and make public their Responsible Investment Policies in line with best practice and provided guidance on PRI reporting and climate change integration. Fidante also encouraged and provided guidance on becoming a PRI signatory to its new boutique Eiger Capital, which signed up in 2019. Challenger also held ESG education events with expert speakers throughout the year.

- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients

Key performance indicator

Develop comprehensive ESG document for CIP Fixed Income team outlining their process for ESG integration and case studies to demonstrate

approach.

Progress achieved

In 2019 CIP Fixed Income team publicly disclosed their ESG approach in a detailed document that provided case studies to demonstrate their thinking and process around specific ESG issues to clients and prospective clients. This document is available on the CIP Fixed Income website <https://www.challengerinvestmentpartners.com/fixed-income/>

- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

SG 07

Mandatory

Core Assessed

General

SG 07.1

Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

Roles

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Internal Roles (triggers other options)

Select from the below internal roles

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
 - Asset Class Heads
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)
- Other role, specify (2)
- External managers or service providers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment

SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Challenger's Directors, relevant Chief-level staff, and all Investment Management Heads and their teams (the relevant Challenger employees) are responsible for the effective management of the integration of ESG matters into the investment decision-making process and for ensuring that proper procedures are in place to meet the obligations outlined within the RI Policy.

Challenger's Investment Management Heads monitor the integration of ESG considerations and their management strategies in Challenger's investment

decision-making and ownership practices.

Challenger appointed an ESG specialist in 2018. The key purpose of the role is to support investment teams across Challenger and the Fidante boutique partners with their ESG integration practices and activity.

SG 07.3 Indicate the number of dedicated responsible investment staff your organisation has.

1

SG 07.4 Additional information. [Optional]

At present accountability for Responsible Investment practices and implementation is incorporated into a variety of existing Chief level, investment management, risk and compliance roles across the organisation.

SG 07 CC Mandatory to Report, Voluntary to Disclose Descriptive General

SG 07.5 CC Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.6 CC For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Challenger's Board of Directors bear the ultimate responsibility for the management and reporting of ESG matters throughout Challenger, including where relevant, assessment of climate-related risks. Challenger's Board of Directors, the Group Risk Committee, relevant Leadership Team members, and all Investment Management Heads and their teams (the relevant Challenger employees) are responsible for the effective management of the integration of ESG matters into the investment decision-making process and for ensuring that proper procedures are in place to effectively meet the obligations contained within Challenger's Responsible Investment Policy. The Board is informed on climate-related issues through the materiality process (in May) and Sustainability report (August) each year as well as on an ad hoc basis, where this is relevant.

SG 07.7 CC For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

In 2019 Challenger began the process of identifying its climate-related risks and opportunities across the business. This assessment included participation of key senior leaders including the Chief Investment Officer and Heads of Asset Management functions, along with the assistance of an independent specialist firm. As at the end of 2019 this process was still ongoing and preliminary results are expected in 2020.

In addition, investments in our commercial property portfolio take environmental performance and operating efficiency ratings (NABERS) into consideration at the time of acquisition. We also actively look for opportunities to implement strategies to improve the environmental performance credentials or efficiencies of the investment over time. Our asset management team focus on implementing energy efficiency initiatives and green building principles across our commercial property portfolio, which is comprised of both domestic and international investments.

SG 07.8 CC Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other
- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

SG 08	Voluntary	Additional Assessed	General
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SG 08.1 Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.

Board members/Board of trustees

SG 08.1b RI in personal development and/or training plan

- Responsible investment included in personal development and/or training plan
- None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee

SG 08.1a RI in objectives, appraisal and/or reward

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- None of the above

Other C-level staff or head of department

SG 08.1a RI in objectives, appraisal and/or reward

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- None of the above

Portfolio managers

SG 08.1a RI in objectives, appraisal and/or reward

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- None of the above

SG 08.1b RI in personal development and/or training plan

- Responsible investment included in personal development and/or training plan
- None of the above

Investment analysts

SG 08.1a RI in objectives, appraisal and/or reward

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- None of the above

SG 08.1b RI in personal development and/or training plan

- Responsible investment included in personal development and/or training plan
- None of the above

Dedicated responsible investment staff

SG 08.1a RI in objectives, appraisal and/or reward

- Responsible investment KPIs and/or goals included in objectives

- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- None of the above

SG 08.1b RI in personal development and/or training plan

- Responsible investment included in personal development and/or training plan
- None of the above

SG 08.3 Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

The Board is accountable to shareholders for the activities and performance of Challenger by overseeing the development of sustainable shareholder value within an appropriate risk framework. As a diversified financial services firm Challenger operates in a heavily regulated environment. As a result, organisational capacity is an entry level requirement whether by reference to the selection and performance of Board and Committee members or by reference to the chief level staff. Board members and chief level staff at Challenger have deep and broad Investment and Asset Management experience including sourcing, structuring, execution and management of assets and investments on a global basis. This experience is reflected in Challenger's acknowledgement of the responsibilities Challenger has as a company in relation to sustainability and the environment, our people and the community in which we operate. The adoption of an integrated investment management approach to deliver responsible investment outcomes aligns with Challenger's belief that the consideration of ESG factors provides greater understanding of areas of potential risk and opportunity that could ultimately affect the value, performance and reputation of the investment decision-making that we undertake on behalf of those directly impacted such as customers, shareholders and employees and those indirectly impacted such as government, regulators and industry groups.

SG 09 Mandatory Core Assessed PRI 4,5

SG 09.1 Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

- Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

Basic

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

10-12 September 2019 - PRI in Person Annual Conference - Paris

Challenger's ESG Specialist attended the annual PRI in Person conference in September 2019 to learn about the latest developments in ESG Integration and provided insights to Challenger and Fidante boutique investment teams via presentations and thought leadership.

September 2019 - Consultation with PRI's Sheela Veerappan on new Climate Change indicators for Challenger and the Fidante boutiques.

Challenger's ESG Specialist consulted with the PRI to improve our understanding of the requirements under the new Climate Change indicators in order to provide guidance to Challenger and boutique investment teams.

8 April 2019 - Reporting Consultation Workshop: Australia

Challenger's ESG Specialist took part in the reporting framework consultation to help shape the future of reporting and assessment. The event was hosted by the PRI's CEO, Fiona Reynolds. Challenger provided thoughts and opinions on the challenges and possible solutions regarding the evolution of the reporting and assessment framework over the next five to 10 years, as well as the responsible investment market more generally.

November 2019 - Governance and Asset Owner ballot

2019 PRI Governance Asset Owner Ballot votes cast on behalf of Challenger Limited

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AVCA: Sustainability Committee
- France Invest – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Climate Action 100+

Your organisation's role in the initiative during the reporting period (see definitions)

Basic

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Challenger's ESG Specialist met with the Australian representative head of Climate Action 100+ in 2019 to improve our knowledge of the framework and program in order to provide guidance to Fidante's boutique partners and promote the initiative to them. Challenger is not currently a member of Climate Action 100+ due to the nature of its investments but, through its Fidante business, encourages its boutique partners to join the initiative.

- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- HKVCA: ESG Committee
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

Basic

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

In November 2019 Challenger invited Emma Herd to speak to its in-house and boutique investment teams on the topic on climate change and the integration of Climate-related risks and opportunities into investment analysis.

In October 2019 Challenger's ESG Specialist and Senior Manager of Corporate Sustainability attended the IGCC Climate Change Summit in Sydney.

- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action in the 21st Century
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

COTA NSW

Your organisation's role in the initiative during the reporting year (see definitions)

Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

In September 2019 Challenger announced its strategic three-year partnership with COTA New South Wales. Through this partnership, Challenger will deliver a community program aimed at addressing the underemployment of people aged over 50. This program will celebrate the value older Australians bring to the workplace and improve workplace practices to attract and retain older workers into their companies.

To find the right partner, we engaged with Social Ventures Australia, experts in designing partnerships that make an impact.

- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

CEDA

Your organisation's role in the initiative during the reporting year (see definitions)

Moderate

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

In 2019 Challenger hosted a lunch with CEDA on "Rethinking age in the workplace" where Michelle Taylor, Challenger's Chief Executive, People, Corporate Affairs & Sustainability, moderated a panel of experts.

Overview of the event:

Australian youth and older generations represent proportions of the population that are under-represented in today's diverse workforce. Australia's unemployment rate among people aged 15 to 24 years is more than double the general rate and is higher than the average comparable economies within the OECD. Similarly, Australians aged 55 years and over remain under-utilized with many experiencing under-employment and age discrimination in the workplace.

This event examined:

- The economic and social benefits of a diverse and engaged workforce that offers opportunities to workers – young and old;
- Policy initiatives that encourage older adults to remain in the workplace and access life-long learning opportunities to upskill;
- Work opportunities for younger Australians and vocational pathways for school leavers; and
- Inclusive leadership and eliminating bias in the workplace with regard to perceptions of age.

March 2019 - ESG Specialist and Senior Manager of Corporate Sustainability attended The Social CEO hosted by CEDA which discussed the importance of social issues for CEOs.

Other collaborative organisation/initiative, specify

Financial Services Council

Your organisation's role in the initiative during the reporting year (see definitions)
--

Basic

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
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Challenger participated in the FSC ESG Working Group in 2019 on a number of issues.

SG 09.2	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
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Indicate approximately what percentage (+/- 5%) of your externally managed assets under management are managed by PRI signatories.
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82%

SG 10	Mandatory	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
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Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

Description
Provided guidance and training for Challenger and Fidante boutiques on the integration of climate change and modern slavery into investment analysis through training, guidance and holding events with external speakers. ESG specialist presented internally to various teams and at offsites on emerging ESG trends and integration processes.

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input checked="" type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad hoc <input type="radio"/> Other

Provided financial support for academic or industry research on responsible investment

Provided input and/or collaborated with academia on RI related work

Description
Provided input into research being conducted by UNSW into to Corporate Social Responsibility, ESG and charitable giving initiatives within corporate organisations.

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input checked="" type="radio"/> Ad hoc <input type="radio"/> Other

Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description
Encouraged and assisted the Fidante boutiques to disclose more detail on their ESG integration process publicly on their website

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input checked="" type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad hoc <input type="radio"/> Other

- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment

Description
In 2019 Fidante published the following Responsible Investment-related article ESG Investing - Operational Excellence in Real Assets https://www.fidante.com/resources/esg-investing--operational-excellence-in-real-assets

Frequency of contribution
<input type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input checked="" type="radio"/> Ad hoc <input type="radio"/> Other

- Encouraged the adoption of the PRI

Description
As part of its boutique selection process within the Fidante business, Challenger encourages new boutiques that it partners with to become a PRI signatory. In 2019 Fidante partnered with a new boutique and assisted the boutique with this process. Fidante engages all potential Boutique partners on their willingness to become PRI signatories as part of its due diligence process.

Frequency of contribution
<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad hoc <input type="radio"/> Other

- Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)
- Wrote and published articles on responsible investment in the media
- A member of PRI advisory committees/ working groups, specify
- On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Description
Member of the Financial Service Council ESG Working Group contributing to the development and updating of RI-related standards

Frequency of contribution
<input checked="" type="radio"/> Quarterly or more frequently <input type="radio"/> Biannually <input type="radio"/> Annually <input type="radio"/> Less frequently than annually <input type="radio"/> Ad hoc <input type="radio"/> Other

- Other, specify

No

SG 11	Voluntary	Additional Assessed	PRI 4,5,6
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SG 11.1	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.
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Yes

If yes
<input checked="" type="checkbox"/> Yes, individually <input type="checkbox"/> Yes, in collaboration with others

SG 11.2	Select the methods you have used.
<input checked="" type="checkbox"/> Endorsed written submissions to governments, regulators or public policy-makers developed by others <input checked="" type="checkbox"/> Drafted your own written submissions to governments, regulators or public-policy markers <input checked="" type="checkbox"/> Participated in face-to-face meetings with government members or officials to discuss policy <input type="checkbox"/> Other, specify	
SG 11.3	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
<input checked="" type="checkbox"/> Yes, publicly available https://treasury.gov.au/sites/default/files/2019-08/c2018-t347107_-_challenger.pdf https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/RetirementIncomesBill/Submissions <input type="checkbox"/> No	

SG 11.4	Provide a brief description of the main topics your organisation has engaged with public policy-makers or regulators on.
<p>In 2019 Challenger continued to be active in advocacy to promote the sustainability and equity of the Australian Superannuation system and its capacity to deliver adequate retirement income outcomes for Australian retirees.</p> <p>In 2019 Challenger continued to be active in advocacy to promote the sustainability and equity of the Australian Superannuation system and its capacity to deliver adequate retirement income outcomes for Australian retirees.</p> <p>In 2019 Challenger provided financial support to the Council on the Ageing (COTA) Australia to assist COTA in running a series of roundtable policy discussions to promote public policy discussion on sustainable retirement incomes. The roundtables are attended by a range of stakeholders including consumer groups, academics, product providers, and superannuation funds.</p> <p>Challenger is also a member of the Financial Services Council (FSC) ESG working group which made submissions on a variety of ESG issues including the update and review of Standard 13 in relation to Proxy Voting.</p>	

SG 12	Mandatory	Core Assessed	PRI 4
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SG 12.1	Indicate whether your organisation uses investment consultants.
<input type="checkbox"/> Yes, we use investment consultants <input checked="" type="checkbox"/> No, we do not use investment consultants.	

SG 13	Mandatory	Descriptive	PRI 1
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SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
<input type="checkbox"/> Yes, in order to assess future ESG factors <input checked="" type="checkbox"/> Yes, in order to assess future climate-related risks and opportunities	
	Describe
<p>In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm looking at two climate scenarios RPC2.6 and RPC 8.5. As at the end of 2019 this process was still ongoing and preliminary results are expected in 2020.</p>	
<input type="checkbox"/> No, our organisation does not currently carry out scenario analysis and/or modelling	

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
	We do the following
<input type="checkbox"/> Allocation between asset classes <input type="checkbox"/> Determining fixed income duration <input type="checkbox"/> Allocation of assets between geographic markets <input type="checkbox"/> Sector weightings <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not consider ESG issues in strategic asset allocation	

SG 13 CC	Mandatory to Report, Voluntary to Disclose	Descriptive	General
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SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.
<input checked="" type="checkbox"/> Initial assessment	
	Describe
<p>In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm looking at two climate scenarios RPC2.6 and RPC 8.5. As at the end of 2019 this process was still ongoing and preliminary results are expected in 2020. At this time, Challenger will seek to determine how these risks are factored into investment strategies.</p>	

- Incorporation into investment analysis
- Inform active ownership
- Other

SG 13.5 CC Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

SG 13.6 CC Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe
<p>In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm. At this time, Challenger will seek to determine how these risks are factored into investment strategies. Transition risks are based on transition to low carbon economy by 2030 (peak emissions) and net zero by 2050. Physical risks are considered to be to 2030 and 2070 for Australia and for Japan physical risks are split into 7 climate regions projecting to the end of the 21st century as an average of the 20-year period 2076-2095, relative to a 1980-1999 baseline average.</p>

No

SG 13.7 CC Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

SG 13.8 CC Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	
IEA	
IEA	
IEA	
IEA	
IRENA	
Greenpeace	
Institute for Sustainable Development	
Bloomberg	
IPCC	<input checked="" type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	
IPCC	
IPCC	<input checked="" type="checkbox"/> RPC 2.6
Other	
Other	
Other	

SG 14 Mandatory to Report, Voluntary to Disclose Additional Assessed **PRI 1**

SG 14.1 Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity
<input type="checkbox"/> Established a climate change sensitive or climate change integrated asset allocation strategy <input type="checkbox"/> Targeted low carbon or climate resilient investments <input type="checkbox"/> Phase out your investments in your fossil fuel holdings <input type="checkbox"/> Reduced portfolio exposure to emissions intensive or fossil fuel holdings <input type="checkbox"/> Used emissions data or analysis to inform investment decision making <input type="checkbox"/> Sought climate change integration by companies <input type="checkbox"/> Sought climate supportive policy from governments <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> None of the above	
Please explain why not	
<p>In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm. As at the end of 2019 this process was still ongoing and preliminary results are expected in 2020. At this time, Challenger will seek to determine how these risks are factored into investment strategies.</p>	

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.
<input checked="" type="checkbox"/> Scenario analysis <input type="checkbox"/> Disclosures on emissions risks to clients/trustees/management/beneficiaries <input type="checkbox"/> Climate-related targets <input type="checkbox"/> Encouraging internal and/or external portfolio managers to monitor emissions risks <input type="checkbox"/> Emissions-risk monitoring and reporting are formalised into contracts when appointing managers <input type="checkbox"/> Weighted average carbon intensity <input type="checkbox"/> Carbon footprint (scope 1 and 2) <input type="checkbox"/> Portfolio carbon footprint <input type="checkbox"/> Total carbon emissions <input type="checkbox"/> Carbon intensity <input type="checkbox"/> Exposure to carbon-related assets <input type="checkbox"/> Other emissions metrics <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above	

SG 14.5	Additional information [Optional]
<p>In 2019 Challenger began the process of identifying its climate-related risks and opportunities with the assistance of an independent specialist firm looking at two climate scenarios RPC2.6 and RPC 8.5. As at the end of 2019 this process was still ongoing and preliminary results are expected in 2020. At this time, Challenger will seek to determine how these risks are factored into investment strategies.</p>	

SG 14 CC	Voluntary	General
SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.	
<input type="radio"/> Processes for climate-related risks are integrated into overall risk management <input checked="" type="radio"/> Processes for climate-related risks are not integrated into overall risk management		
Please describe		
<p>Challenger began the process of identifying its climate-related risks and opportunities in 2019 with the assistance of an external specialist firm. As at the end of 2019 this process was still ongoing and preliminary results are expected in 2020. At this time, Challenger will seek to determine how these risks are factored into overall risk management.</p>		
SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.	
<input type="radio"/> Yes <input type="radio"/> No, we do not undertake active ownership activities. <input checked="" type="radio"/> No, we do not undertake active ownership activities to encourage TCFD adoption.		

SG 15	Mandatory to Report, Voluntary to Disclose	Descriptive	PRI 1
SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.		
<input type="radio"/> Yes <input checked="" type="radio"/> No			

SG 16	Mandatory	Descriptive	General
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SG 16.1		Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
Asset Class	Describe what processes are in place and the outputs or outcomes achieved	
Fixed income - SSA	<p>Challenger considers ESG issues as part of the investment process since these issues can influence the current and/or future risk adjusted return of a Fixed Income investment. The Fixed Income team's aim is to apply, where possible, consistent and comparable ESG analysis across the fixed income portfolio.</p> <p>Analysis considers the potential impact on issuer or originator creditworthiness as a result of ESG factors. Given the broad scope of fixed income instruments, ESG analysis may be limited by the availability of information, the ability to engage with issuers on ESG considerations and Challenger's ability to influence a given transaction.</p> <p>Challenger's investment process also considers investment opportunities that have a positive environmental and social impact such as green and social impact bonds.</p>	

SG 17	Mandatory	Descriptive	General
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SG 17.1		Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
Asset Class	Describe what processes are in place and the outputs or outcomes achieved	
Property	<p>As part of the Challenger Limited Group, an ASX-listed investment management firm we operate a global asset management business Fidante Partners; which forms long term alliances with talented investment teams to create, support and grow specialist asset management businesses. As the Responsible Entity for funds that are managed by the boutique investment managers, Fidante funds fall under the Group PRI signatory.</p> <p>New IMAs entered into by Challenger for mandates make reference to Challenger's Responsible Investment Policy. All existing IMAs will make reference to this policy as they are reviewed and progressively updated.</p>	
Infrastructure	<p>Infrastructure investment management is outsourced to third party managers.</p> <p>A standard due diligence questionnaire has been developed, for appointing external managers which looks at the following considerations:</p> <ul style="list-style-type: none"> Review of responsible investment policies, including discussion of how ESG considerations impact on potential investment decisions Whether the organisation is a signatory to the PRI and/or other relevant organisations Governance and risk management framework Review of available reporting, including reporting relating to ESG Assessment of approach to manager engagement of entities into which they invest <p>Quarterly reporting, which updates on asset performance including ESG considerations is reviewed. A meeting is held with external managers at least once per year, with ESG as a standing agenda item for discussion, including:</p> <ul style="list-style-type: none"> Adherence by the manager to Challenger's responsible investment requirements; Review of the manager's responsible investment reporting; Review of impact of ESG issues on financial performance; and Discussion of current trends and industry best practice 	

SG 18	Voluntary	Descriptive	General
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SG 18.1	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
<input type="radio"/> Yes <input checked="" type="radio"/> No	

SG 19	Mandatory	Core Assessed	PRI 2, 6
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SG 19.1		Indicate whether your organisation typically discloses asset class specific information proactively. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
Selection, Appointment and Monitoring		
Do you disclose?		
<input type="radio"/> We do not disclose to either clients/beneficiaries or the public. <input type="radio"/> We disclose to clients/beneficiaries only. <input checked="" type="radio"/> We disclose to the public		
The information disclosed to clients/beneficiaries is the same		
<input checked="" type="radio"/> Yes <input type="radio"/> No		
Disclosure to public and URL		

Disclosure to public and URL	
<input checked="" type="checkbox"/>	How responsible investment considerations are included in manager selection, appointment and monitoring processes
<input type="checkbox"/>	Details of the responsible investment activities carried out by managers on your behalf
<input type="checkbox"/>	E, S and/or G impacts and outcomes that have resulted from your managers' investments and/or active ownership
<input type="checkbox"/>	Other
Annually	
https://www.challenger.com.au/about/Businesspractices.asp https://www.fidante.com/about-us/esg	

Fixed income

Do you disclose?	
<input type="checkbox"/>	We do not disclose to either clients/beneficiaries or the public.
<input type="checkbox"/>	We disclose to clients/beneficiaries only.
<input checked="" type="checkbox"/>	We disclose to the public
The information disclosed to clients/beneficiaries is the same	
<input checked="" type="checkbox"/>	Yes
<input type="checkbox"/>	No

Disclosure to public and URL	
Disclosure to public and URL	
<input type="checkbox"/>	Broad approach to RI incorporation
<input checked="" type="checkbox"/>	Detailed explanation of RI incorporation strategy used
Annually	
https://www.challengerinvestmentpartners.com/fixed-income/responsible-investment/ https://www.challengerinvestmentpartners.com/wp-content/uploads/2020/02/2020_CIP_FL_RI_Statement.pdf	

Property

Do you disclose?	
<input type="checkbox"/>	We do not disclose to either clients/beneficiaries or the public.
<input checked="" type="checkbox"/>	We disclose to clients/beneficiaries only.
<input type="checkbox"/>	We disclose to the public

Disclosure to clients/beneficiaries	
Disclosure to clients/beneficiaries	
<input checked="" type="checkbox"/>	ESG information on how you select property investments
<input checked="" type="checkbox"/>	ESG information on how you monitor and manage property investments
<input type="checkbox"/>	Information on your property investments' ESG performance
<input type="checkbox"/>	Other
Annually	

SG Checks

Checks

If there are any messages below, please review them before continuing. If there are no messages below, please save this page and continue.

SAM 01.1 Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf for all your listed equity and/or fixed income assets:

Active investment strategies					
Active investment strategies	Listed Equity	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Screening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 01.2 Additional information. [Optional]

Challenger Limited expects and encourages appropriate approaches to ESG integration from our third party investment managers across the different investment arrangements. Challenger's Funds Management business is comprised of Fidante Partners and Challenger Investment Partners (internal asset managers). Fidante Partners comprises of co-owned, separately branded, boutique active investment managers (external investment managers). Challenger provides administration, distribution and business management support to the boutiques and shares in the profits of the boutique partnerships through its equity ownership.

All eight of our external Listed Equity managers are PRI signatories. We have three external Fixed Income managers, two of which are signatories to the PRI. The remaining one has a documented approach to and actively considers ESG factors as part of their investment process.

Selection and appointment of third party investment managers

When carrying out due diligence for the appointment of new third party investment managers, Challenger will:

- promote its expectations in respect of ESG considerations as a formal part of Challenger's investment manager selection and review process;
- seek to understand the third party investment manager's approach and resource capability with respect to responsible investment;
- review the third party investment manager's ESG Policy and, where relevant, encourage and assist them in formalising such a policy
- encourage the third party investment manager to discuss ESG considerations undertaken in their own investment decision-making and ownership practices in their reports to Challenger; and
- encourage the third party investment manager to become a signatory to the PRI Principles.

Challenger also expects that the third party investment managers it appoints will:

- demonstrate an acceptable level of commitment to the management of key ESG risks and opportunities as set out in the PRI Principles; and
- apply principles of active ownership and investment stewardship, particularly in relation to proxy voting and engagement, in a manner similar to that set out in Challenger's Responsible Investment Policy.

SAM 02.1 Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Your organisation's investment strategy and how ESG objectives relate to it	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG incorporation requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG reporting requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
No RI information covered in the selection documentation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 02.2 Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach

Strategy					
	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Assess the time horizon of the investment manager's offering vs. your/beneficiaries' requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assess the quality of investment policy and its reference to ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the investment approach and how ESG objectives are implemented in the investment process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's firm-level vs. product-level approach to RI	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Assess the ESG definitions to be used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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ESG people/oversight

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Assess ESG expertise of investment teams	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review how is ESG implementation enforced /ensured	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's RI-promotion efforts and engagement with the industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Process/portfolio construction/investment valuation

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Review the process for ensuring the quality of the ESG data used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review and agree the use of ESG data in the investment decision making process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review and agree the impact of ESG analysis on investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree ESG objectives (e.g. risk reduction, return seeking, real-world impact)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree manager's ESG risk framework	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review and agree ESG risk limits at the portfolio level (portfolio construction) and other ESG objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review how ESG materiality is evaluated by the manager	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review process for defining and communicating on ESG incidents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review and agree ESG reporting frequency and detail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SAM 02.3 Indicate the selection process and its ESG/RI components

- Review ESG/RI responses to RfP, RfI, DDQ etc.
- Review responses to PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire (LP DDQ)
- Review publicly available information on ESG/RI
- Review assurance process on ESG/RI data and processes
- Review PRI Transparency Reports
- Request and discuss PRI Assessment Reports
- Meetings with the potential shortlisted managers covering ESG/RI themes
- Site visits to potential managers offices
- Other, specify

SAM 02.4 When selecting external managers does your organisation set any of the following:

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
ESG performance development targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG score	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other RI considerations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

You selected an 'Other' option in table SAM 02.4 above, please specify

We require our external managers to integrate ESG in their investment process, apply principles of active ownership and investment stewardship, as relevant for the investment strategy and asset class.

SAM 02.5 Describe how the ESG information reviewed and discussed affects the selection decision making process.[OPTIONAL]

Fidante forms strategic alliance partnerships with boutique investment management firms, becoming a minority equity shareholder in the firm and supporting the firm in their administration and distribution. Fidante then appoints these investment firms to manage its funds on its behalf. Fidante's manager selection process assesses a manager's responsible investment approach to ensure that it is aligned with Challenger's overall ESG integration beliefs but also works with new managers to support them with their ESG integration goals and activity. Fidante's manager selection process involves a meeting between the boutique manager and Fidante's ESG Specialist to discuss their ESG approach and process where specific criteria are discussed. An ESG section forms part of the selection sign off to confirm that an ESG assessment has been undertaken prior to sign off.

SAM 03 Mandatory Additional Assessed PRI 2

SAM 03.1 Indicate how your organisation typically evaluates the manager's active ownership practices in the majority of the manager selection process.

Engagement					
	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Review the manager's engagement policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Review the manager's engagement process (with examples and outcomes)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ensure whether engagement outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other engagement issues in your selection process specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

(Proxy) voting	
	LE
Review the manager's voting policy	<input checked="" type="checkbox"/> Review the manager's voting policy - LE
Review the manager's ability to align voting activities with clients' specific voting policies	<input checked="" type="checkbox"/> Review the manager's ability to align voting activities with clients' specific voting policies - LE
Review the manager's process for informing clients about voting decisions	<input checked="" type="checkbox"/> Review the manager's process for informing clients about voting decisions - LE
Ensure whether voting outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/> Ensure that voting outcomes feed back into the investment decision-making process - LE
Review the number of votes cast as a percentage of ballots/AGMs or holdings and available rationale	<input checked="" type="checkbox"/> Review the number of votes cast as a percentage of ballots/AGMs or holdings and available rationale - LE
Other active ownership voting issues in your selection process; specify	<input type="checkbox"/> Other active ownership voting issues in your selection process; specify - LE

SAM 03.2 Describe how you assess if the manager's engagement approach is effective.

- Impact on investment decisions
- Financial impact on target company or asset class
- Impact on ESG profile of company or the portfolio
- Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- Other, specify
- None of the above

SAM 03.3 Describe how you assess if the manager's voting approach is effective/appropriate

- Impact on investment decisions
- Impact on ESG profile of company or the portfolio
- Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- Other, specify
- None of the above

SAM 04 Mandatory Core Assessed PRI 1

SAM 04.1 Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment and/or commitment process

- Sets standard benchmarks or ESG benchmarks
- Defines ESG objectives and/ or ESG related exclusions/restrictions

- Sets incentives and controls linked to the ESG objectives
- Requires reporting on ESG objectives
- Requires the investment manager to adhere to ESG guidelines, regulations, principles or standards
- Other, specify (1)

specify

Incorporates continuous improvement in ESG as part of each boutique manager's business development plan. ESG forms part of each boutique's annual business planning process which is monitored on a quarterly basis ahead of boutique board meetings.

- Other, specify (2)
- None of the above

SAM 04.2 Provide an example per asset class of your benchmarks, objectives, incentives/controls and reporting requirements that would typically be included in your managers' appointment.

Asset class

- Listed equity (LE)

Benchmark

- Standard benchmark
- ESG benchmark, specify

ESG Objectives

- ESG guidelines/regulation, principles/standards, specify
- We do not define ESG objectives

Incentives and controls

- We do not set incentives and controls

Reporting requirements

- We do not require the reporting on ESG objectives

- Fixed income - SSA (SSA)

- Fixed income - Corporate (financial)

Benchmark

- Standard benchmark, specify
Examples include: Bloomberg AusBond Composite Bond 0-3 year Index Bloomberg AusBond Bank Bill Index
- ESG benchmark, specify

ESG Objectives

- ESG guidelines/regulation, principles/standards, specify
- We do not define ESG objectives

Incentives and controls

- We do not set incentives and controls

Reporting requirements

- We do not require the reporting on ESG objectives

- Fixed income - Corporate (non-financial)

Benchmark

- Standard benchmark, specify
Examples include: Bloomberg AusBond Composite Bond 0-3 year Index Bloomberg AusBond Bank Bill Index
- ESG benchmark, specify

ESG Objectives

- ESG guidelines/regulation, principles/standards, specify
- We do not define ESG objectives

Incentives and controls

- We do not set incentives and controls

Reporting requirements

- We do not require the reporting on ESG objectives

Fixed income - Securitised

SAM 04.3 Indicate which of these actions your organisation might take if any of the requirements are not met

- Discuss requirements not met and set project plan to rectify
- Place investment manager on a "watch list"
- Track and investigate reason for non-compliance
- Re-negotiate fees
- Failing all actions, terminate contract with the manager
- Other, specify
- No actions are taken if any of the ESG requirements are not met

SAM 06 Mandatory Additional Assessed PRI 1

SAM 06.1 When monitoring managers, indicate which of the following active ownership information your organisation typically reviews and evaluates from the investment manager in meetings/calls

Engagement					
	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised
Report on engagements undertaken (summary with metrics, themes, issues, sectors or similar)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Report on engagement ESG impacts (outcomes, progress made against objectives and examples)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on any escalation strategy taken after initial unsuccessful dialogue	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Alignment with any eventual engagement programme done internally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information on the engagement activities' impact on investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other RI considerations relating to engagement in investment management agreements; specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you select any 'Other' option(s), specify

Due to the multi-faceted relationship between Fidante and the boutique fund managers, Fidante is in regular contact with its external boutique managers in relation to its funds.

For relevant asset classes Challenger and Fidante Partners as Responsible Entity applies principles of active ownership and investment stewardship through discussions with management and or the board of directors and by exercising proxy voting. Proxy voting is monitored and reviewed by internal operations to ensure voting is submitted accordingly.

(Proxy) voting	
	LE
Report on voting undertaken (with outcomes and examples)	<input checked="" type="checkbox"/> Report on voting undertaken (with outcomes and examples) - LE
Report on voting decisions taken	<input checked="" type="checkbox"/> Report on voting decisions taken - LE
Adherence with the agreed upon voting policy	<input checked="" type="checkbox"/> Adherence with the agreed upon voting policy - LE
Other RI considerations relating to (proxy) voting in investment management agreements; specify	<input type="checkbox"/> Other RI considerations relating to (proxy) voting in investment management agreements; specify - LE
None of the above	<input type="checkbox"/> None of the above - LE

SAM 07 Mandatory Core Assessed PRI 2

SAM 07.1 For the listed equities for which you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.

- Votes cast (to the nearest 5%)
- 100%

Specify the basis on which this percentage is calculated.

- Of the total number of ballot items on which they could have issued instructions
 - Of the total number of company meetings at which they could have voted
 - Of the total value of your listed equity holdings on which they could have voted
- We do not collect this information.

SAM 07.3 Additional information [OPTIONAL]

Our annual voting records are calculated based on a 1 July 2018 to 30 June 2019 financial year.

SAM 08 Mandatory to Report, Voluntary to Disclose Descriptive PRI 1

SAM 08.1 Describe how you ensure that best RI practice is applied to managing your assets

- Encourage improved RI practices with existing investment managers

Measures

As an equity holder in the companies appointed to manage pooled funds we continually engage with our investment managers regarding their progress in relation to incorporating ESG factors into their active investment process. The manager's approach to responsible investment is part of the annual strategic planning process for their business and we seek to assist our boutique managers with reporting and monitoring of voting activity and help them source tools and providers of ESG research, as well as helping them develop and document Responsible Investment Policies. In 2018 Challenger hired an ESG specialist who is fully focused on supporting the boutique managers with their RI practices and in 2019 Challenger contracted with an external ESG data and research provider to enable monitoring of portfolios from an ESG perspective.

- Move assets over to investment managers with better RI practices
- Other, specify
- None of the above

SAM 09 Mandatory Additional Assessed PRI 1,6

SAM 09.1 Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

- Add Example 1

Topic or issue	Enhancement and disclosure of ESG process by boutique managers
Conducted by	Internal staff
Asset class	All asset classes
Scope and process	In 2019 Challenger ESG specialist worked closely with the Fidante boutique investment teams to develop and disclose their ESG processes further including approaches to key ESG issues such as climate change and modern slavery.
Outcomes	Fidante developed ESG web pages on boutique websites and with the permission of each boutique, disclosed their detailed ESG Policy publicly on their websites with an aim of enhanced transparency. These policies addressed key ESG process issues such as materiality, beliefs and approaches to ESG considerations such as climate change and modern slavery.

- Add Example 2

Topic or issue	ESG monitoring of portfolios using ESG data and metrics
Conducted by	Internal staff
Asset class	Listed Equity
Scope and process	In 2019 Challenger signed a contract with an external ESG data provider for access to third party ESG data and research.
Outcomes	This data has enabled monitoring of Fidante portfolios from an ESG perspective.

- Add Example 3

Topic or issue	Approach to Responsible Investment for new equity boutique manager
Conducted by	Internal staff
Asset class	Listed Equity
Scope and process	Fidante forms strategic alliance partnerships with boutique investment managers and appoints them to manage their funds. The last such appointment occurred in 2019. This example demonstrates our ESG approach to manager selection and appointment. During the due diligence review and selection process for a new boutique equity manager to be added to the Fidante Funds management business, we determined that the manager did not have a formal Responsible Investment Policy and was not a signatory to the PRI. The manager was actively considering ESG factors as part of their investment process
Outcomes	The manager agreed to work with us to develop and document a formal Responsible Investment Policy adopting the PRI Principles. The manager became a PRI signatory in 2019.

- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7

We are not able to provide examples

SAM Checks

Checks

If there are any messages below, please review them before continuing. If there are no messages below, please save this page and continue.

FI 01.1 Indicate (1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and (2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.

Corporate (financial)	Screening alone	0
	Thematic alone	0
	Integration alone	100
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
Corporate (non-financial)	Screening alone	0
	Thematic alone	0
	Integration alone	100
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0
Securitised	Screening alone	0
	Thematic alone	0
	Integration alone	100
	Screening + integration strategies	0
	Thematic + integration strategies	0
	Screening + thematic strategies	0
	All three strategies combined	0
	No incorporation strategies applied	0

FI 01.2 Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Challenger Fixed Income does not explicitly screen out any sectors as our ESG integration goals are to enhance and supplement our evaluation of the risk-return profile of investments. Challenger Fixed Income believes that we must assess all investment opportunities under the same systematic process in order to deliver on our objective of achieving superior investment returns for its clients. However Challenger Fixed Income factors out sectors such as tobacco and munitions – our view is that the risk of these sectors places them outside of our mandates.

Challenger Fixed Income manages segregated mandates for external clients. In cases where such clients instruct Challenger Fixed Income to overlay certain ESG filters or screens, Challenger will perform screening on behalf of those clients.

FI 02 Mandatory to Report, Voluntary to Disclose Core Assessed PRI 1

FI 02.1 Indicate which ESG factors you systematically research as part of your analysis on issuers.

	Corporate (financial)	Corporate (non-financial)	Securitized
Environmental data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Social data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Governance data	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

FI 02.2 Indicate what format your ESG information comes in and where you typically source it

Raw ESG company data

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

ESG factor specific analysis

Issuer-level ESG analysis

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

specify description

Bloomberg and Credit Rating Agency reports

Sector-level ESG analysis

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

specific description

Credit Rating Agency reports

Country-level ESG analysis

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – FI analyst, PM or risk team
- Other, specify

specify description

Credit Rating Agency reports

FI 02.3 Provide a brief description of the ESG information used, highlighting any differences in sources of information across your ESG incorporation strategies.

Challenger uses a number of sources of ESG information including:

- MSCI ESG Research and ratings
- issuer's publicly available statements and policies (e.g. corporate website),
- company financials,
- sell side research,

- credit rating agency reports,
- Bloomberg,
- sponsor due diligence
- Industry wide research
- papers produced by other investment managers; and
- real estate reports.

FI 03	Mandatory	Additional Assessed	PRI 1
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FI 03.1 Indicate how you ensure that your ESG research process is robust:

- Comprehensive ESG research is undertaken internally to determine companies' activities; and products and/or services
- Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- Internal audits and regular reviews of ESG research are undertaken in a systematic way.
- A materiality/sustainability framework is created and regularly updated that includes all the key ESG risks and opportunities for each sector/country.
- Other, specify

specify description

We have a key ESG issues matrix and ESG integration framework which is reviewed and updated annually

- None of the above

FI 03.2 Describe how your ESG information or analysis is shared among your investment team.

- ESG information is held within a centralised database and is accessible to all investment staff
- ESG information is displayed on front office research platforms
- ESG information is a standard item on all individual issuer summaries, research notes, 'tear sheets', or similar documents
- Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- Records capture how ESG information and research was incorporated into investment decisions
- Other, specify

We hold monthly meetings where relevant ESG topics are discussed to ensure consistency in the application of ESG ratings.

- None of the above

FI 10	Mandatory	Descriptive	PRI 1
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FI 10.1 Describe your approach to integrating ESG into traditional financial analysis.

Environmental, Social and Governance factors are considered to contribute to the overall credit risk for a company. Borrowers are scored High, Medium, Low or ESG+ based on each of these factors.

A borrower which has a "High" risk for any of environmental, social or governance risk factors is one for which the E,S, or G greatly contributes the default risk for the company. These investments are avoided unless engagement with the borrower can mitigate the risk factor.

A borrower which has a "Medium" risk for any of environmental, social or governance risk factors is one for which the E,S, or G contributes the default risk for the company. These investments are avoided unless engagement with the borrower can mitigate the risk factor or the relative value of the investment compensates for the risk factor.

A borrower which has a "Low" risk for any of environmental, social or governance risk factors is one for which the E,S, or G does not contribute the default risk.

A borrower which has a "ESG+" risk for any of environmental, social or governance risk factors is one for which the E,S, or G does meaningfully reduces the default risk.

Layering of risk factors will also be considered as part of the investment analysis process. In particular, a Medium Environmental or Social risk factor combined with a Medium Governance risk factor will require greater compensation than a single risk factor in its own right.

FI 10.2 Describe how your ESG integration approach is adapted to each of the different types of fixed income you invest in.

Corporate (financial)

ESG risks are included in the overall required return analysis as described above. Example considerations include:

- What is the business strategy of the financial institution? What are their key products and how are they distributed? What is the financial institutions approach to lending (do they consider ESG factors and if so how)? Where do they operate?
- What are the governance risks of the business? Does the board have sufficient independence, diversity and experience to provide proper oversight of management? Is management/ownership transparent and trustworthy? What is the relationship of management/board with regulators?

Corporate (non-financial)

ESG risks are included in the overall required return analysis as described above. For non-financial corporates ESG risks are considered on a case by case basis dependent on the sectors in which they operate. Example considerations include:

- Assess the strategy of the borrower. Does their business entail any environmental or social risks? Examples may include labour practices (i.e. use of child labour, workplace health & safety), product risk (i.e. tobacco/alcohol), environmental risks (does the business have a direct or indirect negative impact of CO2 emissions), stranded asset risk (is there a risk that the business is overtaken/replaced by a more "responsible" alternative business)? What does climate change mean for the business?
- Assess the governance risks of the business. Does the board have sufficient independence, diversity and experience to provide proper oversight of management? Is management/ ownership transparent and ethical (including with respect to relevant ESG data i.e. CO2 emissions data)? What is the track record of management/ sponsors in working with bondholders/ lenders? Is the financial reporting transparent and clear?

Securitised
<p>ESG risks are included in the overall required return analysis as described above. For securitised credits much of the focus will be on social risks, especially when the loans involve consumers and not commercial enterprises. Failure of the securitiser to properly consider social risk factors can affect the enforceability of the underlying loan contracts resulting in material credit risks to investors. Example considerations include:</p> <ul style="list-style-type: none"> · Assess the lending strategy of the originator. What is the lending product? Does it have deleterious effects on society or the environment (e.g. payday lending)? How is the product originated? What are the credit policies of the originator (do they consider ESG risk in their decisions) Are there risks of mis-selling to borrower? What levels of disclosure are there around the product? Is the lending regulated or unregulated? · Assess the governance risks surrounding the structure. Is there proper segregation of cash? Is there an independent trustee? What is the organisational structure of the originator (i.e. are credit underwriters paid on volumes or performance)? Are collections outsourced?

FI 11	Mandatory	Core Assessed	PRI 1
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FI 11.1	Indicate how ESG information is typically used as part of your investment process.
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	Corporate (financial)	Corporate (non-financial)	Securitised
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust the internal credit assessments of issuers.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is used to adjust forecasted financials and future cash flow estimates.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis impacts the ranking of an issuer relative to a chosen peer group.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
An issuer's ESG bond spreads and its relative value versus its sector peers are analysed to find out if all risks are priced in.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The impact of ESG analysis on bonds of an issuer with different durations/maturities are analysed.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sensitivity analysis and scenario analysis are applied to valuation models to compare the difference between base-case and ESG-integrated security valuation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is integrated into portfolio weighting decisions.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Companies, sectors, countries and currency and monitored for changes in ESG exposure and for breaches of risk limits.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
The ESG profile of portfolios is examined for securities with high ESG risks and assessed relative to the ESG profile of a benchmark.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, specify in Additional Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 12	Mandatory	Additional Assessed	PRI 1
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FI 12.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
Corporate (financial)	Environmental <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	Social <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	Governance <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Corporate (non-financial)	Environmental <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	Social <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	Governance <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all
Securitised	Environmental <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	Social <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all	Governance <input checked="" type="checkbox"/> Systematically <input type="checkbox"/> Occasionally <input type="checkbox"/> Not at all

FI 12.2	Please provide more detail on how you review E, S and/or G factors in your integration process.
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Corporate (financial)
<p>Each analyst has the discretion to identify ESG issues in the companies they cover, to rate these risk factors and assess whether adequate compensation is being provided for the risk or whether further engagement is required. Any investment paper will include a discussion of the analysis undertaken regarding the ESG risks.</p> <p>The delegated authority approving any new exposure is expected to review the ESG analysis undertaken on any new investment and is ultimately responsible for ensuring that ESG risks are properly considered.</p> <p>Further review of new investments will be undertaken at monthly ESG meetings to ensure that risk factors are being consistently applied across all</p>

analysts.

Corporate (non-financial)
ESG factors are systematically assessed for their likely impact on every new investment. This includes, where applicable, factors relating to the issuer and the sector in which it operates. Where material ESG factors are quantifiable, these factors are included in stress testing analysis.
The portfolio manager will identify ESG issues and determine whether the expected return provides satisfactory compensation for the risks identified via relative value analysis.
Securitised
The portfolio manager will identify ESG issues and determine whether the expected return provides satisfactory compensation for the risks identified via relative value analysis.

FI 14	Mandatory to Report, Voluntary to Disclose	Core Assessed	PRI 2
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FI 14.1 Indicate the proportion of your fixed income assets on which you engage. Please exclude any engagements carried out solely in your capacity as a shareholder.

Category	Proportion of assets				
Corporate (financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input type="radio"/> 5-25% <input checked="" type="checkbox"/> More than 0%, less than 5% <table border="1" style="width: 100%; background-color: #0070C0; color: white;"> <tr> <td style="background-color: #0070C0; color: white; text-align: center;">FI 14.2</td> <td style="background-color: #0070C0; color: white;">Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets)</td> </tr> <tr> <td colspan="2"> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="radio"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </td> </tr> </table>	FI 14.2	Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets)	<input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="radio"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue	
FI 14.2	Indicate your motivations for conducting engagement (Corporate, Financial fixed income assets)				
<input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input type="radio"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue					
Corporate (non-financial)	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="checkbox"/> 5-25% <input type="radio"/> More than 0%, less than 5% <table border="1" style="width: 100%; background-color: #0070C0; color: white;"> <tr> <td style="background-color: #0070C0; color: white; text-align: center;">FI 14.2</td> <td style="background-color: #0070C0; color: white;">Indicate your motivations for conducting engagement (Corporate, non-financial fixed income assets)</td> </tr> <tr> <td colspan="2"> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </td> </tr> </table>	FI 14.2	Indicate your motivations for conducting engagement (Corporate, non-financial fixed income assets)	<input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue	
FI 14.2	Indicate your motivations for conducting engagement (Corporate, non-financial fixed income assets)				
<input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue					
Securitized	<input type="radio"/> >50% <input type="radio"/> 26-50% <input checked="" type="checkbox"/> 5-25% <input type="radio"/> More than 0%, less than 5% <table border="1" style="width: 100%; background-color: #0070C0; color: white;"> <tr> <td style="background-color: #0070C0; color: white; text-align: center;">FI 14.2</td> <td style="background-color: #0070C0; color: white;">Indicate your motivations for conducting engagement (Securitized fixed income assets).</td> </tr> <tr> <td colspan="2"> <input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue </td> </tr> </table>	FI 14.2	Indicate your motivations for conducting engagement (Securitized fixed income assets).	<input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue	
FI 14.2	Indicate your motivations for conducting engagement (Securitized fixed income assets).				
<input checked="" type="checkbox"/> To gain an understanding of ESG strategy and/or management <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> To influence issuer practice (or identify the need to influence) on ESG issue					

FI 15	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
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FI 15.1 Indicate how you typically engage with issuers as a fixed income investor, or as both a fixed income and listed equity investor. (Please do not include engagements where you are both a bondholder and shareholder but engage as a listed equity investor only.)

Type of engagement	Corporate (financial)	Corporate (non-financial)	Securitized
Individual/Internal staff engagements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Collaborative engagements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service provider engagements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 15.2 Indicate how your organisation prioritises engagements with issuers.

	Corporate (financial)	Corporate (non-financial)	Securitized
Size of holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Credit quality of the issuer	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Duration of holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Quality of transparency on ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Specific markets and/or sectors	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Specific ESG themes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Issuers in the lowest ranks of ESG benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Issuers in the highest ranks of ESG benchmarks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specific issues considered priorities for the investor based on input from clients and beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

If 'other' has been selected, please give a description

Engagement is prioritised where it is most likely to affect the economics of a potential or existing investment. This is a function of all the factors highlighted above.

FI 15.3 Indicate when your organisation conducts engagements with issuers.

	Corporate (financial)	Corporate (non-financial)	Securitised
We engage pre-investment.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage post-investment.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage proactively in anticipation of specific ESG risks and/or opportunities.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage in reaction to ESG issues that have already affected the issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage prior to ESG-related divestments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 15.4 Indicate what your organisation conducts engagements with issuers on.

	Corporate (financial)	Corporate (non-financial)	Securitised
We engage on ESG risks and opportunities affecting a specific bond issuer or its issuer.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage on ESG risks and opportunities affecting the entire industry or region that the issuer belongs to.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We engage on specific ESG themes across issuers and industries (e.g., human rights).	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, describe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 15.5 Indicate how your organisation ensures that information and insights collected through engagement can feed into the investment decision-making process.

	Corporate (financial)	Corporate (non-financial)	Securitised
Ensuring regular cross-team meetings and presentations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sharing engagement data across platforms that is accessible to ESG and investment teams.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Encouraging ESG and investment teams to join engagement meetings and roadshows.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delegating some engagement dialogue to portfolio managers/credit analysts.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Involving portfolio managers when defining an engagement programme and developing engagement decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Establishing mechanisms to rebalance portfolio holdings based on levels of interaction and outcomes of engagements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Considering active ownership as a mechanism to assess potential future investments.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other, describe	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
We do not ensure that information and insights collected through engagement can feed into the investment decision-making process.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If 'other' has been selected, please give a description

Portfolio managers have discretion to determine the level of engagement that is required and the necessary actions following such engagement. For internally rated investments the credit risk team may also adjust ratings following engagements. Any such decision is debated at regular portfolio construction meetings.

FI 16	Mandatory to Report, Voluntary to Disclose	Additional Assessed	PRI 1,2
FI 16.1	Indicate if your publicly available policy documents explicitly refer to fixed income engagement separately from engagements in relation to other asset classes.		
<input checked="" type="radio"/> Yes			
FI 16.2	Please attach or provide a URL to your fixed income engagement policy document. [Optional]		
<input type="radio"/> No			

FI 17	Mandatory to Report, Voluntary to Disclose	Additional Assessed	General
FI 17.1	Indicate whether your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or performance.		
	Corporate (financial)	Corporate (non-financial)	Securitised
We measure whether incorporating ESG impacts portfolio risk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We measure whether incorporating ESG impacts portfolio returns.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We measure the ESG performance/profile of portfolios (relative to the benchmark).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
FI 17.2	Describe how your organisation measures how your incorporation of ESG analysis in fixed income has affected investment outcomes and/or ESG performance. [OPTIONAL]		
Challenger does not track how incorporation of ESG analysis in fixed income has affected investment outcomes at a portfolio level. It does consider how the incorporation of ESG analysis has affected investment outcomes for individual investments.			

FI 18	Voluntary	Descriptive	PRI 1,2
FI 18.1	Provide examples of how your incorporation of ESG analysis and/or your engagement of issuers has affected your fixed income investment outcomes during the reporting year.		
<input checked="" type="checkbox"/> Example 1			
Corporate (non-financial)			
ESG issue and explanation			
CIP was approached to provide a loan to a borrower who contracted to the global defence industry . The borrower did not manufacture or sell armaments but the parts they supplied were used as part of the manufacturing process for fighter jets. While the fighter jets are not controversial weapons, there is the risk of changing public sentiment around the production of new fighter jets and potential reputational risk for the borrowers and their financiers.			
Integration			
Impact on investment decision or performance			
CIP engaged with the private equity sponsor to better understand how they gained comfort with the reputational risks on the deal. The sponsor is a signatory to PRI and has specific policies that preclude it from investing in companies that produce or sell controversial weapons. The board of the borrower was also strong with links with government and significant experience.			
To mitigate the refinancing risk which may occur as a result of potential reputational risks (i.e. other lenders electing not to finance the borrower), CIP only leveraged the business to 2.0x EBITDA , and included cash flow sweeps if the leverage exceed 2.5x, plus leverage covenants which stepped down from 4.0x to 3.5x as the deal approach a refinancing date. The low leverage and structural protections were designed to ensure that if refinancing risk was elevated for reputational reasons the business would still have sufficient cash flow to repay the debt.			
Ultimately, CIP proceeded with the transaction on the basis of the structural protections described above and the strong relative value which compensated for elevated reputational risk.			
<input checked="" type="checkbox"/> Example 2			
Securitised			
ESG issue and explanation			
In 2019 CIP was presented with an opportunity to invest in a securitisation of receivables secured by cattle livestock. The potential investment highlighted three ESG-related issues: the first being the risk of the livestock being sold into the live export trade . Secondly, environmental risks related to climate change and the increased frequency and severity of droughts across Australia . Finally, risk of cattle prices declining due to changing consumer preferences related to concerns of the environmental impact of cattle on CO2 emissions.			
Integration			

Impact on investment decision or performance

We were able to engage with the borrower on the first issue and were discussing potential covenants in relation to the live export risk factor. However the transaction was ultimately **declined for valuation reasons**. While historic data on feedstock and cattle prices showed the deal was well collateralised, we required higher pricing to compensate the elevated environmental risks and this proved to be too high for the borrower.

- Example 3
- Example 4
- Example 5

PR 01.1 Indicate if your organisation has a Responsible Property Investment (RPI) policy.

Yes

PR 01.2 Provide a URL or attach the document

URL

<http://www.challenger.com.au/about/Businesspractices.asp>

Attach Document

No

PR 01.3 Provide a brief overview of your organisation's approach to responsible investment in property, and how you link responsible investment in property to your business strategy. [Optional]

Challenger Investment Partners (CIP) is an investment advisory business within the Challenger Group. CIP accesses opportunities globally and manages real estate assets on behalf of institutional investors, including Challenger Life Company Limited.

CIP is committed to continually developing its approach to the integration of ESG considerations into property investment decision making and asset management.

CIP believes that ESG factors form an integral part of the property selection and management process. We acknowledge that achieving safety, sustainability and diversity outcomes will have the benefit of delivering long term value for investors, the environment and local communities.

CIP has a successful global portfolio of real estate assets, with a key focus on Australia and Japan. Challenger manages approximately A\$7.9 billion in total of real estate equity assets whilst A\$4.3 billion of this is on behalf of their largest client; Challenger Life, who in turn is the largest provider of annuities to policy holders in Australia. Investment in real property assets is a core strategy for Challenger Life given the liability profile underpinning the guaranteed returns paid to policy holders. A key business strategy for Challenger Life is set out as 'managing long term guaranteed income streams to annuitants backed by a portfolio of assets, delivering predictable over-the-cycle returns to shareholders'. In reference to the Real Estate Team, this starts with the investment selection process, as well as efficient property management. This is key to providing a 'bed-rock' to asset values and ensuring the investment team focus on more value adding initiatives. In turn, this will lead to long-term value for investors, the environment and local communities.

Further to this, CIP has a key focus on third party institutional clients from across the globe, with the ability to leverage local knowledge and relationships in the domestic market to originate assets and provide a strong execution. A number of successful investment partnerships include an Asian Sovereign Wealth Fund, a Middle East Sovereign Wealth Fund, a Chinese family office, various Korean institutions as well as a number of domestic superannuation funds.

CIP has a key focus on two markets; Australia and Japan. In the Australian market, CIP are committed to integrating ESG considerations into both the pre and post investment process. CIP consider various ESG issues during the due diligence process, for example; NABERS rating, energy efficiency, natural hazards, building safety and materials, occupier satisfaction, and the relevant regulatory standards. CIP believe these details are key to understanding the assets that CIP invests in and enables the team to actively asset manage post acquisition with the long term objective to provide value for investors, the environment and local community.

CIP applies the same thorough due diligence process to its overseas assets, specifically shopping centres in Japan, conducting external reports and assessing relevant applicable benchmarks to ensure that informed decisions are made upon acquisition.

PR 04.1 Indicate if your organisation typically incorporates ESG issues when selecting property investments.

Yes

PR 04.2 Provide a description of your organisation's approach to incorporating ESG issues in property investment selection.

We believe that the consideration of ESG factors begins at the earliest stage of the property investment process. The due diligence process is disciplined and details and seeks to identify and assess the market and sector and key attributes of a target asset including the potential opportunities in the future as well as risks that could materialise over the investment horizon such as changes in government policy and legislation, tenant demand and customer and investor sentiment.

On an asset specific basis, we consider NABERS rating, energy efficiency, natural hazards, building safety and materials, occupier satisfaction, local community and stakeholder engagement and any applicable regulatory standards. We believe these details are key to understanding the asset, and are imperative when assessing asset pricing, undertaking negotiations with the vendor and ultimately our potential to effectively manage or develop the asset over the lifecycle of the asset.

The due diligence process is internally managed by approximately 8 individuals within the Real Estate Team, as well as external consultants appointed to advise on specialist skills or technical knowledge. ESG considerations form part of this analysis with engineers or environment consultants setting out the performance of the asset, energy ratings, current health, safety and wellbeing risks, and forming an opinion as to whether the building meets regulatory standards. These are critical considerations during the investment selection process.

PR 04.3 Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process, and list up to three examples per issue.

Environmental

Energy efficiency

Environmental example 1, description

For investments in our domestically located assets (Australia) we conduct external valuation reports and obtain external engineering opinions from specialists to understand the NABERS rating of an asset. This would more specifically apply to office buildings, and we look to a minimum NABERS rating of 4.5.

Contamination

Environmental example 2, description

During the due diligence process an external consultant would be appointed to advise on the condition of an asset and whether there is a

risk of contamination. As an investment manager, it is key to identify such risks as part of the selection process given these assets are managed on a lifecycle basis.

Energy supply, Flooding, GHG emissions

Environmental example 3, description

During the due diligence process the risk of flooding for an asset is considered as relevant and external consultants are engaged as necessary for prospective assets within the Australian market but also in Japan where elements like Flooding and Earthquake are key issues.

Social

Building safety and materials

Social example 1, description [OPTIONAL]

Understanding the quality of a building in terms of safety and materials is key during the due diligence period. If there is a potential issue with the build or the materials used, there can be a risk of asset damage in the future which can cause disruption to the individuals occupying the asset, the community within which the asset is located as well as our investors. Furthermore, a technical adviser would provide insight into the risk of structural failure, and safety of the building.

Health, Safety and wellbeing

Social example 2, description [OPTIONAL]

The health, safety and wellbeing credentials of an asset is an area of importance for us and is considered during due diligence. Additional requests for information as part of the due diligence process are scoped as required based on the prospective asset.

Occupier Satisfaction

Social example 3, description [OPTIONAL]

Occupier satisfaction is an area of interest given the importance of understanding whether an asset is being utilised as efficiently as possible.

Governance

Shareholder structure & rights

Governance example 1, description

Working with third party institutional clients requires consideration of voting rights amongst shareholders, appointment of directors, changes to capital structures that may affect shareholder value and corporate conflicts of interest.

Regulatory

Governance example 2, description

Whether a prospective asset meets the applicable regulatory requirements is a key focus of due diligence and as necessary will involve the assistance of external technical specialists. For example fire safety precautions for industrial use assets.

Anti-bribery & corruption

Governance example 3, description

Internal legal, risk and compliance teams are part of the transaction process and all staff are subject to the obligations set out in the Fraud and Corruption Policy.

No

PR 05	Voluntary	Additional Assessed	PRI 1,3
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PR 05.1 Indicate what type of ESG information your organisation typically considers during your property investment selection process.

- Raw data from the target property asset/company
- Appraisals/audits
- Benchmarks/ratings against similar property asset
- Country level data/benchmarks
- Data aligned with established property reporting standards, industry codes and certifications
- International initiatives, declarations or standards
- Data from engagements with stakeholders (e.g. tenants and local community surveys)
- Information from external advisers
- Other, specify
- We do not track this information

PR 05.2 Provide a brief description of how this ESG information was incorporated into your investment selection process.

The ESG information forms part of the detailed investment analysis and due diligence process. CIP believes it is critical to analyse and understand the information as it can influence the initial asset selection decision and the proposed lifecycle management plan for the asset. For example, individual asset plans capture the analysis of the expected performance of an asset and take into consideration the asset lifecycle. The asset plan incorporates a range of strategies to better position and evolve the asset for sustained investment performance and to improve the asset's relative positioning in its competitive environment.

Challenger Life's Japanese real estate portfolio is managed by Challenger K.K. ('CKK'), Challenger's Japanese real estate asset management company. CKK undertakes rigorous due diligence when acquiring properties in Japan, both to comply with Challenger's ESG-related policy obligations and to minimise investment risk related to environmental issues. To this end, CKK engages a reputable, fully-certified engineering firm to assess compliance with environmental, town planning and safety laws and regulations.

In conducting due diligence, CKK focuses on three key ESG issues: seismic resistance (building safety); soil and building contamination; and energy efficiency and CO2 emissions. Other ESG issues include disabled access and adequate green space provision.

All acquisitions must comply with relevant environmental and social laws, regulations and codes (or if not complying, there must be a specific remediation

PR 06	Mandatory	Core Assessed	PRI 1
PR 06.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.		
<input checked="" type="checkbox"/> ESG issues helped identify risks and/or opportunities for value creation <input type="checkbox"/> ESG issues led to the abandonment of potential investments <input checked="" type="checkbox"/> ESG issues impacted the investment in terms of price offered and/or paid <input type="checkbox"/> ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants <input type="checkbox"/> ESG issues were considered but did not have an impact on the investment selection process <input type="checkbox"/> Other, specify <input type="checkbox"/> Not applicable, our organisation did not select any investments in the reporting year <input type="checkbox"/> We do not track this potential impact			
PR 06.2	Indicate how ESG issues impacted your property investment deal structuring processes during the reporting year.		
<input checked="" type="checkbox"/> ESG issues impacted the investment in terms of price offered and/or paid <input type="checkbox"/> ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants <input type="checkbox"/> ESG issues were considered but did not have an impact on the deal structuring process <input type="checkbox"/> Other, specify <input type="checkbox"/> Not applicable, our organisation did not select any investments in the reporting year <input type="checkbox"/> We do not track this potential impact			
PR 06.3	Additional information.		
<p>There have been a number of deals over the last 12 months where ESG issues have played a part in the process of pricing an opportunity. For example, CIP had considered a retail asset located in New South Wales where contamination was identified as a risk factor and played a role in developing an environmental solution, capital transaction pricing and contract negotiation.</p> <p>Further, the investment selection process during due diligence include ESG considerations as such as:</p> <ul style="list-style-type: none"> - the age and efficiency of the building, - external building finishes e.g. ACP, - existing air conditioning units' refrigerant e.g. R22, - existing light fixtures and fittings e.g. LED, - existing rooftop access and safety anchor points 			

PR 07	Mandatory	Core Assessed	PRI 4												
PR 07.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.														
<input checked="" type="checkbox"/> Yes															
PR 07.2	Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.														
<input checked="" type="checkbox"/> Selection process of property managers incorporated ESG issues															
<table border="1"> <thead> <tr> <th colspan="2">Types of actions</th> </tr> </thead> <tbody> <tr> <td><input checked="" type="checkbox"/></td> <td>Request explanation of how ESG is effectively integrated, including inquiries about governance and processes</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Request track records and examples of how the manager implements ESG in their asset and property management</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Discuss property level out-performance opportunities through greater integration of ESG criteria</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Request explanation of engaging stakeholders on ESG issues</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Other, explain</td> </tr> </tbody> </table>				Types of actions		<input checked="" type="checkbox"/>	Request explanation of how ESG is effectively integrated, including inquiries about governance and processes	<input type="checkbox"/>	Request track records and examples of how the manager implements ESG in their asset and property management	<input type="checkbox"/>	Discuss property level out-performance opportunities through greater integration of ESG criteria	<input type="checkbox"/>	Request explanation of engaging stakeholders on ESG issues	<input type="checkbox"/>	Other, explain
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<input checked="" type="checkbox"/> Contractual requirements when appointing property managers includes ESG issues															
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Types of actions															
<input checked="" type="checkbox"/>	Include clear and detailed expectations for incorporating ESG														
<input type="checkbox"/>	Require dedicated ESG procedures in all relevant asset and property management phases														
<input type="checkbox"/>	Clear ESG reporting requirements														
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<input type="checkbox"/>	Other, explain														
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Coverage															

- >75% to 100%
- >50% to 75%
- <50%

Monitoring of property managers covers ESG responsibilities and implementation

Types of actions

- Performance against quantitative and material environmental / resource targets over specified timeframe.
- Performance against quantitative and material environmental / resource targets against relevant benchmarks
- Performance against quantitative and qualitative targets to address social impacts of the portfolio/investment,
- Other, explain

Coverage

- >75% to 100%
- >50% to 75%
- <50%

No

PR 07.3 Provide a brief description of your organisations selection, appointment and monitoring of third party property managers and how they contribute to the management of ESG issues for your property investments.

For CIP's Australian real estate portfolio, CIP's third party property management services providers are aligned with CIP's approach of an active asset management strategy with day-to-day considerations of ESG risks and opportunities. CIP's third party property management service providers have an obligation to provide regular reporting on risk management, WH&S, energy reporting requirements and audit and compliance.

The performance and actions set for ESG are measured through:

- NABERS ratings- target is a minimum 4.5 star average rating across the office portfolio
- Life cycle performance audits
- Energy usage monitoring
- RM3 audits - The Rm3 Risk Management System is an online and web-based software platform which enables effective management of health and safety, risk and compliance obligations. The system enables tracking of compliance and risk control actions, including exception reporting.
- BEECS certificates (Defined as a Building Energy Efficiency Certificate setting out the energy efficiency rating of a building or area of a building that is offered or sale, lease or sublease. BEEC's contains two parts: 1. Part 1 consists of a National Australian Built Environment Rating System (NABERS) Energy for offices rating for the building - The NABERS Energy for offices rating provides information on the building's energy efficiency. It must be a base or whole building rating (a whole building rating also covers the tenanted space and is disclosed if there is inadequate metering to obtain a base building rating). 2. Part 2 consists of a CBD Tenancy Lighting Assessment (TLA) for the area of the building that is being sold, leased or subleased. The TLA is an assessment of tenancy lighting that measures the power density of the installed general lighting system.

The Commercial Building Disclosure (CBD) Program requires most sellers and lessors of office space of 2000 square metres (1000 square metres from 1 July 2017) or more to have an up-to-date Building Energy Efficiency Certificate (BEEC). This is necessary to comply with legal obligations under the Building Energy Efficiency Disclosure Act 2010.

CIP's Japanese real estate portfolio is managed by Challenger K.K. ('CKK'), Challenger's Japanese real estate asset management company. CKK holds all necessary management licences, and as required under the Japanese licencing regime is staffed by well-trained employees with appropriate levels of industry experience.

Furthermore, CKK operates to Challenger's high standards of governance and social responsibility. Challenger policies are designed to ensure gender equality, workplace diversity and principled behaviour and prevent discrimination against employees are in place in CKK.

A full-time, highly-experienced compliance officer ensures CKK adheres to both Challenger's rigorous internal risk and compliance standards and Japan's strict licensing requirements. CKK's internal compliance processes are designed to effectively manage any potential conflicts of interest, and information disclosure is in line with Challenger's obligations as an ASX-listed company and PRI signatory.

With respect to environmental issues, CKK's management and employees are committed to sustainability principles in their investment and asset management activities, as detailed in the following sections.

PR 08 Mandatory Gateway PRI 2

PR 08.1 Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

Yes

PR 08.2 Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- We consider ESG issues in property monitoring and management
- We consider ESG issues in property developments and major renovations.
- We consider ESG issues in property occupier engagements
- We consider ESG issues in community engagements related to our properties
- We consider ESG issues in other post-investment activities, specify

Monitoring community events within CIP's retail shopping centres; continuous improvement of the energy efficiency of assets e.g. installation of LED lighting and solar panels

PR 08.3 Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets.

CIP has a strong asset management team who strive to deliver long term, sustainable investment performance. As such ongoing identification, analysis and management of ESG risks and opportunities are undertaken as part of the asset management process. In doing so, CIP seeks external contractors that have ESG credentials, and specialist skills e.g. Honeywell, AE Smith.

A key member of the CIP Real Estate team is also the National Operations and Sustainability Manager. Their role has a strong focus on ESG matters such as NABERS, BEECS, ENGERS, WH&S, risk management, building & operational compliance, service/supply/works contract procurement, lifecycle audits and capital expenditure approvals.

For several years, CIP has consistently monitored community events run in their retail shopping centres for local residents. Events vary from allowing charitable organisations space to promote awareness of their causes, offering healthcare services, creating engaging events and activities for young children and organising and hosting key special events e.g. 'Sensitive Santa' for disabled children with sensory difficulties who may not like crowds, allowing them to meet Santa in a quiet environment, as well as a community event where local law enforcement officers answer questions from members of the community.

From a post investment perspective, the CIP Real Estate team have a focus on continually improving the energy efficiency of the assets under management e.g. installation of LED lighting and solar panels within their shopping centres.

For the Japanese real estate portfolio, CKK's team and the property managers to which it outsources functions ensure that all assets remain in compliance with Japan's strict environmental and safety laws and regulations. This involves maintaining an appropriate level of expertise and making sure buildings and equipment are regularly monitored for compliance by qualified experts.

CKK's team engages with stakeholders such as shopping centre tenants and local communities and is cognisant of its responsibility to provide a built environment to tenants and users where safety, health and wellbeing requirements are met. This engagement ranges from regular visits to tenants to gauge satisfaction with the tenancy environment through to conducting community-oriented events at shopping centres.

With respect to energy conservation, CKK has begun monitoring energy usage and conservation through monthly reporting from its property managers. In addition, CKK builds ESG considerations into its capex planning process, looking for opportunities to conserve energy and reduce emissions. Challenger's total outlay on ESG-related items (energy-efficient lighting, air conditioning and improved waste disposal etc.) between 2012 and 2020 is expected to total 325 million yen (c.A\$3.9 million).

No

PR 09	Mandatory	Core Assessed	PRI 2,3
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PR 09.1	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- >90% of property assets
- 51-90% of property assets
- 10-50% of property assets
- <10% of property assets

PR 09.2	Indicate which ESG targets your organisation and/or property managers typically set and monitor
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Environmental

Target/KPI	Progress Achieved
Annual NABERS rating for office assets - Energy and Water	National Operations and Sustainability Manager monitors, records and reports on NABERS ratings for office assets
Monitor energy usage for BEEC/NABERS and NGER reporting	Monthly monitoring and reporting
Adhere to Federal Government NGER obligations	National Greenhouse and Energy Report lodged as required

Social

Target/KPI	Progress Achieved
Facilitate charitable initiatives with local community	Retail Centres within portfolio provide space and facilities for charitable organisations to raise awareness, fund raise and interact with local community
Implement changes prioritised from the occupier satisfaction surveys previously undertaken for office assets	The Real Estate team have been able to create Welcome Guides to tenants within our office buildings which outline key information on the building.

Governance

Target/KPI	Progress Achieved
Complete agreed schedule of RM3 audits	Target met (RM3 is the property asset management risk and compliance system that documents and manages all property asset risk and compliance controls.
GS007 Internal Controls annual audit	Completed by appointed external audit firm and provided to clients per contractual terms of mandate
Third Party Property Asset Manager audit of trust accounts	Completed and reported annually per contracted SLA

We do not set and/or monitor against targets

PR 09.3	Additional information. [Optional]
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The above KPI's encompass ongoing operational practices that the CIP Real Estate team employ and are key to the active asset management strategy.

In relation to CIP's international assets, asset managers consult with engineers, and other relevant experts to provide reports on the condition of assets on an annual basis. They look at various factors, including; the building structure, safety and energy efficiency. The property managers are contracted to

conduct monthly checks to ensure assets remain compliant. This is in line with CIP's expectations of domestic property managers.

PR 10	Voluntary	Descriptive	PRI 2
PR 10.1	Indicate whether your property assets are assessed against certification schemes, ratings and/or benchmarks		
<input checked="" type="checkbox"/> Yes			
PR 10.2	List the certification schemes, ratings and/or benchmarks your property assets are assessed against and what proportion of your property assets they apply to.		
<input checked="" type="checkbox"/> Add certification scheme, rating and benchmark 1			
Specify		NABERS	
Proportion of property assets these apply to		<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)	
<input checked="" type="checkbox"/> Add certification scheme, rating and benchmark 2			
Specify		BEEC	
Proportion of property assets these apply to		<input type="radio"/> >90% of property assets <input type="radio"/> 51-90% of property assets <input checked="" type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)	
<input checked="" type="checkbox"/> Add certification scheme, rating and benchmark 3			
Specify		Benchmark outgoings to PCA	
Proportion of property assets these apply to		<input type="radio"/> >90% of property assets <input checked="" type="radio"/> 51-90% of property assets <input type="radio"/> 10-50% of property assets <input type="radio"/> <10% of property assets (in terms of number of property assets)	
<input type="radio"/> No			
PR 10.3	Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.		
<input type="checkbox"/> Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS) <input type="checkbox"/> Other property reporting standards, specify <input checked="" type="checkbox"/> No property specific reporting standards are used			
PR 10.4	Additional information.		
<p>Australian located assets are audited on a planned basis to ensure they are meeting regulatory standards, NABERS ratings and are BEEC compliant.</p> <p>Assets located in Japan have a similar process whereby asset managers consult external experts to advise on the condition of assets, any regulatory breaches, etc; whilst externally appointed property managers conduct monthly checks.</p> <p>ESG considerations in the management of CIP's assets are a priority given the objective of delivering long term value to investors, the environment and communities.</p>			

PR 11	Mandatory	Core Assessed	PRI 2
PR 11.1	Indicate the proportion of active property developments and major renovations where ESG issues have been considered.		
<input checked="" type="checkbox"/> >90% of active developments and major renovations <input type="radio"/> 51-90% of active developments and major renovations <input type="radio"/> 10-50% of active developments and major renovations <input type="radio"/> <10% of active developments and major renovations <input type="radio"/> N/A, no developments and major renovations of property assets are active			
PR 11.2	Indicate if the following ESG considerations are typically implemented and monitored in your property developments and major renovations.		
<input type="checkbox"/> Environmental site selection requirements <input type="checkbox"/> Environmental site development requirements <input type="checkbox"/> Sustainable construction materials			

- Water efficiency requirements
- Energy efficiency requirements
- Energy generation from on-site renewable sources
- Waste management plans at sites
- Health and safety management systems at sites
- Health and wellbeing of residents
- Construction contractors comply with sustainability guidelines
- Resilient building design and orientation
- Other, specify

PR 11.3

Additional information. [Optional]

Over the course of CY19 the Property Development and Asset Management teams have worked on the following assets and projects:

1. North Rocks, Sydney (NSW)

The first stage of the North Rocks development provided the local shoppers and the broader community the following ESG related initiatives that has been well received:

- New mall seating areas & furniture
- Improved car park traffic circulation & additional car parking spaces
- Additional centre entry points
- Improved wayfinding signage
- A new full line supermarket and specialty retailers
- New vertical transportation linking the car parks and the mall
- New garden beds and re-landscaping of external gardens

2. Golden Grove Shopping Centre, Adelaide (SA)

The development incorporated an outdoor playground area for young families. Features included:

- Mature trees for shade,
- Water features
- Water misting sprays
- Decking
- Additional seating.

The enhanced playground was well received by the community. The centre team also refurbished the existing amenities block at the western end of the centre to improve the customer experience and provide a contemporary environment for the level 1 tenants. Included was an upgrade to the parents room with feedback from mother's groups to ensure the feedback in the design was noted.

3. 35 Clarence Street, Sydney (NSW)

35 Clarence Street is a modern office building however in order to maintain the appeal of the existing building occupants and improve the operating efficiency of the building an upgrade of the building has been scoped in 2019 with a repositioning as follows:

- an upgrade of the main entrance foyer which include new seating and improved natural light,
- upgraded lift car interiors
- an enhanced End of Trip (EOT) facility with dedicated bike storage
- a mechanical services upgrade consisting of new high efficiency chillers, cooling towers, pumps and an upgraded Building Management System (BMS)

4. 565 Bourke Street, Melbourne (VIC)

The office building of 565 Bourke Street consists of a heritage and modern building. We undertook an upgrade of the modern building in 2017/18 and in 2019 the heritage building was upgraded. The heritage building, whilst not a rarity as a heritage offering, will provide an occupier a standalone heritage building that has direct access to the refurbished tower and the amenity which has been created for the benefit of occupants. Health and safety, wellbeing and energy efficiency were a few of the ESG considerations with the following works undertaken:

- Replacement of old mechanical equipment
- Electrical services upgrade to comply with current code requirements
- Fire service upgrades to comply with current code requirements
- DDA compliance requirements
- HAZMAT remediation with the removal of asbestos and lead paint
- Refurbishing the heritage features that were previously hidden under old fitout.

5. Gateway Shopping Centre, Darwin (NT)

In September 2019, a community art wall was created which consisted of a 170m mural made of up of 200 pieces. The art wall was prepared by local school children and coincided with World Heart Day.

PR 12	Mandatory	Core Assessed	PRI 2
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PR 12.1 Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.

- >90% of occupiers
- 50-90% of occupiers
- 10-50% of occupiers
- <10% of occupiers

PR 12.2 Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- Distribute a sustainability guide to occupiers
- Organise occupier events focused on increasing sustainability awareness
- Deliver training on energy and water efficiency
- Deliver training on waste minimisation
- Provide feedback on energy and water consumption and/or waste generation
- Provide feedback on waste generation
- Carry out occupier satisfaction surveys
- Health and wellbeing of residents
- Offer green leases
- Other, specify

PR 12.3 Additional information. [Optional]

In 2019, occupier surveys were implemented for the retailers at The Grove shopping centre to establish a deeper understanding of the tenants' experience at The Grove. Whilst there are no market based benchmark scores for retail occupier surveys, positive survey responses were received regarding the level of communication from centre management, the management team's service levels and the presentation and performance of the centre's operations.

Following the occupier surveys, the centre management team has implemented enhanced one on one retailer relationship meetings to create value adding and enduring relationships with the retailers with the objective of ensuring The Grove shopping centre is the retail destination of choice.

In 2019, CIP facilitated a review of the waste management strategy for the portfolio with the objective of delivering a waste strategy moving forward. A waste management consultancy firm has been appointed to undertake the following in the development of a waste management strategy for the portfolio:

- Review current waste disposed and the adopted practices
- Conduct cost reviews and assess adequacy of current systems and opportunities for improved system efficiencies.
- Facilitate site visits with contractors and onsite teams
- Interview contractors on their waste management practices, costs and new solutions.
- Present recommendations of contractors

In 2019, CIP undertook a facilities management conference with the property management team with a number of ESG topics presented and discussed throughout the conference. The topics included:

- ESG
- Modern Slavery awareness & legislation
- Peak demand energy management & the electricity market
- Retail tenant surveys

In 2019, CIP subscribed to Quantum which is a research tool that enables the business to better understand customer's shopping trends, preferences and habits. The use of the tool will assist in better serving our customers who live and/or shop within each centre's trade area with retailers that they prefer.

PR 13	Voluntary	Additional Assessed	PRI 2
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PR 13.1 Indicate the proportion of all leases signed during the reporting year that used green leases or the proportion of Memoranda of Understandings (MoUs) with reference to ESG issues.

- >90% of leases or MoUs
- 50-90% of leases or MoUs
- 10-50% of leases or MoUs
- <10% of leases or MoUs
- 0% of leases or MoUs
- N/A, no leases or MoUs were signed during the reporting year

PR 13.2 Additional information.

Office leases executed across our Portfolio over the course of CY19 with a broad range of tenants either included detailed Green Lease Schedules or reference to NABERS/ BEEC clauses.

PR 14	Voluntary	Additional Assessed	PRI 2
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PR 14.1 Indicate what proportion of property assets your organisation, and/or your property managers, engaged with the community on ESG issues during the reporting year.

- >90% of property assets
- 50-90% of property assets

- 10-50% of property assets
- <10% of property assets

PR 14.2	Indicate if the following areas and activities are typically part of your, and/or your property managers', community engagement.
<input checked="" type="checkbox"/> ESG education programmes for the community <input checked="" type="checkbox"/> ESG enhancement programmes for public spaces <input checked="" type="checkbox"/> Research and networking activities focusing on ESG issues <input checked="" type="checkbox"/> Employment creation in communities <input checked="" type="checkbox"/> Supporting charities and community groups <input type="checkbox"/> Other, specify	

PR 14.3	Additional information.
<p>During CY19, CIP began monitoring the community events undertaken in their retail shopping centres where community events are key for local residents. CIP hosted different events including:</p> <ul style="list-style-type: none"> · Free Breast Screening & Coffee cancer campaign · Choose Respect Champions – identifying through nominations from the community for children who have acted with care, consideration and kindness. · A community engagement partnership with the South West Women's refuge during the Christmas period, assisting families in the South West of Western Australia who are affected by domestic violence. · Promoting reusable bags with eco-friendly bag giveaways · Orchid displays by the local orchid society · Creation of a "little library" community space to give and share books and colouring activities for children · Free photos with Santa including free pet photos with Santa and free brunch with Santa · Schools singing Christmas carols · Gift wrapping & donating presents and non-perishable food for individuals & families in need. · Having coffee with the local police · Offering community groups and not for profit groups that are local only to fundraise or promote their group. <p>These events are held across various shopping centres managed and have the benefit of offering tenant retailers and members of the local community opportunities to come together. They provide key services to members of the community which may otherwise not be accessible. Feedback from these events are positive. Community events provide a platform for charities, local community schools and sporting teams to raise awareness and fundraise.</p> <p>At Channel Court shopping centre, we created an outdoor community precinct/zone that was previously an unused road. The former road was a trip and fall pedestrian safety issue and this area has now been converted into an attractive outdoor space that offers the community additional seating, new planter beds, bike racks, astro-turf for children's play and an area for social and marketing activities. Ramps were developed for parents with prams and wheelchair users to improve their access to the amenity and further reduced trip/fall incidents.</p> <p>Within the office portfolio, at 565 Bourke Street and 839 Collins Street, we have curated rooftop terrace space that provides the building occupants with outdoor space or third space for functions, events, and other social opportunities. Free wifi has also been installed on the ground floor and the rooftop terrace at 565 Bourke Street, providing occupants and their guests free access to the internet.</p> <p>In addition, at the Executive Building in Hobart, Tasmania, we undertook an upgrade of the forecourt immediately outside of the main entry of the building which now provides an improved entry and amenity to the property.</p> <p>For the Australian portfolio, our property manager has facilitated various ESG targeted research & presentations on key topics such as placemaking, solar feasibility scenario analysis, and sustainability questionnaires which form part of each asset's strategy where it is relevant.</p>	

PR 15	Voluntary	Additional Assessed	PRI 1,2
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PR 15.1	Indicate whether your organisation measures how your approach to responsible investment in property investments has affected financial and/or ESG performance.				
<input checked="" type="checkbox"/> We measure whether our approach to ESG issues impacts funds' financial performance					
PR 15.2a	Describe the impact on the following.				
<table border="1"> <thead> <tr> <th style="background-color: #cccccc;">Describe the impact on:</th> <th style="background-color: #cccccc;">Impact</th> </tr> </thead> <tbody> <tr> <td>Funds' financial performance</td> <td> <input checked="" type="checkbox"/> Positive <input type="checkbox"/> Negative <input type="checkbox"/> No impact </td> </tr> </tbody> </table>		Describe the impact on:	Impact	Funds' financial performance	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Negative <input type="checkbox"/> No impact
Describe the impact on:	Impact				
Funds' financial performance	<input checked="" type="checkbox"/> Positive <input type="checkbox"/> Negative <input type="checkbox"/> No impact				
<input type="checkbox"/> We measure whether our approach to ESG issues impacts funds' ESG performance <input type="checkbox"/> None of the above					

PR 15.3	Describe how you are able to determine these outcomes.
<p>On an annual basis individual valuation reports are undertaken for all assets. These are accessible by and can be disseminated to our external investor clients upon request. These reports measure the performance of assets under management as a whole and refer to the wide ranging ESG risks and opportunities for each individual asset. These valuation reports address many areas, for example; applicable regulatory standards, identifying any issues or concerns with the building structure and or standards, social trends in demographics, the market and the community within which the asset is located. All of these factors are ESG considerations and are reviewed on an annual basis. As an active asset management team, the strategies for ongoing management and monitoring in place for each asset are influenced by the annual valuation report.</p> <p>Specific examples of where CIP have measured our approach to ESG issues and how they impact financial performance are set out below</p> <ol style="list-style-type: none"> 1. Lighting Upgrade 	

A number of assets under management have already adopted LED technology which revolves around new fitting types. The viability of LED's for commercial buildings no longer appears to be in question. The reasons for this change have been:

- The lumens/ watt efficiency surpassed that of fluorescent about two years ago; and
- The cost of LED fittings has been steadily falling to the point where LEDs are considered to be potentially less expensive than fluorescent when energy and maintenance is considered increasing confidence in the technology by users and specifiers.

With this we have continually expanded the assets in which we have introduced LED lighting including another 4 office buildings over the course of 2019.

2. BMS Upgrade

A Building Management System (BMS) is a computer-based control system installed in buildings that controls and monitors the building's mechanical and electrical equipment such as ventilation, lighting, power systems, fire systems, and security systems.

Older BMS systems require an upgrade as a building's energy performance is directly affected by the limited performance of an old BMS system. An upgraded BMS improves the control functionality and enables best practice energy management strategies to be implemented in parallel with any mechanical plant upgrades.

Across the portfolio in 2019, the BMS has been upgraded at 215 Adelaide Street Brisbane, 35 Clarence Street Sydney, 565 Bourke Street Melbourne, and The Grove shopping centre, Adelaide. The upgraded BMS lowers the total cost of ownership of the BMS and provides a reliable, flexible and scalable web based control system that provides for effective energy efficient control and monitoring of the HVAC systems and building services. The BMS system also enables the properties to deploy cost effective energy management and energy reduction strategies that reduce the building's energy consumption and cost.

3. Mechanical Plant Upgrades

As part of the process of investigating the replacement of existing mechanical plant and equipment, we appoint a consultant to investigate the existing design against the market's current technology available and as part of the process an assessment is undertaken to identify the adequacy of the current system capacity and the building's required system capacity including any mechanical services modifications. The exercise identifies operational and energy efficiencies associated with the technology and forms part of the recommendation prior to tendering to the market for the replacement of the existing mechanical plant. This exercise is undertaken across the portfolio where mechanical plant upgrades are required. 35 Clarence Street Sydney, North Rocks Shopping Centre Sydney and The Grove Shopping Centre Adelaide have undertaken this exercise in 2019.

4. Solar Film Installation

At The Grove shopping centre, Adelaide, solar film was installed across 626 atrium glazed glass units. The investment increased the amount of natural light filtering into the mall and improved the ability to minimise the amount of solar heat and UV light allowed into the mall which previously negatively impacted on the efficiency of the air conditioning units, customers comfort and retailers trading areas.

PR 16	Voluntary	Descriptive	PRI 1,3
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PR 16.1	Provide examples of ESG issues that affected your property investments during the reporting year.
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Add Example 1

ESG issue	Aluminium Composite Panels (ACP) cladding
Types of properties affected	Retail and Office
Impact (or potential impact) on investment	The regulatory response associated with ACP is different in each state. Certain types of ACP is banned and extensive disclosures to regulators by building owners with ACP are required. Affected buildings require a strategy identifying a rectification building rectification. If no action is taken by an owner of a building with ACP cladding, an enforcement authority may issue a building product rectification order. Owners who are slow to act will also experience insurance coverage risk, lower tenant demand and retention due to the safety concerns.
Activities undertaken to influence the investment and the outcomes	We have engaged specific building and fire consultants to form an assessment of ACP cladding across the portfolio. The assessment process included the development of appropriate remedial strategies for the façade such as a Fire Engineered Solution (FES), the removal and replacement of combustible cladding, over cladding or other suitable alternative solutions. By proactively implementing remedial strategies where required, insurers look favourably to our risk management and mitigation strategies, tenant demand and retention is maintained and asset valuations are preserved.

Add Example 2

ESG issue	Occupier satisfaction and educating tenants
Types of properties affected	Retail
Impact (or potential impact) on investment	The purpose was to develop stronger retailer relationships and engagement and to identify whether tenants receive sufficient information and communication from centre management and their level of experience as an occupier of the shopping centre.

Activities undertaken to influence the investment and the outcomes	In 2019, we commenced retail tenant surveys with The Grove shopping centre being the first retail asset where this exercise was implemented. The exercise established a deeper understanding of the tenants' experience at The Grove and confirmed the positive tenant experience regarding the level of communication from centre management, the management team's service levels and the presentation and performance of the centre's operations. As a result of the occupier surveys, the centre management team has subsequently implemented revised and enhanced one on one retailer relationship meetings that aims to create value adding and enduring relationships with the retailers with the objective of ensuring The Grove shopping centre is their retail destination of choice.
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Add Example 3

ESG issue	Occupier satisfaction and community events
Types of properties affected	Retail
Impact (or potential impact) on investment	Core activity as part of the retail portfolio asset management process is to facilitate community engagement including education programmes, supporting charities and community groups and enhancing public spaces.
Activities undertaken to influence the investment and the outcomes	Events held across various retail assets resulted in opportunities for tenant retailers and members of the local community to come together. Community events provide a platform for charities to raise awareness and fundraise and key government services to interact with the local community.

Add Example 4

ESG issue	Energy efficiency
Types of properties affected	Retail and Office
Impact (or potential impact) on investment	Over the course of CY19 the team has undertaken an analysis of mechanical plant and equipment such air conditioning units and BMS systems as part of both the asset lifecycle management and the opportunity of improving the energy performance of the assets.
Activities undertaken to influence the investment and the outcomes	In CY2019 the team have sought advice from consultancy firms to investigate the existing air conditioning and BMS design against the market's current technology available and as part of the process an assessment is undertaken to identify the adequacy of the current system capacity and the building's required system capacity including any mechanical services modifications. The exercise identified operational and energy efficiencies associated with the technology and forms part of the recommendation prior to tendering to the market for the replacement of the existing mechanical plant. This exercise was undertaken for 35 Clarence Street Sydney, North Rocks Shopping Centre Sydney and The Grove Shopping Centre Adelaide.

Add Example 5

ESG issue	Contamination
Types of properties affected	Retail
Impact (or potential impact) on investment	An acquisition opportunity identified a contamination issued which required significant additional investigation and testing of the environment to establish the level of risk and exposure that may arise should we acquire the property.
Activities undertaken to influence the investment and the outcomes	In this circumstance, in order to manage the contamination issue identified, extensive testing was undertaken and this played a role in developing an environmental solution in addition to revised capital transaction pricing and contract negotiation with the vendor. Pursuant to the transaction, the environmental solution is now in place and will be monitored moving forward.

CM1 01	Mandatory	Additional Assessed	General		
CM1 01.1	Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:				
<input type="checkbox"/> Third party assurance over selected responses from this year's PRI Transparency Report <input type="checkbox"/> Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year <input type="checkbox"/> Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year) <input type="checkbox"/> Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year) <input checked="" type="checkbox"/> Internal verification of responses before submission to the PRI (e.g. by the CEO or the board) <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Whole PRI Transparency Report has been internally verified <input type="checkbox"/> Selected data has been internally verified <input type="checkbox"/> Other, specify <input type="checkbox"/> None of the above					
CM1 02	Mandatory	Descriptive	General		
CM1 02.1	We undertook third party assurance on last year's PRI Transparency Report				
<input type="radio"/> Whole PRI Transparency Report was assured last year <input type="radio"/> Selected data was assured in last year's PRI Transparency Report <input checked="" type="radio"/> We did not assure last year's PRI Transparency report <input type="radio"/> None of the above, we were in our preparation year and did not report last year.					
CM1 03	Mandatory	Descriptive	General		
CM1 03.1	We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:				
<input type="checkbox"/> We adhere to an RI certification or labelling scheme <input type="checkbox"/> We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report <input type="checkbox"/> ESG audit of holdings <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> None of the above					
CM1 04	Mandatory	Descriptive	General		
CM1 04.1	Do you plan to conduct third party assurance of this year's PRI Transparency report?				
<input type="radio"/> Whole PRI Transparency Report will be assured <input type="radio"/> Selected data will be assured <input checked="" type="radio"/> We do not plan to assure this year's PRI Transparency report					
CM1 07	Mandatory	Descriptive	General		
CM1 07.1	Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed				
<input checked="" type="checkbox"/> CEO or other Chief-Level staff <table border="1" style="margin-left: 20px;"> <tr> <td>Sign-off or review of responses</td> </tr> <tr> <td> <input checked="" type="checkbox"/> Sign-off <input type="checkbox"/> Review of responses </td> </tr> </table> <input type="checkbox"/> The Board <input type="checkbox"/> Investment Committee <input type="checkbox"/> Compliance Function <input checked="" type="checkbox"/> RI/ESG Team <input checked="" type="checkbox"/> Investment Teams <input type="checkbox"/> Legal Department <input type="checkbox"/> Other (specify)				Sign-off or review of responses	<input checked="" type="checkbox"/> Sign-off <input type="checkbox"/> Review of responses
Sign-off or review of responses					
<input checked="" type="checkbox"/> Sign-off <input type="checkbox"/> Review of responses					