



Sustainability Report
2022

challenger 

Sustainability

Our corporate sustainability strategy has been developed to support the delivery of our business strategy.

OUR SUSTAINABILITY STRATEGY



Our corporate sustainability strategy reflects our most material social, environmental and governance opportunities and is aligned to our purpose.



FINANCIALLY RESILIENT CUSTOMERS AND COMMUNITIES

Helping our customers and communities to be strong and financially resilient



CONSTRUCTIVE PUBLIC POLICY SETTINGS

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



RESPONSIBLE INVESTMENT

Investing responsibly by incorporating, environmental, social and governance (ESG) considerations



DOING THINGS RIGHT

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



STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders ensures we're focused on the right environmental, social and governance topics.

At Challenger, we engage throughout the year across a number of channels.

Through regular feedback, we have the opportunity to understand and assess the needs and concerns of our stakeholders and respond to them. The key channels are listed below.

CUSTOMERS



- Survey
- Call centre
- Website and social media
- Presentations

SHAREHOLDERS



- Investor days
- Regular financial reporting
- Management meetings with investors and prospective investors
- Chair engagement with significant investors
- Market disclosures

GOVERNMENT & REGULATORS



- Policy analysis
- Government and industry submissions
- Industry forums and conferences
- Ongoing meetings

EMPLOYEES



- Employee briefings
- Surveys
- Senior leadership forums
- ESG workshops
- Sustainability Education days

COMMUNITIES



- Strategic partnership
- Workplace giving and matching
- Fundraising initiatives
- Volunteering
- Shared research activities

HIGHLIGHTS

EMPLOYEE ENGAGEMENT¹

81% ▲ 3% on the Australian norm

CULTIV8, FIDANTE'S NEWEST AFFILIATE, EXPANDS THE PLATFORM INTO

sustainable agriculture and food technology

CUSTOMER SUPPORT

>\$1bn

IN GUARANTEED PAYMENTS MADE TO SUPPORT AROUND

140,000

CUSTOMERS

GENDER DIVERSITY



- ▶ 60.00% Male
- ▶ 39.75% Female
- ▶ 0.25% Other

1. 2022 Your Voice employee engagement survey, April 2022.

FY22 Materiality process

Our annual materiality process is a key stakeholder engagement activity that assesses feedback gathered throughout the year.

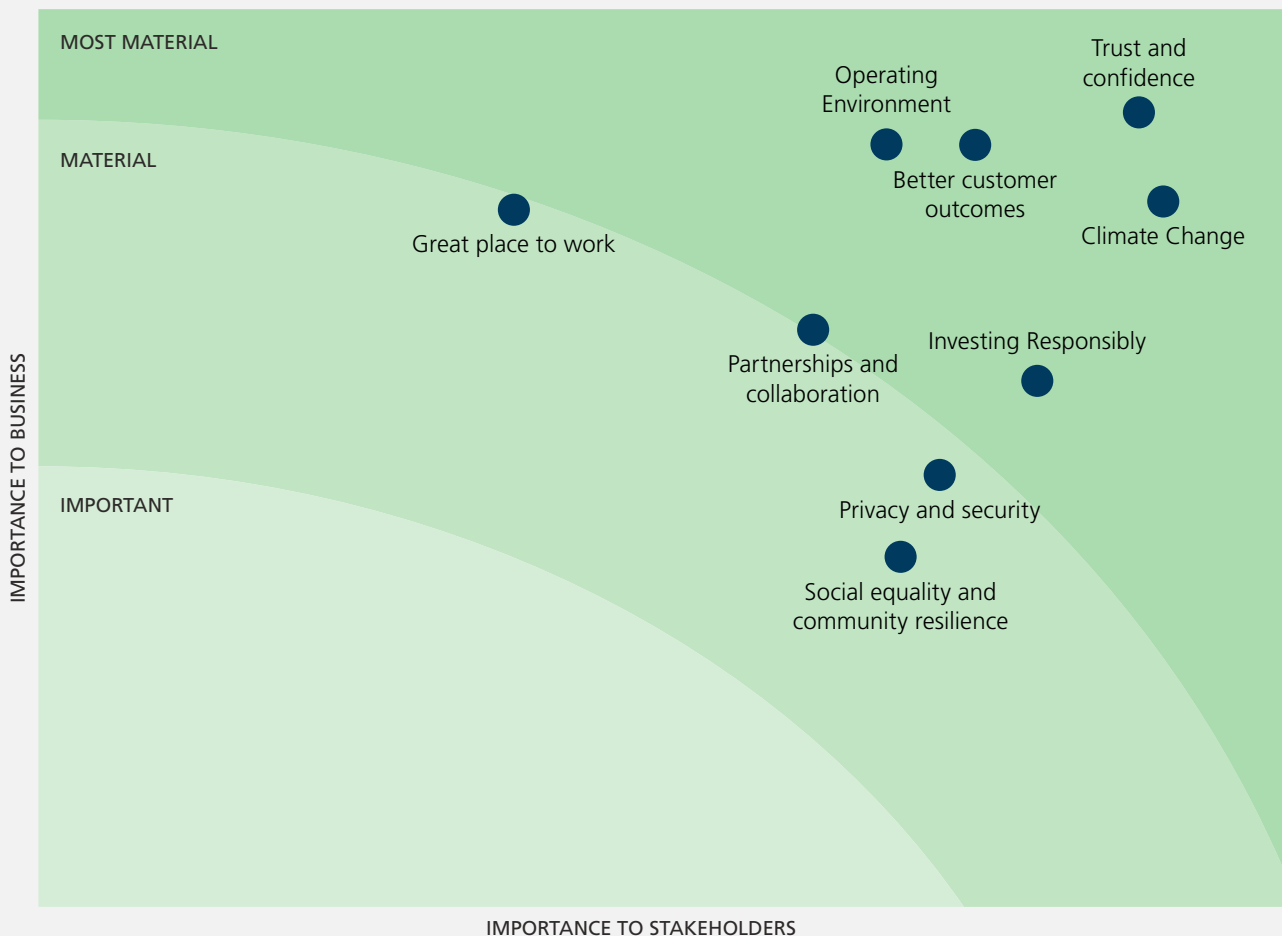
We use this process as well as information collected from sustainability related initiatives to identify what matters most to our stakeholders and our business.

Other materials assessed include:



- trend reports and competitor analysis;
- guidance from the GRI Standards;
- the UN Sustainable Development Goals;
- two-day Sustainability Summit with internal and external stakeholders;
- regular Board engagement and reporting; and
- monitoring of ESG-related media coverage.

Through this process we identified the following material topics and their relative importance to both our business and our stakeholders.

OUR MATERIAL MATTERS



OUR MATERIAL TOPICS

MATERIAL TOPIC	DESCRIPTION	STAKEHOLDERS	LINK TO STRATEGY AND UNSDGs
TRUST AND CONFIDENCE	As a financial institution maintaining trust is a key priority. Challenger recognises the importance of maintaining trust through culture and conduct, strong governance and risk management and effective balance sheet management.	<ul style="list-style-type: none"> – Customers – Employees – Government and regulators – Shareholders – Communities 	 
CLIMATE CHANGE	Climate change will impact every part of the economy. Challenger understands the need for physical and transition risks to be incorporated into investment decision making and overall risk management frameworks. There are also investment opportunities that arise from climate change strategies.	<ul style="list-style-type: none"> – Employees – Regulators – Shareholders – Communities 	 
BETTER CUSTOMER OUTCOMES	Challenger is committed to providing better customer outcomes that support financial security in retirement. We achieve this through product innovation, supporting intermediaries and helping customers navigate a changing environment.	<ul style="list-style-type: none"> – Customers – Government and regulators 	
OPERATING ENVIRONMENT	As an investment management company, Challenger closely monitors market fluctuations and regulatory shifts and takes action when appropriate to ensure that we continue to deliver high quality outcomes for our customers and shareholders.	<ul style="list-style-type: none"> – Government and regulators – Shareholders 	 
INVESTING RESPONSIBLY	Challenger recognises the importance of incorporating environmental, social and governance considerations into our investment process. Responsible investment also includes how we can demonstrate the value that our business has on society more broadly.	<ul style="list-style-type: none"> – Employees – Government and regulators – Shareholders – Communities 	 
PARTNERSHIPS AND COLLABORATION	Collaboration and developing successful partnerships supports our business to deliver high quality outcomes for our stakeholders. This includes working closely with industry, government, strategic partners, academics and the wider community.	<ul style="list-style-type: none"> – Customers – Government and regulators – Shareholders – Communities 	  
GREAT PLACE TO WORK	Challenger seeks to build and support an engaged workforce that embraces diverse thinking. Maintaining a collaborative and open culture is critical to our success, supporting our ability to deliver our strategy. Providing the tools and technology to enable employees to reach their potential are also essential elements of an engaged workplace.	<ul style="list-style-type: none"> – Employees 	  
SOCIAL INCLUSION AND COMMUNITY RESILIENCE	As a retirement income provider, Challenger plays a key role in contributing to fiscally responsible solutions to support the ageing population. We work closely with the industry, government and the community on how to effectively plan for retirement and improve financial security for older Australians. Through our giving and volunteering programs, and community activities, we also connect with and support the communities in which we operate.	<ul style="list-style-type: none"> – Customers – Communities 	 

Trust and confidence

UNSDGs



Building trust and confidence enables us to deliver value for our stakeholders

WHY IT MATTERS

Maintaining trust across all stakeholders continues to be critical for businesses, key to which is improving transparency and maintaining a strong risk culture. This is reinforced by the 2022 Edelman Trust Barometer which found that “societal leadership is now a core business function”.

OUR APPROACH

As a financial institution, maintaining trust is a key priority. Challenger achieves this through a strong employee culture and conduct, robust governance and risk management, and effective balance sheet management.

TRANSPARENCY

Challenger has a suite of policies that guide our business practices.

These are reviewed regularly and enhanced to ensure regulatory changes, current issues and trends are captured and considered. These include:

Anti-Money Laundering and Counter Terrorism Financial policy

Code of Conduct

Conflicts of Interest policy

Continuous Disclosure policy

Discrimination and Harassment policy

Financial Abuse of Elders and Vulnerable Customers framework

Fraud and Corruption policy

Gifts, Benefits and Entertainment policy

Group Compliance policy

Group Information Security policy

Human Rights statement

Inside Information policy and Practice Note

IT Acceptable Use policy

Political Donations policy

Privacy policy

Regulated Persons policy

Risk Appetite statement

Social Media policy

Staff Trading policy

Whistleblower policy

Work Health and Safety policy

Workplace Bullying policy



FRAUD AND CORRUPTION POLICY

During FY22, Challenger's Fraud and Corruption policy was reviewed and benchmarked against the new Australian Standard AS8001:2021 Fraud & Corruption Control. The policy is also published on Challenger's website in accordance with ASX corporate governance recommendations.

POLITICAL DONATIONS POLICY

Challenger Political Donations policy prohibits the company and its employees from making political donations and from attending political fundraiser events as a representative of Challenger. Challenger is committed to engaging on the Australian Government's policy-making agenda in an accountable and transparent way while also protecting our employees' freedom of political communication.

Throughout the year, neither Challenger or its employees as representatives of Challenger, made any donations to a political party or attended any political fundraising event.



WHISTLEBLOWER POLICY

Challenger's Whistleblower policy outlines the process for raising concerns as well as the systems in place to protect the confidentiality of individuals. We provide an independent whistleblower service to enable users to easily raise concerns through multiple channels anonymously.

We actively encourage our employees, contractors, former employees, suppliers, service providers and relatives to speak up and report any concerns of wrongdoing.



**TRANSPARENCY BUILDS TRUST
IN FINANCIAL INSTITUTIONS**

BALANCE SHEET MANAGEMENT

Challenger Life has an investment framework that is underpinned by a focus on capital and risk management. A strong risk culture and capital discipline is essential to a prudent investment strategy that takes proper consideration of both policyholder and shareholder interests.

Challenger has a return on equity target of the RBA cash rate plus 12 percent (pre-tax). To achieve this, we invest shareholder's capital to earn this targeted return on equity, whilst always giving primary consideration to its policyholders' best interests and overall risk appetite. This capital discipline informs not just asset allocation, but also capital management, our product pricing and sales strategy.

Climate change

UNSDGs



We are committed to supporting progress in transitioning to a low-carbon economy, working with our stakeholders to reduce risks and create a more resilient economy.

WHY IT MATTERS

The Intergovernmental Panel on Climate Change (IPCC) report (released in March 2022) highlighted a number of key global climate change risks, as well as particular considerations for each region across the world. The report states that in Australia, “climate risks are projected to increase for a wide range of systems, sectors and communities, which are exacerbated by underlying vulnerabilities and exposures”.¹

OUR APPROACH

Climate change will impact all sections of the economy and managing climate change is now considered a key part of effective risk management. Challenger recognises that physical and transition risks should be incorporated into investment decisions and overall risk management frameworks. Investment opportunities will also arise from climate change strategies.



GOVERNANCE

Challenger’s governance framework incorporates the consideration of climate change.

Risks and opportunities identified in the business are taken to the Group Risk Committee as they arise which keeps the Board informed on the progress of initiatives. This regular reporting also provides guidance and education to the Board on relevant climate change considerations.

Climate is also a key consideration in our investment due diligence processes for the Fixed Income and Real Estate portfolios, as outlined in their Responsible Investment statements.

Challenger submitted a self-assessment to APRA based on CPG 229 Climate change financial risks. The outcomes of this assessment will be used to guide our approach going forward.



INCORPORATING CLIMATE CHANGE INTO OUR GOVERNANCE PRACTICES LEADS TO CLIMATE ACTION

1. IPCC Sixth Assessment Report Australasia Fact Sheet, March 2022.

STRATEGY

Challenger has undertaken a climate risk analysis project for the property portfolio that supports our strategic approach to climate change.

The analysis calculates the at-risk impact of physical and transitional risks across the portfolio including a measure of future carbon emissions based on a number of climate change and carbon price scenarios. The model also evaluates potential carbon reduction outcomes where new emission reduction and energy cost saving actions are forecast for implementation. The model will be updated regularly to support the development of strategies aimed at reducing climate risk and optimising properties across the portfolio.



SUPPORTING RENEWABLE ENERGY PROJECTS IMPROVES ACCESS TO SUSTAINABLE ENERGY FOR EVERYONE

RISK MANAGEMENT

Following a climate risk assessment, the property portfolio was identified as Challenger’s highest risk asset class.

This portfolio was analysed in further detail to identify property-level risks and develop mitigating activities. A due diligence framework was also developed to assess potential new acquisitions.

Work has been undertaken to assess the Fixed Income portfolio to understand the impact of climate across a greater proportion of Challenger’s assets. The outcomes of this analysis will be used to develop strategies to mitigate current risks and define due diligence processes for new investments.

METRICS AND TARGETS

We are committed to monitoring and reducing our operational greenhouse gas emissions. We partnered with NDevr Environmental to calculate our emissions to ensure we align with industry as the transition to a low-carbon economy evolves and matures.

Overall our emissions increased 15% over the past year as employees began returning to the office and corporate travel resumed following pandemic lockdowns and border closures.

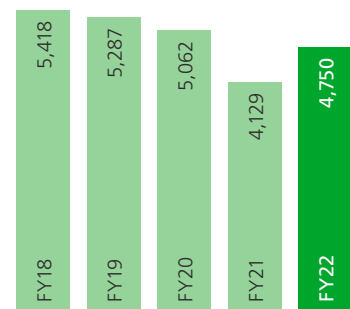
Reflecting this, emissions relating to flights and accommodation were up slightly on FY21, however they were down 79% and 62% respectively on FY20.

Emissions from electricity, water and paper use were reduced further in FY21, however this was offset by an increase in emissions relating to IT equipment and software required to support hybrid working arrangements.

Scope 3 currently excludes the emissions intensity of our investment and lending activities. As the availability and robustness of emissions data increases we will aim to enhance our financed emissions reporting in future periods. Our full emissions reporting is provided on the Sustainability section of our website.

TOTAL GHG EMISSIONS (tCO₂-e)

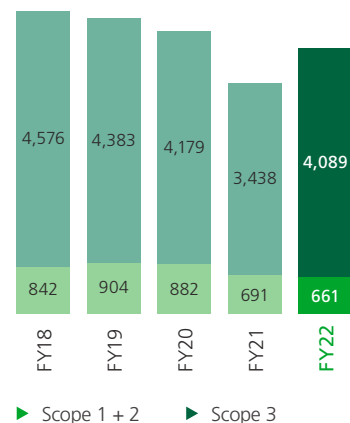
▲ 15% increase in GHG emissions compared to FY21



Emissions increased 15% over the past year as employees began returning to the office and corporate travel resumed following pandemic lockdowns and border closures.

SCOPE 1, 2 AND 3 EMISSIONS (tCO₂-e)

▼ 12% reduction in GHG emissions since 2018



Better customer outcomes



UNSDGs



93%
of advisers consider
Challenger a leader
in retirement income

WHY IT MATTERS

Customer expectations continue to evolve including a focus on personalisation, finding help immediately and maintaining control.

“For companies to succeed – and outperform their peers – in this environment of constant change, a culture of customer-centricity is critical.”¹

OUR APPROACH

Challenger is committed to providing better customer outcomes for a wider range of customer needs. This is achieved through product innovation, supporting intermediaries and ensuring we help customers to navigate a changing environment.

This year we established a new Customer Division, bringing together skills capability and expertise from across the Group.

Challenger’s Customer Brand Health Report conducted by Hall & Partners in February 2022, suggests that our business is well placed to provide Australian retirees with better retirement outcomes.

The report found that over half of Australian retirees (aged 65–74) are aware of the Challenger brand, of which almost 80% associate the brand as a provider of products for retirement, and almost 60% see Challenger as a leader in retirement income products.

IMPROVEMENTS FOR CUSTOMERS TO ACCESS INFORMATION

During the pandemic and move to remote working, Challenger responded quickly ensuring that investors and advisers could access information easily online and via webinars. Over the last year, the majority of adviser, investor and employee events were conducted virtually (100%) and hybrid (43%).

CONTEMPORARY SOLUTIONS

In October 2021, Challenger launched a new market-linked indexation option within the Guaranteed Annuity (Liquid Lifetime) product, providing retirees with the ability to index their lifetime payments to movements in a number of diversified market indices. This new indexation option complements other available options that index lifetime payments to inflation and the RBA cash rate, giving our customers a broad choice of options that can be specifically tailored to their retirement needs.

Our market-linked annuity is available through financial advisers as well as directly from Challenger.

Challenger conducted research to ascertain the desirability of three new product concepts with advisers and found that for the products to be compelling enough for their clients it must; 1) fit within the broader, holistic approach to managing the clients’ portfolio; and 2) offer something that advisers cannot easily replicate themselves through an account-based pension (ABP). This customer-centred approach allows Challenger to build products and solutions that best meet the needs of clients.

Fidante continues to drive product innovation to address the needs of customers in a changing market environment. Several new funds and affiliates were launched by Fidante throughout the year. Alphinity launched its Global Sustainable Fund to sit alongside its Sustainable Strategy, providing both a global and domestic sustainable offering. Fidante also launched Ox Capital, providing an offering that looks to participate in the growth opportunities and long-term trends arising out of Asia and other emerging markets. In 2022 Fidante announced Cultiv8 as the newest affiliate to be added to the platform. Cultiv8 is a venture capital manager that invests in early-stage agriculture and food technology companies and is based in Orange, NSW. This new affiliate diversifies the platform and allows Fidante to explore the sustainable agriculture and food technology thematic.

1. Six customer pitfalls to avoid, March 2022, McKinsey & Company.



THROUGH DIVERSIFICATION OF OUR PRODUCTS WE'RE SUPPORTING SDG 8, IMPROVING ECONOMIC PRODUCTIVITY

SUPPORTING INTERMEDIARIES

At Challenger, we also aim to support and educate advisers. We do this through on-the-ground support by our highly experienced and knowledgeable distribution team; technical expertise from a team of retirement income and aged care specialists; and in the delivery of tailored adviser education programs.

The Marketing Pulse Adviser Brand survey (June 2022) identified Challenger as a leader in retirement income according to 93% of advisers.

Launched in February 2022, the Rethinking Retirement event series showcased our range of lifetime annuity options. Over 650 advisers attended the main launch event and/or subsequent workshops either virtually or face-to-face.

Throughout the year, Challenger also participated in over 60 adviser webinars, focused on topical areas such as implementation of the Retirement Income Covenant, industry and customer trends, and product innovation.

We've also partnered with the professional network for financial advisers, XY Advisers. Our most recent Professional Development session attracted over 1,100 advisers attending virtually.



NEW PRODUCTS AND INITIATIVES LAUNCHED IN FY22

We launched a range of new products and initiatives during the year to support better outcomes for our customers:

Our new Market-Linked Lifetime annuity

allows customers to link payment to changes in investment markets.

Fidante welcomed Ox Capital

a new Australian-based affiliate investment manager, specialising in emerging market equities.

Our Rethinking Retirement event series

provided tailored education and support to more than 650 financial advisers.

HELPING CUSTOMERS NAVIGATE A CHANGING ENVIRONMENT

In response to COVID-19, Challenger adapted quickly, offering more self-service and document lodgement options for our customers. Since January 2022, over 1,800 customers partially self-serviced and 15% of those fully self-serviced after speaking with us. As our client base is primarily over 65 years of age, with some in aged care, this was an important step to take quickly for our customers.

We also helped nearly 9,000 customers reinvest at maturity with a growing number choosing to do this over the phone without the requirement for forms and post.

Operating environment

UNSDGs



The Retirement Income Covenant (RIC) will help to significantly improve the financial outcomes of Australian retirees



WHY IT MATTERS

Over the last two years, our society has experienced significant economic, political, and social change. Rising inflation, geopolitical tensions and an ageing population remain serious challenges.

The financial services industry has also experienced significant regulatory change in recent years and the industry is now moving into the extensive implementation phase of this regulation.

OUR APPROACH

OUR STRATEGY

Challenger’s updated strategy focuses on building a more diverse business that meets a wider range of customer needs. To achieve this, Challenger will expand its brand and deliver more products across a greater number of channels.

In delivering this updated strategy, Challenger is focused on helping more customers achieve financial security as they plan for and enter retirement.

REGULATORY AND GOVERNMENT POLICY

Challenger remains committed to working constructively with the Government.

In February 2022 the RIC and the Corporate Collective Investment Vehicle regime (CCIV) passed the Parliament with bipartisan support. Challenger has long supported and advocated for these important reforms.

The RIC will ensure the superannuation system works as well for its members in retirement as it does for those in accumulation. We are confident the RIC will lead to new and innovative retirement income solutions that address the unique risks that members face in retirement, giving them the confidence to spend their retirement savings as intended.

The CCIV will also assist Australian funds management in the Asia region. Australia has the potential to be a regional leader in investment management given its enviable social, legal and governance environment, and the CCIV regime will support this.



ACCESS TO APPROPRIATE ASSETS

As a regulated life insurance company, the need for diversification and ensuring access to appropriate assets is an important focus for Challenger Life and its stakeholders.

As part of the investment selection process and ongoing investment management, Challenger Life considers environmental, social and governance issues.

One of our core investment principles is investing in assets that will produce cash flows to match liabilities. This allows Challenger Life to extract an illiquidity premium from its investment portfolio and minimise reinvestment risk.

Challenger's experienced investment team sources and manages private assets that enable the extraction of this illiquidity premium.

Whilst Challenger has a strong internal investment capability, Challenger Life also uses external managers to source investment assets. Our robust governance framework ensures that the selection of external managers considers a wide range of factors, including investment performance, risk management as well as environmental, social and governance issues.



CHALLENGER'S DIVERSIFIED APPROACH TO ASSET ALLOCATION SUPPORTS PRODUCTIVITY

Investing responsibly

UNSDGs



Challenger has been a signatory to the UN PRI since 2015

Signatory of:



THE RESPONSIBLE INVESTMENT ASSOCIATION AUSTRALASIA'S RESEARCH SHOWED THAT



of Australians would change providers if they considered their current fund manager not to be aligned with their values.¹

WHY IT MATTERS

Responsible investment is top of mind for consumers and investors in Australia, who increasingly expect funds to demonstrate the positive the impact their fund is making.

OUR APPROACH

Challenger recognises the importance of incorporating environmental, social and governance considerations into our investment process. Responsible investment also includes how we can demonstrate the value that our business has on society more broadly.

We have been a signatory to the Principles for Responsible Investment (PRI) since 2015.

Our Responsible Investment Policy and Challenger Life's Responsible Investment Statement outline our more detailed approach.

The investment team complies with these obligations:

- requiring that managers have a responsible investment policy and report on ESG risks across their portfolios; and
- incorporating ESG considerations into internal strategies, where relevant.

LIFE

Challenger Life Company (CLC) acknowledges the potential for climate change to have a significant impact on its investments through physical and transition risks.

For these reasons, CLC considers ESG risks in its own investment decision making and ownership practices, and when appointing managers to act on our behalf.

1. Responsible Investment Association Australasia, March 2022 (https://responsibleinvestment.org/wp-content/uploads/2022/03/Media-Release_FromValuetoRiches2022_2.pdf).

FUNDS MANAGEMENT

The Fixed Income team at Challenger Investment Management (CIM) continues to enhance its approach to responsible investment.

CIM's Fixed Income team has developed a proprietary set of ESG ratings intended to reflect the impact of an environmental, social or governance factor on the credit risk of a borrower.

These ratings drive relative value and screening decisions. CIM's Fixed Income team is also increasing its focus on assessing the carbon footprint of borrowers.

As a result of its scale and influence in domestic securitisation markets, the team has also taken a more active role in promoting responsible investment in securitisation markets. This includes publishing thought pieces, advocacy within investor groups and direct engagement with issuers on topics such as social residential mortgage-backed securities, and carbon footprinting of mortgage or asset backed portfolios.



OUR INVESTMENT POLICIES SUPPORT THE ERADICATION OF MODERN SLAVERY THROUGH THE WAY WE INVEST



ACHIEVEMENTS ACROSS THE AFFILIATES

Responsible investment is a core part of the Fidante affiliates' investment process. Our affiliates made significant progress in developing ESG initiatives during the year:

ALPHINITY SUSTAINABLE SHARE FUND

Winner of the Financial Standard MAX & Investment Leadership Awards for the ESG – Australian Equities category

ALPHINITY

Published their first ESG and Sustainability Report, including a disclosure on engagement activity

FIDANTE (IN ASSOCIATION WITH WHITEHELM)

Winner of the Best Social Impact Thought Leadership for the Pensions for Purpose Content Awards 2021

LENNOX CAPITAL PARTNERS

Became a signatory to the Net Zero Asset Managers Initiative

ARDEA

Signed the 2021 Global Investor Statement to Governments on the Climate Crisis

THE ARDEA RESEARCH TEAM IN PARTNERSHIP WITH UTS

Published the paper 'Climate Change Transition Risk on Sovereign Bond markets'

ARDEA

Became a signatory to the UK Stewardship Code

MERLON AND ALPHINITY

Have both grown their ESG teams

NOVAPORT

Signed up to the Task Force on Climate Related Financial Disclosure (TCFD)



WE TAKE ACTION ON CLIMATE BY SUPPORTING INITIATIVES THAT FOCUS ON EMISSIONS REDUCTION AND NET ZERO

Partnerships and collaboration



UNSDGs



Developing strong partnerships supports Challenger to enhance its impact through collaboration with industry, government, strategic partners, academics and the community



WHY IT MATTERS

According to Forbes magazine, one of the top business trends for 2022 is the role of partnerships, which can provide access to new markets and a broader range of stakeholders:

“The need to work together to solve key business challenges (not to mention humanity’s biggest challenges) is great. Indeed, in the future, it will become increasingly difficult to succeed without really close partnerships with other organisations.”¹

OUR APPROACH

Collaboration and developing successful partnerships supports our business to deliver high quality outcomes for our stakeholders. At Challenger, we are committed to developing strong partnerships that will also enhance our impact through collaboration with industry, government, strategic partners, academics and the community.

OUR PARTNERS

Challenger has a strong track record of building enduring, value creating strategic partnerships as we look to diversify our business, generate scale and drive growth.

Our long-term relationship with the MS&AD Group, a leading Japanese provider of foreign currency life products with a strong and powerful brand, has broadened Challenger’s distribution reach to the Japanese market.

Challenger continues to progress its strategic partnership with Apollo, a global alternative asset manager. Both parties are working together on a range of opportunities to help customers achieve financial security in retirement.

In 2022, Challenger also announced a new partnership with SimCorp, a global leader in investment administration services, with the intention of establishing a joint venture to provide a market-leading investment operations platform, servicing customers across Australia and APAC.

1. The 8 Biggest Business Trends in 2022, Nov 2021 (<https://www.forbes.com/sites/bernardmarr/2021/11/01/the-8-biggest-business-trends-in-2022/?sh=88ad9c21da15>).



Challenger has a strong research partnership with National Seniors Australia (NSA), established in 2013.

National Seniors AUSTRALIA

This partnership helps inform Challenger’s understanding of what matters to retirees and what they need for a successful retirement. It also provides NSA members with greater exposure to financial concepts regarding retirement income.

8 DECENT WORK AND ECONOMIC GROWTH

OUR INNOVATIVE PARTNERSHIPS SUPPORT ECONOMIC PRODUCTIVITY TO IMPROVE DECENT WORK FOR ALL

HOW WE USE TECHNOLOGY

The integration of technology and processes for our newly-acquired Bank has now been completed, with all Bank and Challenger employees serviced on the same platforms. A new cloud-based contact centre solution has also been implemented, bringing our Bank and existing contact centres under the same platform.

Challenger supports the reuse of computer equipment where possible. As part of this effort, Challenger donates laptops to the Ethan Indigenous partners program, which supplies these laptops to Indigenous schools across Australia. We will continue to support this program as we renew older laptops in future.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ENHANCED PRIVACY MEASURES AND TRANSPARENCY ON THE WAY WE WORK IMPROVES TRUST IN INSTITUTIONS



Challenger donates laptops to the Ethan Indigenous partners program, which supplies these laptops to Indigenous schools across Australia



Great place to work

Challenger was named an Employer of Choice by the Workplace Gender Equality Agency for the fifth year in a row



UNSDGs



WHY IT MATTERS

The pandemic motivated people to rethink how they work, where they work, and why they work. People also made it clear that they want to work for companies where the culture aligns with their values.

OUR APPROACH

At Challenger, we seek to build an engaged workforce that embraces diverse thinking. We recognise that maintaining a great culture and capabilities is critical to our success, supporting our ability to deliver our strategy. Providing the tools and technology to enable employees are also essential elements of an engaged workplace.

DIVERSITY & INCLUSION NETWORKS

Challenger has four employee-led diversity and inclusion networks which co-ordinate initiatives on areas that matter most to them:

LGBTQI+ Inclusion



Age Inclusion



Cultural Inclusion



Gender Inclusion



We continue to make great progress across our networks. In 2022, the Australian Workplace Equality Index (AWEI) benchmarking LGBTQI+ workplace inclusion scorecard highlighted an 80% increase in Challenger's overall score compared to our 2021 submission. This initiative was driven by Together@Challenger.



EMPLOYEE ENGAGEMENT

Challenger recognises that its people are key to our success. Building an open and honest culture, where feedback is encouraged and acted upon, is also critical.

One of the ways we measure this is through our Your Voice employee engagement survey. Our 2022 results remain strong and reinforce Challenger's culture of teamwork and delivery. Employee engagement was three points above the Australian norm at 81%. Diversity and inclusion was also strong at 89% with most employees feeling Challenger promotes a diverse and inclusive workplace and 10 points above the Australian norm. Pleasingly, 94% of employees believe in the goals and objectives of Challenger and 88% said they would recommend Challenger as a good place to work.

In 2022, Challenger hosted Imagine22, an employee event where cross-divisional teams pitched

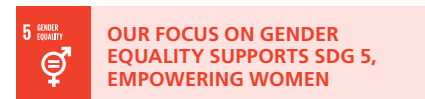
more than 80 business ideas themed around One Challenger, growth and simplification. Many of the ideas explored how we can meet a wider range of customer needs highlighting the teams' energy and enthusiasm for a customer-first approach.

Challenger also held ImagineIT22, where the technology team focused on ideas that build tangible and positive change across our business. During the one-day event, 20 teams removed the need for approximately 521 hours of future work and 40 hours per week of ongoing work.

FOCUS ON GENDER EQUALITY

For the fifth consecutive year, Challenger was named an Employer of Choice by the Workplace Gender Equality Agency. This recognises our work to improve gender equality across areas such as:

- Leadership, strategy and accountability;
- Developing a gender-balanced workforce;
- Gender pay equity;
- Support for caring;
- Mainstreaming flexible work;
- Preventing gender-based harassment and discrimination, sexual harassment and bullying; and
- Driving change beyond the workplace.





EMPLOYEE ENGAGEMENT SCORE¹



▲ 3% on Australian norm

DIVERSITY & INCLUSION SCORE¹



▲ 10% on Australian norm

SUPPORTING A HYBRID WORKFORCE

Throughout the year, Challenger undertook a range of initiatives to support hybrid working and help our people manage increased workloads and segregation of professional and personal lives. This included webinars covering the impact of technology on wellbeing, productivity and physical health, and tools to better manage these issues.

Virtual workshops were also organised outlining the key capabilities and skills needed to navigate the future of work, creating psychological safety, engagement and a normalised approach to flexible and hybrid work.

Senior leaders attended seminars that focused on providing an understanding of the psychological impact of COVID-19, how to re-energise teams, and preparing for a return to the office.

We have also progressed our Future of Work program with a focus on:

- Career growth
- Workplace design (office and in home)
- Ways of working and flexibility
- Wellbeing
- Reward and recognition

LEARNING AND DEVELOPMENT PROGRAMS

In 2022, our eleventh cohort of people managers completed Challenger’s Leadership Foundations training, a tailored, three-day program that gives leaders the skills to inspire and motivate their teams.

In addition to personal and career development, Challenger offers employees a range of other rewards and benefits. This includes flexible working arrangements; the ability to purchase additional annual leave; a super top up worth up to \$500 a year; a rolling social events calendar; and free flu shots and body health composition scans.

SUSTAINABILITY SUMMIT

As part of our commitment to embed sustainability and improve understanding across the business, Challenger held a two-day internal Sustainability Summit attended by non-executive Directors, the Leadership Team and senior executives. This included workshops and presentations from listed entities and consultancies with a strong commitment to sustainability, not for profit organisations and clients. The outputs from the Summit will inform Challenger’s future focus on sustainability and the event received highly positive feedback from attendees, with a satisfaction rating of 4.6 out of 5.

8 DECENT WORK AND ECONOMIC GROWTH

PROVIDING LEARNING AND DEVELOPMENT OPPORTUNITIES FOR EVERYONE LEADS TO FAIR AND DECENT WORK

SAFETY AND WELLBEING

This year we partnered with the UNSW Gendered Violence Research Network (GVRN) and upskilled a number of our employees to become DFV first responders within the organisation.

Recognising the significant impact of the pandemic on our people, Challenger introduced an additional Wellbeing leave day for all employees, to be used during the year. And in response to employee feedback, we implemented a weekly Meeting Free Hour to provide valuable quiet time across the business.



‘Our Community’ is Challenger’s employee-led community and social group. This year, the group coordinated Challenger’s participation in STEPtember, Australia’s leading health and wellness fundraising challenge for cerebral palsy.

>\$27,000
raised by 145 employees

1. 2022 Your Voice employee engagement survey, April 2022.

Social inclusion and community resilience

UNSDGs



In FY22 we donated
\$262,746
 across 92 Charities

WHY IT MATTERS

Companies increasingly recognise that supporting a wider range of stakeholders will support future success. In his annual letter to CEOs, BlackRock CEO Larry Fink emphasised the power of stakeholder capitalism to drive mutually beneficial relationships between business and its stakeholders. Mr Fink highlighted the need for businesses to create value for and be valued by its full range of stakeholders including the community.¹

OUR APPROACH

As a retirement income provider, Challenger plays a key role in contributing to fiscally responsible solutions to help support the ageing population. Using our internal expertise, we work closely with the finance industry on how to effectively plan for retirement to improve financial security for all Australians.

Through our giving and volunteering programs and community activities, we also aim to connect with and support the communities in which we operate.

EDUCATION

Challenger is committed to helping to educate older Australians on how to generate better retirement incomes and provide financial security in retirement. We undertake research and work closely with the government, community and media to drive debate on a range of issues affecting retirees. This includes working with National Seniors Australia (NSA) to provide their members with practical guidance on finance issues in retirement. We also engage with media and retirement-specific groups on how retirees can plan for and enjoy a more financially secure retirement.

VULNERABLE CUSTOMER POLICY

Challenger recognises the implications that elder financial abuse can have on customers. Our ability to effectively identify and manage the risk of financial abuse of elders and other vulnerable customers is central to our purpose of providing customers with financial security for a better retirement. During FY22, Challenger introduced its *Financial Abuse of Elders and Vulnerable Customers Framework*, which sets out the internal measures in place to manage these risks and how customers can protect themselves during their retirement. Supporting information has also been published on Challenger's website.

COMMUNITY PARTNERSHIP

Challenger's partnership with Council on the Ageing NSW (COTA NSW) was established in 2019 to deliver a program of research, advice and practical support to address the underemployment of people aged over 50. This is of fundamental importance, both to setting older workers up for a better retirement – by enabling them to earn a living and save for retirement for longer – and in promoting positive age diversity in the workforce. The program aims to encourage people to talk about ways in which this important issue can be addressed, which includes giving employers the tools to attract and retain older employees.

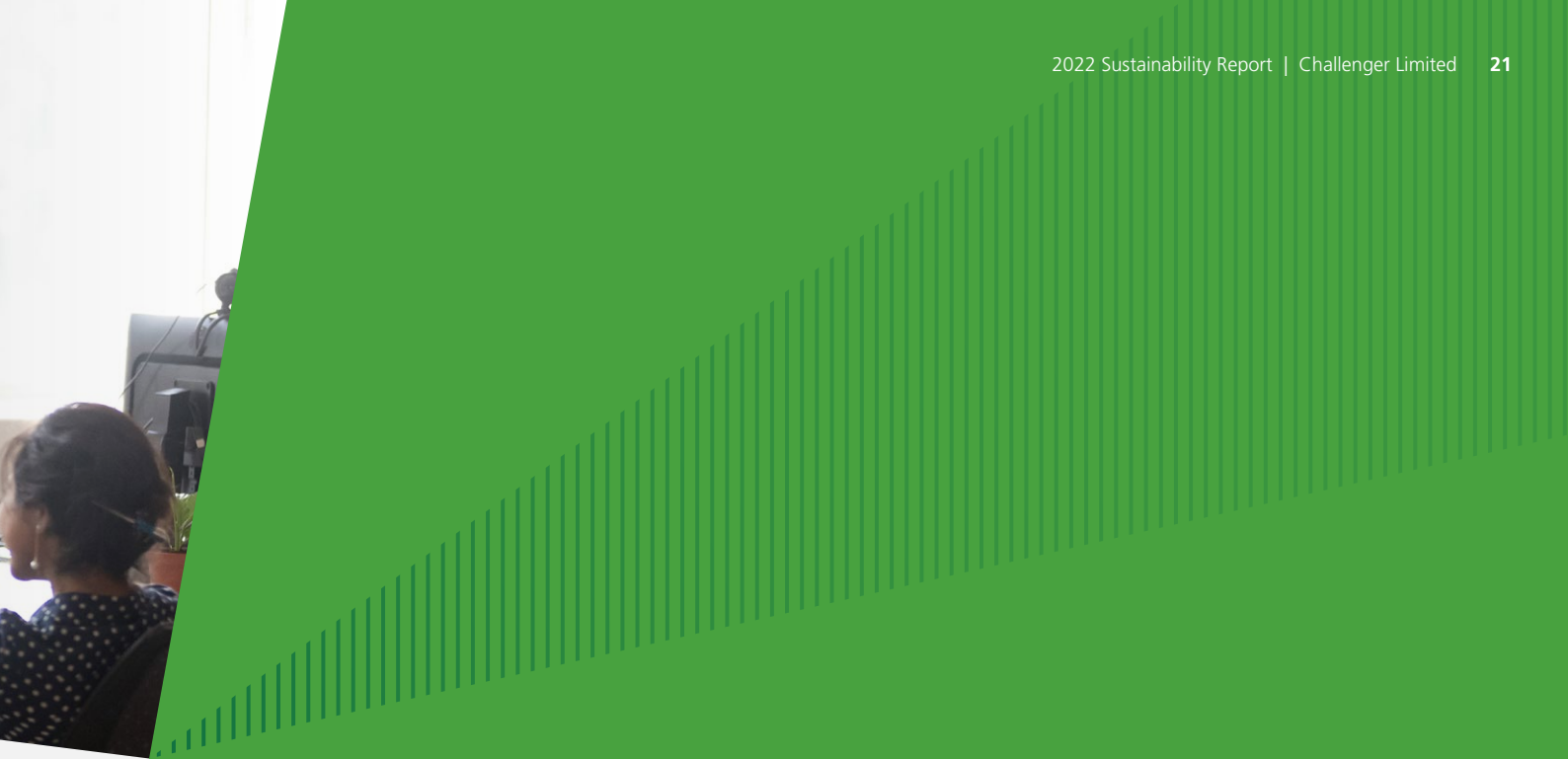
For the first phase of the partnership, research was undertaken to understand the needs of both employees aged over 50 as well as employers of small, medium and large businesses. Using the outcomes of this research, a toolkit was developed covering four areas:

- education and advice for hiring managers;
- support for auditing existing programs and policies, and building new ones to promote age diversity;
- advice on fostering connections between age diverse groups at work; and
- developing training programs to deliver equal access to upskilling and training opportunities.



BY SUPPORTING VULNERABLE CUSTOMERS, WE REDUCE INEQUALITIES

1. Larry Fink's Annual letter to CEOs, 2022 BlackRock.



The toolkit is currently being piloted by a small group of organisations and is intended to be released for broader use in 2023.

More detail on the community partnership can be found on our website.

17 PARTNERSHIPS FOR THE GOALS
PARTNERING WITH NOT FOR PROFITS TO ADDRESS A SOCIAL PROBLEM SUPPORTS SDG17

COMMUNITY GIVING

Challenger supports payroll giving through the Good2Give platform. Through this platform, employees are able to donate to their charity of choice and Challenger will match donations up to \$500 per employee each year. Throughout FY22, total donations via the Good2Give platform were \$89,131 across more than 92 charities. Challenger also continues to support employees to volunteer, providing one day of leave for volunteering every year.



Challenger employees visit the team from our charity partner, Women Up North in Lismore following the devastating floods in Northern NSW.

HOW WE SUPPORTED THE COMMUNITY IN FY22

\$89,131
 TOTAL DONATIONS VIA GOOD2GIVE

~\$30,000
 RAISED FOR FLOOD APPEAL FOR WOMEN UP NORTH

Workplace toolkit developed to help organisations better support older workers

Published our Vulnerable Customer Policy

NSA and Challenger research found only 14% of older Australians financially prepare for aged care costs

Environment

2022 greenhouse gas emissions

Emissions ¹	Units	Source data	tCO ₂ -e
Scope 1			
Natural Gas	GJ	19.78	1.02
Total Scope 1	GJ	19.78	1.02
Scope 2			
Electricity	MWh	660.03	660.03
Total Scope 2	MWh	660.03	660.03
Scope 3			
Utilities			
Natural Gas	GJ	19.78	0.26
Electricity	MWh	660.03	75.30
Electricity (base building)	MWh	838.57	714.87
Water	ML	1.12	2.28
Equipment & Services			
Paper	tonnes	1.86	4.60
Printing	\$0 (000)	444.44	321.47
IT equipment	\$0 (000)	2,735.36	1,817.48
Postage & couriers	\$0 (000)	221.67	80.04
Brand promotion	\$0 (000)	2,551.16	306.42
Travel & Commuting			
Accommodation	occupancy nights	692	27.87
Flights	(000) km	1,115.61	352.19
Employee commuting	(000) km	1,006.93	142.48
Taxis and hire cars	\$0 (000)	56.36	9.96
Food & Beverage			
Food and catering (from major events)	\$0 (000)	210.63	81.83
Waste			
Landfill	tonnes	4.79	3.17
Working from Home			
Working from Home	tCO ₂ -e	210.61	148.85
Total Scope 3			4,089.06
Overall total			4,750.12

Environment

2022 greenhouse gas emissions

Topic	Units	
Direct energy consumption by primary source	GJ	19.78
Indirect energy consumption by primary source	GJ	2,376.12
Direct greenhouse (GHG) emissions (scope 1)	tCO ₂ -e	1.02
Energy indirect GHG emissions (scope 2)	tCO ₂ -e	660.03
Other indirect GHG emissions (scope 3)	tCO ₂ -e	4,089.06
GHG emissions per employee	tCO ₂ -e	6.01
Emissions Intensity per sqm (Australia only)	tCO ₂ -e	0.40

People

Employee Profile

Number of employees

	FTE	Headcount
Overall total	769.6	790

Employees by contract type and gender

Contract Type	Female	Male	Not Specified	Total
Permanent				
Full Time	239	453	2	694
Part Time	59	5	0	64
Fixed term				
Full Time	12	12	0	24
Part Time	4	4	0	8
Total	314	474	2	790

Contingent workers by type

Contract Type	Total
Agency Contractor	87
Independent Contractor	29
Intern - Contingent Worker	3
Total	119

Parental leave return rate

	Female	Male
Employees who took parental leave during the year	25	33
Employees who returned to work after parental leave during the year	26	9
Employees who returned to work after parental leave and were still employed 12 months after return ¹	82%	80%
Parental leave return to work rate (%) ¹	81%	100%

1. Based on employees who returned from parental leave in either FY20 or FY21 and were still employed as at 30 June 2022.

People

Employee Profile

Employees by region and gender

Region	Female	Male	Not Specified	Total
Adelaide	3	2	0	5
Brisbane	8	9	0	17
Hobart	2	0	0	2
Melbourne	17	37	0	54
Perth	2	3	0	5
Sydney	275	400	2	677
London	2	10	0	12
Tokyo	3	10	0	13
Other	2	3	0	5
Total	314	474	2	790

Employees by age group

Age Group	Total
Under 30	112
30 - 39	261
40 - 49	300
50 - 59	91
60 and over	26
Total	790

New hires by age group

Age Group	Total
Under 30	60
30 - 39	82
40 - 49	72
50 - 59	16
60 and over	5
Total	235

People

Employee Profile

New hires by region and gender

Region	Female	Male	Not Specified	Total
Brisbane	1	1	0	2
Hobart	1	0	0	1
Melbourne	15	29	0	44
Sydney	66	119	1	186
London	0	1	0	1
Tokyo	0	1	0	1
Total	83	151	1	235

Voluntary turnover by age group

Age Group	Total
Under 30	42
30 - 39	56
40 - 49	49
50 - 59	14
60 and over	1
Total	162

Voluntary turnover by region and gender

Region	Female	Male	Total
Brisbane	1	1	2
Melbourne	4	5	9
Sydney	65	85	150
London	0	1	1
Total	70	92	162

Internal employee movement by gender

	Female	Male	Total
Transfer	25	23	48
Secondment	15	10	25
Promotion	33	58	91
Total	73	91	164

People

Employee safety and wellbeing

Work health and safety	2022
Lost time injury frequency rate (days)	0.67
Workers compensation claims	2
Absenteeism days per FTE	2.06
Fatalities	0
Work health and safety training	423

