

2019 Sustainability Report

Providing
our customers
with financial
security for
retirement



About this report

At Challenger, we're embedding sustainability across the business to create strategic value for our customers, our employees and our business.

Our 2019 Sustainability Report outlines Challenger's approach to addressing our most material matters and tracks our key achievements against our sustainability strategy through:

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

Throughout this report we also outline how our business contributes to the achievement of the UN Sustainable Development Goals (SDGs).

The final section provides key performance data to track our progress.

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



Contents

About us

- 03** Update from the Chair & CEO
- 04** Business highlights
- 05** Progress implementing our corporate sustainability strategy
- 06** What matters most
- 08** Governance and risk management
- 09** Tax transparency

Responsible practices

- 10** Trust and confidence
- 12** Long-term risk management
- 15** Challenging investment markets
- 16** People and culture

Constructive policy

- 20** Changing operating environment
- 22** Retirement policy settings

Customers and community

- 23** Great customer experiences
- 25** Supporting the community

Performance and reference data

- 26** Material issue boundary map
- 27** Environment
- 29** People
- 33** Community and research
- 34** Global Reporting Initiative content index
- 38** Glossary



Progress implementing our corporate sustainability strategy



Responsible business practices

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

Progress:

- achieved an **84% sustainable engagement score** in our 2019 employee engagement survey;
- recognised as an **Employer of Choice** for Gender Equality from WGEA for the second year in a row;
- increased **ESG capability** with appointment of specialist resources;
- satisfactory completion of external **risk governance assessment**;
- enhanced reporting under the **FTSE4Good** index and the **Principles for Responsible Investment**.



Constructive public policy settings

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

Progress:

- ongoing engagement with policy makers on **retirement income reform** initiatives;
- published a series of **thought leadership articles** in conjunction **with our partner organisations**;
- produced retirement income **research to educate Australians** on spending patterns in retirement;
- delivered **retirement income webinars** to a significant proportion of advisers;
- coordinated **103 CPD accredited workshops** around Australia for advisers.



Financially resilient customers and communities

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

Progress:

- launched a **new campaign** focused on **educating retirees** and creating **confidence in retirement**;
- **donated \$321 per employee** to community partners through our workplace giving program;
- employees spent **1024 hours volunteering**;
- strategic planning underway for a **new community program** to commence in FY20.

Tax transparency

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

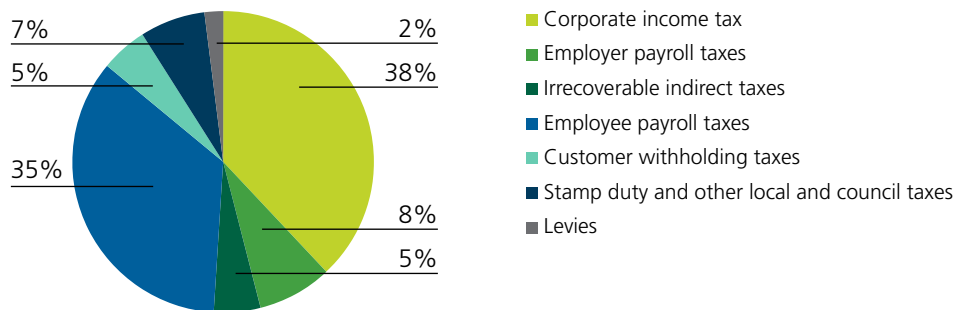
Our tax disclosures meet the requirements of the Australian Board of Tax's voluntary Tax Transparency Code (TTC) of which Challenger is a signatory. We have prepared our tax transparency disclosures in this report and in the tax note of our 2019 Annual Report in conformance with the TTC.

We have a tax charter in place that governs how tax is managed within the organisation. The charter states that Challenger will manage its tax obligations in a sustainable way with regard to the commercial and social imperatives of the business and our stakeholders. It determines that Challenger will comply with prevailing revenue laws and maintain professional relationships with the regulatory and tax authorities in the jurisdictions we operate in.

Challenger does not knowingly participate in the avoidance of tax or facilitate and/or promote the avoidance or evasion of tax by a third party.

Our total tax contribution (paid and collected) to and on behalf of the Australian Government (state and federal) for FY19 was \$133.4 million.

Breakdown of total tax contribution



Overseas subsidiaries

We invest offshore to secure a diversified and balanced portfolio for our investors and to back our policies. As at 30 June 2019, 36% of Challenger Life Company Ltd's investment assets were offshore. Challenger Life Company is also party to a number of global reinsurance agreements.

These offshore interests mean that a number of overseas subsidiaries are included in the Challenger Group organisational structure. Our Funds Management business originates and manages offshore assets on behalf of Challenger Life Company and third party institutional investors, such as Australian industry superannuation funds.

Foreign structures are used to provide certainty over commercial, legal and tax aspects of the various transactions we enter into. This certainty comes from using entities in jurisdictions with similar laws to Australia or those that have substantially complied with the Organisation for Economic Co-operation and Development's (OECD) guidelines on tax transparency, including information exchange with global tax authorities.

Like many other institutional investors in Australia and globally, when Challenger invests in offshore assets, we are required to establish wholly-owned subsidiaries in the countries where the investment is located. Use of these structures is part and parcel of global investing for most institutional investors. For Challenger, it allows us to invest alongside other institutions from other countries in an efficient way; increase economies of scale by allowing investors to pool their capital; reduce investment risk through portfolio diversification; and gain exposures to assets that Challenger may not otherwise be able to access directly on its own.

The investment returns that Challenger makes are taxable in the source country of the investment and also in Australia. This results in an underlying effective tax rate for Australian activities of 29.3% compared to an underlying effective tax rate of 26.4% for offshore operations.



Maintaining trust is key to doing business.

Trust and confidence

Why does it matter?

Maintaining trust is key to doing business. Financial institutions have a responsibility to ensure customers have confidence in where they invest and manage their money. According to the 2019 Edelman Trust Barometer, business has some way to go in terms of earning public trust, with just 53% of women and 60% of men, trusting today's businesses. The financial services sector has the lowest level of trust of any sector at 57%.

At Challenger we recognise that the expectations of businesses have significantly increased in recent years, which is particularly highlighted by the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (see '[Changing operating environment](#)'). We also understand that there is opportunity for businesses such as ours to affect significant change in society through our business practices.

Our response

Corporate conduct

Corporate responsibility has become core to business at Challenger. Our vision and strategy outline what we will focus on in the short, medium and long term and we also recognise that how we deliver on these strategies is equally important. Our code of conduct (the Code) outlines the standards of honest and ethical behaviour expected of employees. We have five principles – integrity, commercial ownership, working together, compliance and creative customer solutions – that are linked to everything we do. The Code and principles apply equally to permanent and temporary employees, as well as contractors and consultants. Employees

are assessed on how they demonstrate expected behaviours as part of an annual performance review (that is linked to remuneration outcomes) as well as through organisational recognition programs.

Investor confidence

Challenger is committed to delivering on our strategy to provide our customers with financial security for retirement. Through challenging and dynamic market conditions, our investment approach allows for the flexibility to continue to deliver returns for our customers and investors. We work hard to ensure our investors can be confident in receiving returns in the long term.



Delivering on the UN SDGs



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

Our approach to responsible investment enables us to deliver long-term sustainable returns.

Delivering on the UN SDGs



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



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

Long-term risk management

Why does it matter?

Australia will be impacted by global megatrends in the coming years. Demographic shifts will see a higher proportion of the population over the age of 65, and Australians are also living longer. Effective financial systems and a responsible approach to investing will be required to ensure sufficient capital is available to support these shifts.

In addition, climate change is a global issue that the world must come together to address. Ensuring temperature levels are kept well below a two degree increase (in line with the Paris Agreement) will require innovation and significant change to current systems. The financial services sector has an opportunity to deliver long-term value to customers through new products that are aligned with mitigating climate-related risks as well as other ESG risks.

Our response

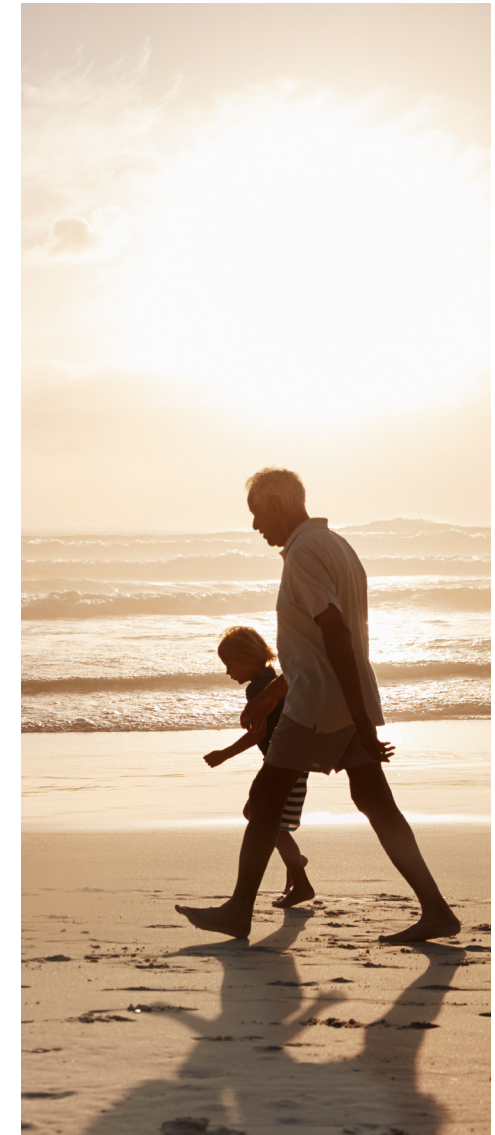
Effective long-term risk management enables us to deliver on our promise to provide secure and stable incomes to our customers. Our investment strategy is to match the long-term annuities we sell with a diversified portfolio of assets. This diversification, combined with our continuous review of investment opportunities, allows us to deliver on our vision to provide our customers with financial security for retirement.

At Challenger, our asset allocation process ensures our investment teams source appropriate assets to match our liabilities. Our integrated investment management approach is to assess investments based on long-term risks, including the consideration of ESG risks. Challenger also invests in a variety of instruments to minimise interest rate, currency and inflation risk. Our approach to responsible investment enables us to deliver long-term, sustainable returns.

Our risk appetite

We have a strong risk culture across our business. Our risk culture is regularly reviewed through internal and external audits that assess the appropriateness, effectiveness and adequacy of our risk management framework, as well as through employee surveys to ensure we maintain its strength.

Our robust risk management framework is key to building long-term shareholder value. The Board's Risk Appetite Statement outlines the level of risk that is acceptable for us to achieve our strategic goals and financial objectives. It provides that, subject to earning acceptable economic returns, it can retain exposure to certain risks, including credit risk, infrastructure risk, property risk, equity risk and life insurance risk. We also ensure we meet all prudential standards as prescribed by APRA.





Diversity and inclusion

Creating a diverse and inclusive workplace is key to building an effective and engaged team. We understand that encouraging a diversity of backgrounds and experience, and ensuring all opinions are considered, will lead to better business decisions and outcomes. We also believe that to provide the best services and outcomes for our customers, we must attract, retain, develop and engage great people.

In 2019, we refreshed Challenger’s approach to diversity and inclusion, incorporating direct inputs from our employees to focus on the areas that matter to them most. Our strategy going forward will extend our existing focus on gender equality and empower our employees to shape a broader approach to diversity. It also focuses on initiatives to support older workers.

Promoting diversity contributes to SDG 8 to achieve full and productive employment for all

Gender equality

Challenger believes that gender equality is an important strategic element in creating a truly diverse and inclusive workplace. We are committed to achieving gender equality in our own business and more broadly in Australia. We continue to report to the Workplace Gender Equality Agency (WGEA) and this year we were again recognised as an Employer of Choice for Gender Equality by WGEA.

The Board and Senior Leadership team continue to monitor gender pay equity as part of the annual remuneration review. We continue to ensure pay parity for those working in comparable roles. Given our businesses’ strategic focus on building financial security for retirement, we recognise the importance of ensuring that we adopt practices and processes in our workplace that contribute to these outcomes for all of our employees. For this reason, we also continue to make superannuation guarantee contributions to our employees on parental leave.

Providing support for women contributes to SDG 5 to end discrimination against women

Women overall working at Challenger

December 2015	June 2019	FY19 Target	FY20 Target
39.5%	44.2%	43.5%	45.0%

Women in management roles

December 2015	June 2019	FY19 Target	FY20 Target
27.4%	37.0%	38.5%	40.0%

Challenger was recognised as an Employer of Choice for Gender Equality from WGEA for the second year in a row.

Diverse and inclusive workplace

A key pillar of our diversity strategy is to create a diverse and inclusive workplace. We achieve this through guidance and governance from our Diversity Committee comprised of senior leaders across the business. To provide a greater sense of inclusion and belonging, we’re engaging our employees to help shape initiatives in the areas that matter to them most.

In 2019, we became a partner of Future IM/Pact, an industry initiative aimed at attracting more talented women into the investment management industry. Complementing this, we provided the opportunity for a second cohort of 12 talented female employees to participate in our Women Leading @ Challenger program. This program, introduced in 2018, uses a strengths-based approach to accelerate the development of female leaders across the business.

Challenger is committed to supporting these and other key initiatives to create a diverse talent pool to sustain our ongoing business needs.

Human rights

We respect and support human rights as set out in the Universal Declaration of Human Rights and the Fundamental Conventions of the International Labour Organisation.¹ At Challenger, we do this through our corporate policies, programs and initiatives, and broader governance and stakeholder

management methods. We are committed to providing a fair, safe and healthy work environment for our employees that is free from unlawful discrimination, harassment and bullying and where individuals are treated with respect and courtesy. We also respect and support the rights of employees to establish, join or not join trade unions or other associations, and we recognise any local rights to collective bargaining.

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

With the introduction of the modern slavery legislation, Challenger is committed to ensuring we develop the right systems and processes to do our part to eliminate modern slavery in all its forms.

Promoting human rights contributes to SDG 8 to end modern slavery

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



Leadership and talent

Leadership is fundamental to the success of every part of our business and is a key focus at Challenger. We understand that developing great leaders is an important part of what we do. Critical to this, is attracting great people and having the programs in place to enable their growth and development.

Teams and organisations that are seen as positive places to work will attract and retain highly skilled staff.¹

At Challenger, we ensure our leaders are prepared through training programs covering a broad range of topics, including how to manage reports of instances of harassment or bullying.

In 2017, Challenger created an in-house recruitment function to allow for a more consistent recruitment experience for our candidates. We have a strong employment brand where people from diverse backgrounds and varying experience can flourish and achieve success. Following a full year of this in-house function, we have experienced improvement and 92% of our employees would recommend Challenger as a good place to work.

Career development programs

As a part of career development, we provide support to allow our employees to guide their career path. Performance and career development conversations occur throughout the year and in-depth talent reviews are conducted annually. Our employees have the opportunity to work on projects across the business, enabling them to develop new skills and find new opportunities to grow.

During the year, 115 employees moved within the organisation as a result of promotions, secondments and transfers.

Through forums and discussions for our three leadership groups – Leadership Team (LT), Executive Management Team (EMT) and Senior Management Forum (SMF) – Challenger provides leadership development and growth of skills using detailed trend analysis and strategic planning.



Promoting women in leadership contributes to SDG 5

During the year, 115 employees moved within the organisation through promotions, secondments and transfers.



¹ Creating a Respectful Workplace, Australian Public Service Commission.

Our response

Engaging with regulatory change

Changes to the policy and regulatory environment in financial services impact on investment certainty. At Challenger, we're committed to providing our customers with financial security for retirement and are engaging broadly and leveraging our research to contribute to the public policy discussion.

We recognise that the 2019 federal election cycle created competing priorities and has impacted the progress of retirement income reforms. Our approach is to proactively engage with government and industry to ensure that the policy intention of new reforms is delivered. This includes developing thought leadership papers and making submissions to public consultations. Where we have concerns that unintended customer outcomes may arise, we raise these issues with a view to working together on a solution.

We partner with key stakeholders in business and the community and participate in industry working groups through membership of various industry associations.

We also continue to focus on educating Australians on the importance of investing in secure retirement incomes.

Distribution changes

Disruption in the financial advice market is ongoing. Client remediation work, adviser movement, and uncertainty around business models and future ownership of advice continues to impact our distribution channels. At Challenger, we work with our partners to

develop effective distribution for our products. Increasing competition and advances in technology provide the opportunity to innovate on how we get our products to our customers. In our Funds Management business, we continue to build on our leadership position as one of the fastest growing active fund managers by adding new boutiques and expanding our products and distribution.

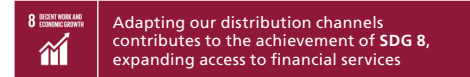
Advisers remain an important distribution channel. We are making it easier for advisers to do business with us by making annuities available on leading investment and administration platforms they use, as well as simplifying and streamlining access to our products.

During the year we made the full range of Challenger annuities available on the BT Panorama, Hub24 and Netwealth platforms, making our annuities available on the platforms used by around 70% of Australian financial advisers.

Profit-for-member funds are increasing their focus on providing retirement income solutions for their members, and we are focused on strengthening our relationships with them to support this. In addition to our existing partners, we are also working with other superannuation funds as they develop their retirement solutions. Our focus is understanding member needs and fund priorities and exploring how our products could help provide stronger member outcomes.

In response to the global trend towards exchange-traded funds (ETFs), Fidante Partners launched ActiveX in December 2018. ActiveX is a series of actively managed ETFs, providing investors with easier access to the extensive investment expertise of Fidante's boutique investment managers.

This year we've increased our focus on the independent financial adviser channel. We're committed to improving adviser experiences to increase the allocation made to annuities.



Advances in technology

Technology is improving to support efficient and productive ways of working. At Challenger, we monitor how these technologies may work to improve our business. We engage with providers to understand the functionality of new technologies and test their application in our current systems.

Artificial intelligence (AI) continues to become a greater focus. While AI may not improve all systems and processes, it can support many functions. The application of AI can help a business meet regulatory requirements, including monitoring the privacy and security of data. Emerging cloud platforms, with enhanced features, are also a focus for us.

Challenger products are now available on platforms used by 70% of advisers.



There is broad agreement that reform is needed to provide better outcomes for retirees.

Retirement policy settings

Why does it matter?

Australians are living longer and older Australians will comprise a larger portion of the population in the future. The nature of work is also shifting, with the rise of the gig economy as well as an increase in part-time workers. Reform is required today to ensure that our economy and our society are prepared for the financial implications these shifts will bring.

Our response

Supporting an ageing population

Retirement income policy, including superannuation, needs to be flexible to cater for a changing population – both in its demographics and in the shifts in the composition of the workforce. Innovative financial management strategies need to be developed to address and complement the broad range of circumstances of older Australians.

At Challenger we understand that advances in modern medicine and an increased awareness of healthy lifestyles means older Australians are fitter, stronger and able to enjoy a more active lifestyle than previous generations. With longer lifespans, however, comes the reality that we'll need a similarly healthy retirement income.

A recent survey by National Seniors Australia¹, a consumer group representing older Australians, found that around 26% of participants 'hadn't planned at all' for an increasing lifespan. It also found that almost half of senior Australians still working are concerned they will outlive their savings (with 34% worried savings will run out, and 14% extremely worried).

At Challenger, we are working with a broad set of stakeholders to ensure these key considerations are incorporated into policy development and we continue to research and educate through the development of thought leadership papers.



Supporting an ageing population contributes to SDG 10 to empower and promote inclusion of all

Retirement phase of superannuation underdeveloped

Retirement income policy continues to evolve in Australia. There is broad agreement across industry and government that the retirement phase of the superannuation system is underdeveloped, and reform is needed to provide better outcomes for retirees.

Recent leadership changes and competing priorities have impacted the government's ability to progress reform.

At Challenger we are committed to providing financial security for retirement and will work with the government to ensure the system provides resilience for older Australians now and in the future. We also engage with key stakeholders and develop partnerships to contribute to the public policy discussion. This includes developing thought leadership and research papers supporting evidence-based reform.

While there is still much work to do to develop the retirement phase of superannuation, industry and government are increasingly focused on creating options for retirees that provide both security and flexibility. The government's proposed Retirement Income Framework seeks to improve the standard of living for retirees by providing more options for them to convert their savings into reliable income that lasts for life. The Framework builds on earlier reforms that encourage the development of innovative retirement income streams. This includes new means test rules that came into effect on 1 July 2019, which are designed to support lifetime income products.



Strengthening policy around retirement incomes contributes to SDG 8 to encourage and expand access to financial services

Delivering on the UN SDGs



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



Reduce inequalities within and among countries

¹ Seniors more savvy about retirement income, National Seniors Australia, October 2017.

Our goal is for our customers to be able to look forward with confidence.

Great customer experiences

Why does it matter?

Customers have a growing choice when it comes to funding their lives and their retirement. A survey conducted by Salesforce found that 76% of customers expect a business to understand their needs and expectations.¹ They also found that customers expect products and services to be personalised. Going forward, a company's ability to adapt and adjust to meet changing customer expectations will be a driving force of success.

Our response

Providing our customers with financial security for retirement is the reason we exist. Key to achieving this is investing in research to understand more about our customers, educating our advisers and customers on the important role annuities can play in retirement and designing products and services that meet both customer and societal needs.

Customer research

It is vital that we remain well informed about the changing needs and expectations of our customers.

In 2018, we commissioned a customer research program to better identify the needs and understand the experiences of existing and prospective lifetime annuity customers. This past year, our focus has been to embed the outcomes of this research. As a result, we've simplified the language we use in our communications and disclosure documents; updated the information available on our website to make sure it is relevant and engaging; and through paid advertising,

focused on educating retirees about sustainable retirement incomes. Our plan looking forward, is to continue to build on this progress.

The growth of digitisation over recent years has significantly impacted a broad range of consumer products and services. Understanding the demand from customers to interact with us through digital channels will be a focus of further research planned over the next 12 months.

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



Delivering on the UN SDGs

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

8 DECENT WORK AND ECONOMIC GROWTH
 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

¹ Customer Expectations Hit All-time High, Salesforce 2019.

Educating customers and advisers

At Challenger, we invest in educating our customers on the role annuities can play in their retirement. We know from our customer research that the more people understand how annuities can provide for their retirement needs, the more they will consider annuities within their retirement plans.

To empower more customers to consider a lifetime annuity as a part of their retirement portfolio, we developed an interactive tool. This tool demonstrates how a lifetime annuity works with other sources of retirement income and illustrates the level of payments they may expect to receive from an annuity (based on their gender, age and investment amount).

Our research also confirmed the important role of sound, impartial advice in the retirement planning process.

The retirement market is complex and continues to evolve. We aim to help support advisers and dealer groups through a multi-channel approach including on the ground support by our Distribution team, technical support from a team of product specialists; and facilitating a number of state-based workshops and webinars.

We aim to help support advisers and dealer groups through a multi-channel approach.

Improved product design

Our lifetime product (Liquid Lifetime) has been enhanced to ensure compliance with the Innovative Superannuation Income Stream rules. This allows for customers to access the benefits of an innovative product, including the ability to defer payments in return for higher income.

Guaranteed Annuity and CarePlus have also been simplified by removing rarely used product options. This has reduced complexity and makes it easier for retirees to understand the benefits of these products.



A trusted brand

Challenger has continued to evolve its brand over the past 12 months by using insights garnered from our customer research. Our brand recognition is strong and we are regarded as a reputable and successful company that provides confidence to our customers. Through our new education campaign and our social outreach initiatives planned for FY20, we're looking to build on this brand recognition. Our aim is to be a brand that meets the complex and diverse requirements today's retirees need from a retirement income provider.



We launched a new campaign focused on educating retirees and creating confidence in retirement.



\$321 per employee donated to our community partners through our workplace giving program.

Supporting the community

Why does it matter?

Australian businesses rely on customers and the community for their success. There are many ways a company can impact their community both positively and negatively.

Research has shown that outcomes from workplace giving drives employee engagement, enhances the employee value proposition and leads to more engaged stakeholders. Workplace giving also provides a positive social impact for the community, helping to develop stronger communities and more resilient not-for-profit organisations!

Australians are living longer, and older Australians will make up a larger proportion of the population in coming years. They are more vulnerable to many externalities and are subject to discrimination in many aspects of their lives.

Our response

Growing expectations

Strong business outcomes are becoming ever more aligned with positive impacts in the communities in which they operate. At Challenger, we understand the growing expectation of our stakeholders and recognise the opportunity we have to make a difference to those in the communities around us. Through workplace giving and

volunteering programs, we provide ways for our employees to support their communities. For every dollar our employees donate through our program, Challenger will match that donation (up to \$500). We also offer all permanent employees a day of paid leave to volunteer for a charity of their choice. Throughout the year, \$321 per employee was donated to our community partners through workplace giving and 1,024 hours were spent volunteering in the community.

Through these programs, we both support our community and increase employee engagement.



Strategic community investment

Challenger is committed to making a meaningful impact through our strategic investment in community programs. We have community partnerships with Barnardos, Bear Cottage, beyondblue, Dementia Australia, Meals on Wheels and National Seniors Australia and support them through our workplace giving program and other fundraising activities throughout the year.

At Challenger, we understand the unique challenges older Australians face in the workplace. As part of our strategy, we want to support older Australians through educating the broader Australian population about the valuable contribution that older Australians make to our national productivity, and to seek to remove the direct and indirect



Our employees contributed to the community through 1,024 hours of volunteering.

discrimination that older Australians can experience in the workplace. In line with this, throughout the year we undertook a review of our community program with the aim of developing a new program with a strategically aligned focus on reducing financial disadvantage in the community. Core to this program is addressing age discrimination and providing support to mature age workers. We expect to finalise the details of our program in early FY20 and commence implementation later in the year.



Delivering on the UN SDGs



¹ Giving Australia 2016.

Environment

2019 greenhouse gas emissions

Emissions ¹	Units	Source data	tCO ₂ -e
Scope 1			
Natural gas	GJ	78.2	4.0
Total scope 1	GJ	78.2	4.0
Scope 2²			
Electricity	MWh	1,153.9	899.4
Total scope 2	MWh	1,153.9	899.4
Scope 3			
Utilities			
Natural gas ³	GJ	78.2	1.0
Electricity ³	MWh	1,153.9	111.2
Electricity (base building)	MWh	841.7	842.7
Water	ML	8.3	5.3
Equipment & Services			
Paper	tonnes	11.4	14.9
IT equipment	\$ (000)	1.7	0.3
Postage	\$ (000)	124.6	174.9
Couriers	\$ (000)	32.6	45.5
Travel & Commuting			
Accommodation	occupancy nights	1,584	80.4
Flights	(000) km	6,554.8	2,265.5
Employee commuting	(000) km	4,635.8	703.7
Taxis and hire cars	\$ (000)	381.7	40.8

Emissions ¹	Units	Source data	tCO ₂ -e
Food & Beverage			
Fruit ⁴	\$ (000)	16.0	5.2
Milk ⁴	\$ (000)	8.0	4.7
Other foods (from major events) ⁵	\$ (000)	131.2	50.5
Waste			
Landfill	tonnes	33.7	30.3
Recycling	tonnes	33.0	6.6
Total scope 3			4,383.5
Overall total			5,286.9

Topic	Units	tCO ₂ -e
Direct energy consumption by primary source	GJ	78.2
Indirect energy consumption by primary source	GJ	4,154.1
Direct greenhouse gas (GHG) emissions (scope 1)	tCO ₂ -e	4.0
Energy indirect GHG emissions (scope 2)	tCO ₂ -e	899.4
Other indirect GHG emissions (scope 3)	tCO ₂ -e	4,383.5
GHG emissions per employee	tCO ₂ -e	7.7

¹ Challenger references an operational control boundary for emissions.

² Incorporates Scope 2 emissions calculated using a 'location-based' method. Calculations are based on the Department of Environment National Greenhouse Accounts Factors published in July 2018.

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

⁴ Incorporates fruit and milk consumption for the Sydney head office.

⁵ Major events include AGM, Employee Update briefings and Sydney end of year celebration.

People

Employee profile

Number of employees	FTE ¹	Headcount
Overall total	687.4	703

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

Employees by contract type and gender	Female	Male	Total
Permanent			
Full time	206	382	588
Part time	45	5	50
Fixed term			
Full time	28	25	53
Part time	3	3	6
Contractors			
Agency	1	0	1
Independent	1	2	3
Casual	1	1	2
Total	285	418	703

Employees by region and gender	Female	Male	Total
Adelaide	1	1	2
Brisbane	5	4	9
Hobart	5	7	12
Melbourne	11	15	26
Perth	2	2	4
Sydney	254	357	611
London	6	23	29
Tokyo	1	8	9
Other	0	1	1
Total	285	418	703

Employees by age group	Total
Under 30	109
30 - 39	271
40 - 49	239
50 - 59	72
60 and over	12
Total	703

New hires by age group	Total
Under 30	61
30 - 39	72
40 - 49	33
50 - 59	12
60 and over	1
Total	179

¹ Full-time equivalent.

People

Diversity measurable objectives for 2019 (continued)

Objective	Performance
<p>Flexibility Expand flexible working to make our business more agile and enable employees to better balance life and work</p>	<p>Challenger's 2019 employee engagement survey results indicate that Challenger's existing workplace practices provide the vast majority of employees with the flexibility they need (92% of employees responded favourably to questions about flexibility at Challenger).</p> <p>In December 2016, we rolled out an online application and toolkit for formal flexible work requests. Since then over 100 new flexible work applications have been made and 96% of these have been approved. Just over a quarter of these have been for male employees.</p> <p>To support employees integrating work with life, throughout the year, we introduced the option to purchase leave. This means that all permanent employees are now able to purchase up to two additional weeks of annual leave per year.</p>
<p>Talent pipeline Focus on recruitment and retention practices to ensure a diverse talent pool</p>	<p>We've continued to work with our recruitment partners to ensure appropriate gender representation for external candidate shortlists.</p> <p>Throughout FY19, we also continued to focus on identifying opportunities for internal progression for women within Challenger, with:</p> <ul style="list-style-type: none"> • 35% of a total of 75 internal promotions were women (51% in FY18); • 57% of a total of 21 internal secondments were women (35% in FY18); and • 58% of a total of 19 internal transfers were women (42% in FY18).

Community and research

Sponsorship of community events, research and leadership forums

Activities	Total
Sponsorship of COTA	\$50,000
Research grant for National Seniors Australia	\$75,000
JP Morgan corporate challenge sponsorship	\$13,833
FICAP - Financial Industry Community Aid Program	\$11,000
Social Ventures Australia (for FY20 community program)	\$187,542
Total	\$337,375

Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Challenger Limited	
	102-2 Activities, brands, products and services	https://www.challenger.com.au/about-us	
	102-3 Location of headquarters	5 Martin Place Sydney NSW 2000	
	102-4 Location of operations	https://www.challenger.com.au/about-us/contact-us/australian-offices	
	102-5 Ownership and legal form	https://www.challenger.com.au/about-us	
	102-6 Markets served	https://www.challenger.com.au/about-us	
	102-7 Scale of the organisation	2019 Annual Report: About Challenger	
	102- 8 Information on employees and other workers	Performance data - People	<u>29</u>
	102- 9 Supply chain	2019 Annual Report: Overview. Information included in the section on 'Operating segments and principle activities'	
	102-10 Significant changes to the organisation and supply chain	No significant changes during the reporting period.	
102-11 Precautionary approach	2019 Corporate Governance Statement: Principle 7- Recognise and manage risk		
102-12 External initiatives	FTSE4GOOD index (voluntary) Principles of Responsible Investment (voluntary)		

GRI standard	Disclosure	Reference or response	Page
GRI 102: General Disclosures 2016	102-13 Membership of associations	Asian association for Investors in Non-listed Real Estate Vehicles Association of Superannuation Funds of Australia Australia Japan Business Co-Op Committee Australian Human Resources Institute Australian Payroll Association Pty Ltd Australian Securitisation Forum Committee for Economic Development of Australia Corporate Executive Board Diversity Council Australia Ltd Financial Institutions Remuneration Group Inc Financial Services Council Governance Risk Compliance Institute Group of 100 Law Council of Australia National Seniors Australia Ltd NSW Australian Property Institute Principles for Responsible Investment Association Property Council of Australia Shopping Centre Council of Australia Women in Super	
	102-14 Statement from senior decision-maker	Update from the Chair & CEO	<u>03</u>

Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
General Disclosures (continued)			
GRI 102: General Disclosures 2016	102-16 Values, principles, standards and norms of behaviour	Responsible practices - Trust and confidence	<u>10</u>
	102-18 Governance structure	About us - Governance and risk management	<u>08</u>
	102-40 List of stakeholder groups	About us - What matters most	<u>06</u>
	102-41 Collective bargaining agreements	Challenger does not have any employees covered by collective bargaining agreements.	
	102-42 Identifying and selecting stakeholders	About us - What matters most	<u>06</u>
	102-43 Approach to stakeholder engagement	About us - What matters most	<u>06</u>
	102-44 Key topics and concerns raised	About us - What matters most	<u>06</u>
	102-45 Entities included in the consolidated financial statements	2019 Annual Report: note 22 to the Financial Statements	
	102-46 Defining report content and topic boundaries	Material issue boundary map	<u>26</u>
	102-47 List of material topics	About us - What matters most	<u>06</u>
102-48 Restatements of information	The overall FY18 emissions profile was restated to reflect a correction to the method for calculating emissions from business flights. The resulting increase in emissions was 892.1, increasing the overall FY18 emissions to 5,417.8.		

GRI standard	Disclosure	Reference or response	Page
GRI 102: General Disclosures 2016	102-49 Changes in reporting	As a result of the 2019 materiality assessment undertaken, the following changes were made to the material issues identified: <ul style="list-style-type: none"> • 'Conduct and trust' became 'Trust and confidence' • 'Responsible Investment' is considered within 'Long-term risk management' • 'Technology and information security' is considered within 'Trust and confidence' • 'Investing in the community' became 'Supporting our community' • 'Positive customer outcomes' became 'Great customer experiences' • 'Regulatory change' became 'Retirement policy settings' • 'Market structures and competition' is considered within 'Changing operating environment' • 'Ageing population demographics' is considered within 'Long-term risk management' • 'Climate change' is considered within 'Long-term risk management' • 'Workforce well-being and culture, 'Talent attraction and retention' and 'Diversity and inclusion' are considered within 'People and culture' 	
	102-50 Reporting period	1 July 2018 - 30 June 2019	
	102-51 Date of most recent report	13 August 2019	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding this report	Jodi Litzenberger	

Global Reporting Initiative content index

GRI standard	Disclosure	Reference or response	Page
General Disclosures (continued)			
GRI 102: General Disclosures 2016	102-54 Claims of reporting in accordance with the GRI Standards	About us - Report outline and contents	<u>02</u>
	102-55 GRI content index	GRI content index	<u>34</u>
	102-56 External assurance	The energy and greenhouse gas emissions calculations provided in this report have been externally assured by GPP Audit Pty Ltd. Other topics in this report have not been externally assured.	<u>28</u>
Responsible practices			
Material topic: Trust and confidence			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Responsible practices - Trust and confidence About us - What matters most	<u>10</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices - Trust and confidence	<u>10</u>
	103-3 Evaluation of the management approach	Responsible practices - Trust and confidence	<u>10</u>
GRI 415: Public Policy 2016	415-1 Political contributions	Responsible practices - Trust and confidence	<u>10</u>
GRI 418: Customer Privacy 2016	418-1 Complaints concerning privacy	Responsible practices - Trust and confidence	<u>10</u>
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions were identified in relation to non-compliance with laws and/or regulations, including corruption.	
Material topic: Long-term risk management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Responsible practices - Long-term risk management About us - What matters most	<u>12</u> <u>06</u>

GRI standard	Disclosure	Reference or response	Page
GRI 103: Management Approach 2016	103-2 The management approach and its components	Responsible practices - Long-term risk management	<u>12</u>
	103-3 Evaluation of the management approach	Responsible practices - Long-term risk management	<u>12</u>
GRI 105: Emissions	305-1 Direct (Scope 1) GHG emissions	Performance and reference data – Environment	<u>27</u>
	305-2 Energy direct (Scope 2) GHG emissions	Performance and reference data – Environment	<u>27</u>
	305-3 Other indirect (Scope 3) GHG emissions	Performance and reference data – Environment	<u>27</u>
	305-4 GHG emissions intensity	Performance and reference data – Environment	<u>27</u>
	305-5 Reduction of GHG emissions	Performance and reference data – Environment	<u>27</u>
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	2019 Annual Report: note 3 to the Financial Statements	
Material topic: Challenging investment markets (not aligned to GRI)			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Responsible practices - Challenging investment markets About us - What matters most	<u>15</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices - Challenging investment markets	<u>15</u>
	103-3 Evaluation of the management approach	Responsible practices - Challenging investment markets	<u>15</u>
Material topic: People and culture			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Responsible practices - People and culture About us - What matters most	<u>16</u> <u>06</u>
	103-2 The management approach and its components	Responsible practices - People and culture	<u>16</u>
	103-3 Evaluation of the management approach	Responsible practices - People and culture	<u>16</u>

Glossary

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

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

ESG - Environmental, social and governance.

Financial Adviser Standards and Ethics Authority (FASEA) - FASEA was established in April 2017 to set the education, training and ethical standards of licensed financial advisers in Australia.

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

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

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

Future of Financial Advisers (FoFA) - The FoFA is legislation, in effect from 1 July 2012, which was designed to provide consumers with protection from deficient financial advice and improve trust and confidence in the financial services sector.

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

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

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

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

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

Tax Transparency Code (TTC) - The T5C is a set of principles and 'minimum' standards to guide disclosure of tax information by businesses.

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

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

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

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

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