

challenger 

Sustainability Report
2024



Sustainability



Key highlights

Expanded measurement of Scope 3 emissions

across our investment portfolio

Developed operational emissions reduction plan

including intention to be net zero across our Scope 1 and 2 emissions from FY25

Commitment to continue to strengthen our ESG capability and practices

in line with stakeholder expectations

Met gender diversity targets across business

Developed our community partnerships

Providing customers with financial security for a better retirement is at the heart of what we do. To help deliver on this, we seek to invest responsibly, support the financial resilience of our customers and communities, do the right thing by our customers, people, shareholders and environment and advocate for the financial security of retirees.

Our unique business model ensures we can support customers throughout their working lives and retirement, helping to provide them with financial security for a better retirement.

Challenger Life is the country's leading guaranteed retirement income business. We provide customers with reliable and secure income streams, for either a fixed term or for life, ensuring they have financial peace of mind throughout their retirement.

Our Funds Management business is one of Australia's largest active managers and helps clients save for retirement through a range of growth and income strategies. Fidante, our multi-affiliate platform and Challenger Investment Management provide customers with high-quality and superior returning investment products.

Our sustainability strategy

Challenger's sustainability strategy reflects our most material social, environmental and governance opportunities.



Progressing our ESG journey

In FY24, Challenger continued to make progress in addressing our most significant environment, social and governance (ESG) risks and opportunities across the four pillars of our sustainability strategy.

Climate risk work program

We developed a climate risk work program that will be implemented in FY25 and informs our longer-term ESG priorities and strategy, and ensures we continue to meet client and community expectations. It also reflects our commitment to transparent reporting and strengthening our sustainability disclosures as we prepare for the proposed climate-related financial disclosure regime in Australia.

Scope 3 financed emissions

We expanded measurement of Scope 3 financed emissions across our portfolio to now include direct Australian real estate, in addition to corporate bonds and listed equities, enabling a stronger understanding of climate-related risks and opportunities across our investment portfolio.

Operational emissions reduction plan

We recognise our operational impact on the environment and developed a carbon emissions reduction plan, which includes plans to be net zero across our Scope 1 and 2 emissions from FY25.



Policy advocacy

We are strong advocates of retirement income reforms and policy settings that contribute to a stronger retirement income system. This year, we participated in a range of activities advocating for reforms to deliver Australians with the income they need for a dignified retirement.

In FY25, we will continue to build on the progress we've made this year as we play our role in creating a sustainable future for our customers, people, shareholders and wider stakeholders.

Building a high-performing, diverse and inclusive team

Our people are at the core of our business and key to our long-term success. Our employee value proposition (EVP) reflects this commitment, including our focus on helping them fulfil their potential. We know the benefits that a diverse team can deliver and in FY24, we met our gender diversity targets across the business, including in management, the Leadership Team and Board.

Supporting our communities

We recognise our role in contributing to a more sustainable and equitable future for all Australians and were pleased to continue to support a range of organisations that make a positive impact on local communities, including through our community partnerships with Women Up North and FoodLab Sydney.

Sustainability governance

Challenger has continued to strengthen its governance structure to manage sustainability and ESG risks and opportunities, and ensure we have appropriate policies, systems and processes in place to deliver on our commitments.



CHALLENGER LIMITED BOARD AND GROUP RISK COMMITTEE

Challenger's Board has oversight and responsibility for Challenger's sustainability and ESG risks and opportunities. The Board skills matrix shows Board members have a high level of competency across areas of expertise relevant to ESG and Challenger's business, including customer, corporate governance, public policy, risk, strategy and people.

Both the Challenger Limited Board and Group Risk Committee oversee specific ESG matters, including cyber security, diversity and inclusion, and human rights. ESG issues are considered at each Group Risk Committee, at a minimum, including presentations and reports from the Chair of the ESG Steering Committee which in FY24 included:

- ESG governance;
- legislative and regulatory updates;
- approval of Challenger's upcoming climate risk work program;
- approval of the operational emissions reduction plan; and
- modern slavery workplan progress reports.

LEADERSHIP TEAM

The Leadership Team reviews and approves Challenger's sustainability strategy and workplan, ensuring that focus aligns with the overall business strategy and stakeholder expectations. It is supported by the ESG Steering Committee, who provide ESG recommendations for approval when required and keeps the Leadership Team abreast of regulatory and legislative updates that require their endorsement as well as risks and opportunities. In FY24, there was a particular focus on how Challenger addresses climate risks and opportunities across our business, including endorsement of our climate risk work program and operational emissions reduction plan.

ESG STEERING COMMITTEE

The ESG Steering Committee is responsible for the development of Challenger's ESG strategy. It identifies ESG risks and opportunities, associated controls and policies relating to the implementation of the strategy, as well as overseeing Challenger's ESG reporting and disclosures. The Committee includes senior executives from across the business, including Challenger's Chief Risk Officer, Challenger Life's Chief Investment Officer, representatives from Funds Management, Finance and the ESG team, and is chaired by the Chief of Staff.

Challenger's materiality assessment

Challenger assesses its material sustainability issues on an annual basis to help us identify the ESG topics with the most potential impact to our business and stakeholders, including our customers and clients, advisers, people, regulators and shareholders.

IDENTIFYING WHAT'S IMPORTANT

In FY24, we undertook a comprehensive materiality assessment to identify the issues of most significance to our business, priorities of our stakeholders and the evolving operating environment. This will also help us prepare for imminent ESG reporting frameworks and requirements, and focus on our most material matters.

WHAT'S CHANGED

Our FY24 material topics take account of Challenger's business priorities, evolving operating environment, and create stronger alignment to international standards.

This year's assessment includes three new material topics, a streamlining of two topics into one, and removal of one topic:

- Customer experience reflects Challenger's focus on building a customer-centric business;
- Talent development demonstrates Challenger's commitment to developing its people to realise their full potential;
- Digital technology and innovation highlights Challenger's work in building a seamless digital experience and improving our processes and systems;
- Business ethics and good corporate governance and compliance have been streamlined into accountable and transparent business; and
- Partnerships and collaboration has been removed as this was assessed as overlapping with a number of other topics.

These outcomes will help inform Challenger's sustainability priorities and workplan in FY25.

OUR MATERIALITY ASSESSMENT PROCESS

IDENTIFICATION

- Review of relevant sustainability frameworks and standards including the Global Reporting Initiative (GRI), MSCI asset management framework and the Sustainable Development Goals (SDGs)
- Evaluation of FY23 material topics to assess which remain relevant to our business and stakeholders
- Analysis of global trends, industry and peer activity and media
- Examination of consumer and customer insights including Challenger's Voice of the Customer (VOCA) findings
- Development of initial material topics list with input from leaders and subject matter experts

ENGAGEMENT

- Surveyed a wide range of stakeholders, including Challenger employees and Non-Executive Directors, affiliates, clients, industry associations and community partners where respondents were asked to assess each material topic from two perspectives:
 - How important do you think this issue is for Challenger to achieve its purpose and strategy?
 - How could Challenger have the most impact on society?

PRIORITISATION AND VALIDATION

- Survey results, qualitative and quantitative information assessed to create shortlist of material topics
- Validation of shortlisted topics with guidance from subject matter experts and ESG Steering Committee
- Discussed and approved by the Leadership Team and Challenger's Group Risk Committee



Challenger’s materiality assessment continued

BETTER UNDERSTANDING OUR ESG RISKS

In FY24, we assessed the associated risks for our most material sustainability topics, including risks at our annual Board strategy day and individual risks within our risk register, and then considered mitigating actions.

This was a particularly relevant exercise in relation to climate change, which will become an increasing focus as Challenger implements its climate risk work program in FY25.

SUSTAINABLE DEVELOPMENT GOALS

We recognise the role that organisations like Challenger can play in aligning and contributing to the delivery of the Sustainable Development Goals (SDGs), 17 goals that create a blueprint for achieving a more sustainable future by 2030.

In FY24, Challenger undertook an assessment to identify the goals where we believe we can have greatest impact. This included assessment of the goals against our material topics and the policies, processes and initiatives that we have in place, as well as how our strategy, products and customer focus align to the fulfilment of the SDGs.

Challenger believes that we have the greatest impact through our business activities on the five goals below, which we have aligned to the four pillars of our sustainability strategy:

-  **Gender equality**
-  **Decent work and economic growth**
-  **Reduce inequalities**
-  **Climate Action**
-  **Partnerships for the goals**

OUR FY24 MATERIAL TOPICS

MATERIAL TOPICS

-  **Sustainable retirement income system and adequacy**
 - Designing products with the wellbeing of individuals in mind and contributing to discussions that improve the sustainability of Australia’s retirement income system.
-  **Customer experience**
 - How we’re building a customer-centric business.
 - Delivering a high-quality service to customers, improving processes and responding to customer feedback.
-  **Representation of products and investment strategies**
 - Acting in customers’ best interests, including transparency, accuracy, and clarity of marketing statements, advertising, and labelling of products and investment strategies.
-  **Digital technology and innovation**
 - Using digital technology and innovation to make it easier to do business with us.
-  **Data privacy and cyber security**
 - Strengthening our cyber security capabilities to protect our business and customers and minimise the risk of evolving threats.
-  **Employee wellbeing, diversity and inclusion**
 - Promoting a diverse and inclusive workplace, in a psychologically safe and fair environment.
 - Expectation that our people act in line with our IACT values.
-  **Talent development**
 - Attracting and retaining leading talent and supporting our people to realise their full potential, which is key to how we can create value for customers and shareholders.
-  **Accountable and transparent business**
 - Maintaining high standards of corporate governance, conduct and compliance, as well as how we manage risks surrounding ethical conduct of business.
-  **Investing responsibly**
 - Incorporating ESG considerations into our investment process to drive long-term value and engaging with companies to improve their ESG performance where we can make a difference.
-  **Climate change**
 - How Challenger identifies and manages climate-related risks and opportunities through its investment decisions and own operations.

LINKING MATERIAL ESG TOPICS TO OUR RISKS AND MITIGANTS

RISKS	MITIGATING ACTIONS	
<ul style="list-style-type: none"> – Failure to understand customers and their needs – Poor recognition and accommodation of vulnerable customer needs 	<ul style="list-style-type: none"> – Product Lifecycle Policy – Customer strategy review – Market intelligence and analysis – Product Governance Committee 	<ul style="list-style-type: none"> – Review of Financial Abuse of Elders and Vulnerable Customers Framework – Customer Experience Uplift
<ul style="list-style-type: none"> – Product misaligned to customer needs – Systems and processes inadequate in servicing customers 	<ul style="list-style-type: none"> – Review and simplification improvement of customer journeys – Target market determination review, monitoring and reporting – Product Governance Committee 	<ul style="list-style-type: none"> – Complaints management process – Customer feedback quarterly forums – Customer Experience Uplift
<ul style="list-style-type: none"> – False or misleading information or marketing – Incorrect or misleading corporate messaging 	<ul style="list-style-type: none"> – All marketing material subject to approval process – Product disclosure review and approvals 	<ul style="list-style-type: none"> – Compliance reporting for distribution activities – Marketing Compliance Policy and training
<ul style="list-style-type: none"> – Unsustainable or insufficient execution capability 	<ul style="list-style-type: none"> – Accenture Technology Partnership – Customer Experience Uplift 	<ul style="list-style-type: none"> – AI governing principles
<ul style="list-style-type: none"> – Unauthorised access, disclosure or use of data and personal information – Risk of a cyber security incident 	<ul style="list-style-type: none"> – Information security controls (including access management and third-party due diligence) to monitor and maintain a secure technology platform – Phishing and education campaigns to mitigate social engineering 	<ul style="list-style-type: none"> – Information Security Policy – Information Retention and Storage Policy – IT Acceptable Use Policy – Privacy Policy
<ul style="list-style-type: none"> – Inadequate support for employee health, safety and wellbeing 	<ul style="list-style-type: none"> – Employee Value Proposition review – Remuneration practices approved by management and Challenger's Board – Ongoing analysis of employee engagement and feedback to action and improve employee experience 	<ul style="list-style-type: none"> – Gender targets at group, management, leadership and Board level reported in Annual Report – Employee-led Diversity and Inclusion networks – Range of employee events to support diversity – Employee Assistance Program
<ul style="list-style-type: none"> – Inability to attract and retain talented people – Unsustainable or insufficient execution capability 	<ul style="list-style-type: none"> – Employee Value Proposition review – Learning & Development strategy – Succession planning 	<ul style="list-style-type: none"> – Ongoing analysis of employee engagement and feedback to action and improve employee experience
<ul style="list-style-type: none"> – Conduct misaligned to community expectations and regulatory environment – Fraudulent activities by third-party-managed investments – Fraudulent activities within key operational or financial teams – Fraud, bribery or corruption with respect to major transactions – Conflicts of interest – Insider trading on confidential information 	<ul style="list-style-type: none"> – Conflicts of Interest Policy – Information Barriers Policy – Related Party Transactions Policy – Staff Trading Policy – Delegated Authorities Policy – Conduct Risk and Consequence Management Framework 	<ul style="list-style-type: none"> – Risk culture assessments and action planning – Ongoing review of Conflicts of Interest Register – Ongoing review of Gifts and Entertainment Register – Regulatory and compliance training – Consequence Management Committee
<ul style="list-style-type: none"> – Sub-optimal investment decisions due to lack of ESG considerations – Reputational damage or regulatory intervention due to insufficient ESG considerations in investment decisions 	<ul style="list-style-type: none"> – Responsible Investment Policy – ESG Implementation Statement – Challenger Life Company 	<ul style="list-style-type: none"> – ESG Implementation Statement – CIM Fixed Income

Responsible investment



Challenger manages

~\$127 billion

in FUM across a range of asset classes, including fixed income, equities and alternatives

We actively consider ESG factors

in our investment processes

We're committed to continuously improving ESG integration

across our investment activities



The retirement landscape in Australia is rapidly evolving and we recognise the role that our investments and stewardship can play in shaping a better future. We believe that integrating ESG considerations into investment decisions will support the long-term success of investment markets, company performance and improve risk-adjusted returns over time.

OUR APPROACH TO ESG INTEGRATION

Challenger considers ESG risks throughout its investment process – from how we make investment decisions and construct investment portfolios to engaging in responsible ownership practices and appointing managers to act on our behalf.

This helps us deliver on our purpose of providing customers with financial security for a better retirement and support our customers to achieve their financial objectives.

We undertake investment activity across Challenger Life Company (CLC) and Funds Management. Within Funds Management, Challenger Investment Management's (CIM) fixed income and Japanese real estate teams and Fidante affiliates manage money on behalf of CLC and third-party clients.

ESG GOVERNANCE



CHALLENGER'S RESPONSIBLE INVESTMENT POLICY

Challenger's Responsible Investment Policy is the overarching policy that governs ESG at Challenger and is reviewed annually.

Responsible Investment Statements for CLC and CIM Fixed Income provide asset-class-specific guidance to the respective investment teams. Fidante affiliates are governed by their own ESG policies and frameworks.

The Board approves Challenger's approach to ESG integration and the ESG Steering Committee assists the Leadership Team in setting the business' ESG strategy. The investment teams are responsible for integrating ESG considerations into the investment process and senior investment leaders have key performance indicators that are linked to responsible investment and ESG integration.

CHALLENGER INVESTMENT MANAGEMENT FIXED INCOME

CIM adopts a thorough and robust approach to incorporating ESG considerations in its investment process.

It believes that integrating ESG factors into decision-making can improve financial outcomes for investors, reduce risk and promote more sustainable business practices.

CIM operates as both a lender and an investor in the credit markets. As an investor, CIM applies a relative value approach, integrating ESG risk factors into its pricing and valuation considerations. As a lender, it prioritises direct engagement with borrowers to mitigate ESG risks.

CIM determines materiality by considering which ESG risks and opportunities the industry is most exposed to, as well as any ESG risks and opportunities specific to the issuer itself. A material ESG risk is one which, if not well managed, can have a significant impact on the ability of the borrower to repay the loan.

CIM's proprietary framework assigns a rating for ESG risk factors on each potential investment and this assessment forms a key part of the investment process.

Responsible investment continued

CHALLENGER LIFE COMPANY

CLC manages a diverse investment portfolio across fixed income, real estate, alternatives, equities and infrastructure, utilising both internal and external managers.

Where CLC makes a direct investment and is exposed to a company directly, it identifies material ESG factors relevant to the opportunity and will engage with the company to discuss and gain further insight into their risk management policies, strategies, disclosures and capabilities. This approach aims to reduce the risk of the underlying investment and ultimately improve client outcomes.

CLC may not proceed with an investment where ESG risks are deemed to be high and will divest from investments that fall outside its risk appetite. CLC does not undertake any ESG screening, analysis or engagement on passive (index) exposures.

ESG due diligence

CLC conducts a thorough ESG due diligence process for potential third-party investment managers and considers:

ESG policy, governance and capabilities

Responsible Investment and Stewardship policies

Confirmation that the Manager is, or intends, to become a signatory to the Principles for Responsible Investment (PRI)

Third-party investment managers are also expected to demonstrate an acceptable level of commitment to managing ESG risks and opportunities, including adherence to the PRI principles, consideration of climate-related risks and opportunities, and management of modern slavery risks.

COLLABORATING FOR CHANGE

Challenger engages collaboratively across the industry to effect change and advocate for our Investment Managers through our ESG, Sustainability and Distribution teams.

The ESG team actively engages with the PRI, Financial Services Council (FSC) ESG Working Group, Responsible Investment Association of Australasia (RIAA) and the Investors Against Slavery and Trafficking Initiative (IAST).

NATIONAL COMPENSATION SCHEME FOR VICTIM-SURVIVORS OF MODERN SLAVERY

IAST APAC advocates for the establishment of a national compensation scheme for victim-survivors of modern slavery in Australia.

In 2024, with 45 investors, Challenger collaborated with the IAST APAC, Anti-Slavery Australia and Walk Free to advocate for legislative change that would support the establishment of a compensation scheme, as well as direct company engagement to ensure that modern slavery is addressed within supply chains and operations. This included advocating for the scheme in a letter to Australia’s Attorney-General.



FIDANTE

Fidante is one of Australia's largest active investors, with a multi-affiliate platform that offers strategies across equities, fixed income and alternative investments.

Fidante seeks to partner with investment managers who align with its ESG philosophy and are committed to continuous progress in ESG integration practices. All affiliates are expected to align to Challenger's ESG values and principles, as detailed in our Responsible Investment Policy. Every affiliate is a signatory of the PRI and implements their own ESG framework.

When selecting investment managers, Fidante undertakes a detailed selection process that includes an assessment of their ESG commitment and capability such as the manager's ESG process, policies and integration in investment decisions.

Fidante sustainable offering



Alphinity Investment Management

Has two sustainable funds with a focus on investments with a net positive alignment to the UN Sustainable Development Goals.



Impax Asset Management

Invests in opportunities arising from the transition to a sustainable economy.



Cultiv8 Funds Management

Invests in early-stage sustainable agricultural and food technologies.



Resonance Asset Management

Invests in sustainable, circular and industrial infrastructure that produces renewable energy, cleans contaminated water and recovers valuable resources.



Proterra Investment Partners Asia

Has a strategy focused on food technologies that contribute to safe, high-quality and sustainable food products.

PARTICIPATION IN AUSTRALIA'S FIRST GREEN BOND

In FY24, CLC invested in Australia's inaugural Green Bond program, which funds projects aimed at supporting climate change mitigation, adaptation and environmental outcomes including green hydrogen hubs, clean transport infrastructure and biodiversity conservation programs. The opportunity to participate in this program has enabled CLC to contribute to and support Australia's transition to a net zero economy.

ALPHINITY TEAM UP WITH CSIRO FOR RESPONSIBLE AI

In 2024, Alphinity Investment Management and the CSIRO Data61 published a framework to help investors evaluate, manage and report on the responsible use of artificial intelligence (AI) within investee companies.

The research program involved direct engagement with more than 28 listed companies (Australia and global) and use of Data61's responsible AI question bank and metric catalogue. The output was the development of a three-part framework, 10 key company insights, and leading company case studies. This was published in a report and Excel toolkit that investors can download and adapt for their own processes.

Alphinity has integrated the framework, tools and templates into its ESG analysis processes and hopes this framework and toolkit will become a standard for the industry.

INVESTMENT IN SOCIAL HOUSING BONDS BY HOUSING AUSTRALIA

In FY24, CLC invested in social housing bonds issued by Housing Australia that provide funding for the development and management of affordable housing. As part of the due diligence process, the investment team worked with Housing Australia and conducted onsite visits to learn about the projects that benefit from the proceeds of its investments. This investment reflects CLC's belief in the importance of driving positive ESG outcomes through its investment portfolio while at the same time achieving relative returns.

SOLAR PANEL AND EV CHARGER INSTALLATION AT KARRATHA CITY SHOPPING CENTRE, WA

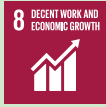
Karratha City Shopping Centre, Western Australia (managed by Elanor Investors on behalf of CLC), undertook a solar panel project in partnership with Solgen, Australia's largest retail solar program provider, Vicinity, the joint owners of the shopping centre and their Solar arm, Vesco.

The solar installation has offset 40% of the shopping centre's energy consumption, and by harnessing solar power, the shopping centre is less dependent on grid electricity, ensuring a more stable and sustainable energy supply.

To promote sustainable transportation and cater to the growing demand for electric vehicles, Karratha City Shopping Centre has also introduced EV chargers in partnership with Horizon Power. This supports the adoption of eco-friendly vehicles and by providing convenient charging facilities, demonstrates the shopping centre's commitment to reducing carbon emissions.



Financially resilient customers and communities



Challenger research found that

2 in 3

Australians over 60 said they would be much happier if they didn't have to worry about finances in retirement

>230

adviser roadshows, workshops and webinars on how we can help their clients in retirement in FY24

Every year we make

~\$6 billion

in guaranteed income payments to customers



With cost-of-living concerns and economic uncertainty, protecting retiree income from the impact of inflation is a priority for those in or approaching retirement.

Research reinforces what we're hearing from customers, advisers and clients – demand for guaranteed income that allows Australians to enjoy their retirement has never been greater.

Challenger has an important role to play in strengthening the retirement phase of superannuation, helping to provide financial certainty and address the very real risks that Australians face in retirement.

We are also committed to contributing to a more sustainable and equitable future for all Australians and support a range of organisations that make a positive impact on local communities.

MEETING A WIDER RANGE OF CUSTOMER NEEDS

Our unique business ensures we can support customers throughout their working lives and into retirement.

This year we addressed the needs of an even broader range of customers, which included working with institutions to build innovative retirement income solutions. TelstraSuper launched its retirement income product, designed with Challenger under our retirement income partnership. We also formed a new retirement income partnership with Commonwealth Superannuation Corporation (CSC), helping provide their members with the confidence to draw down their savings.

In Funds Management, we continued to innovate and expand our offering, adding new investment strategies, particularly in alternative assets, to meet growing client demand. This included the Apollo Aligned Alternatives strategy, providing clients with a complement to traditional stocks and bond investments. Challenger Investment Management launched its Global ABS fund, our first dedicated asset-backed securities with a global focus. And our new Capital Markets team, initially focused on real estate, successfully completed two major capital raises.

For further information on our affiliates' ESG capability, please see the 'Responsible investment' section of this Report.

MAKING IT EASIER TO DO BUSINESS WITH US

This year, Challenger announced a technology partnership and customer experience uplift program that will make it much easier to do business with us.

Customers will be able to fully engage with us online, advisers will be able to write new business more efficiently and we'll be able to integrate our capabilities with advisers, investment platforms and superannuation funds. This will also support our focus on working with more superannuation funds to develop innovative retirement income solutions that meet more of their members' needs. With an improved service, the time to bring new solutions to market will also be significantly reduced.

ACTING ON CUSTOMER FEEDBACK

In FY24, we maintained a high customer service satisfaction rate of 96% and our Net Promoter Score was 76, reflecting our focus on delivering great outcomes for our customers and clients.

Our Voice of the Customer (VOCA) forum meets regularly to share customer feedback, help shape the way we deliver our service and products and, importantly, identify actions we can take to improve.

Throughout FY24, VOCA helped deliver a range of improvements for customers. We made it easier for people authorised under Powers of Attorney to deal with us, enhanced the usability of our website and shared regular progress updates with our customers.

We'll continue to improve the customer experience throughout 2025 as we implement our customer experience uplift program.

96%
CUSTOMER SERVICE
SATISFACTION RATE

76
NET PROMOTER
SCORE

Financially resilient customers and communities continued

EDUCATION

Challenger undertakes research and works closely with the government, industry and wider community to help drive public discussion on how best to provide Australians with financial security for a better retirement.

This year Challenger partnered with National Seniors Australia (NSA), Capital Preferences and Macquarie University to gain deeper insights on the needs of Australians pre- and post-retirement. These partnerships aim to offer practical guidance that fosters confidence in spending and enjoying retirement.

We also actively engage with the media and retirement-specific groups to help retirees plan for and achieve a more financially secure retirement. Challenger's Retirement Income Research team published a series of research papers this year, addressing crucial topics such as inflation protection for retirement income, building financial confidence among Australians, and exploring the significant challenges facing retirees in 2024.

ENGAGING WITH ADVISERS

Deepening our relationships with advisers, at the same time as supporting them through uncertain markets, has been a priority.

This year we hosted over 230 adviser roadshows, workshops and webinars across the country, attended by thousands of advisers, on how Challenger can help their clients in retirement. This included investment symposiums connecting advisers with the capabilities of Challenger and our affiliates.

STRATEGIC PARTNERSHIPS

Challenger has built a longstanding, successful relationship with the MS&AD Group, a leading provider of life insurance in Japan.

In FY24, we were very pleased to extend our reinsurance agreement with MS Primary, a subsidiary of MS&AD, for another five years, across Australian and US dollar, as well as Japanese yen denominated annuities. This reflects our shared commitment to providing customers with financial security in retirement.

We also expanded our strategic relationship with Apollo to include an asset origination partnership that provides greater access to Apollo's global investment management capability. Client feedback on the Apollo Aligned Alternatives strategy, brought to the Australian market during the year by Fidante, has also been very positive and appeals to a broad range of customers.

CHALLENGER RETIREMENT HAPPINESS INDEX

In 2024 Challenger launched our first Retirement Happiness Index.

In collaboration with independent research house YouGov, we surveyed over 1,000 Australians aged 60+ to understand their retirement happiness and key drivers. The results showed that a wide range of factors contribute to happiness in retirement, including health, social connections and a sense of purpose. While a better retirement is about much more than finances, more than two in three (66%) said they would be much happier if they didn't have to worry about finances in retirement.



Terry and Kerry are Challenger customers, being interviewed here about how the financial security of a guaranteed income has supported their happiness in retirement.

AMPLIFYING THE CHALLENGER BRAND

In FY24, we launched our new brand sponsorship strategy to help to position Challenger as the 'go to' for retirement.

Our partnership with the Professional Golfers Association (PGA) of Australia, Women's PGA and Golf Australia has provided access to Australia's 9 million golf fans, which is also a sport of choice for the over 45s.

We also engaged with new and existing audiences who have a passion for arts and culture through our partnerships with Melbourne International Flower and Garden Show (MIFGS), the largest horticultural event in the southern hemisphere.

VULNERABLE CUSTOMERS

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. Challenger's Financial Abuse of Elders and Vulnerable Customers Framework 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.

CUSTOMER COMPLAINTS

Challenger is also committed to acting quickly to resolve issues when things don't go to plan.

Our Customer Resolution team is responsible for responding to and resolving complaints. Our policy is to acknowledge any complaint within 24 hours or as soon as practicable. We investigate, properly consider and decide how we intend to resolve a complaint and communicate our decision to customers within 30 days (45 days if customers invested with superannuation monies).

In many instances, we provide a resolution within 24 hours. In FY24, our number of customer complaints continued to decrease. We recorded 166 complaints, an improvement from 195 complaints in 2023 – approximately 14 complaints per month; less than one every working day, and approximately 45% of complaints are closed in one day.

166

CUSTOMER COMPLAINTS IN FY24

▼ from 195 in FY23

COMMUNITY GIVING

Challenger supports payroll giving through the Good2Give platform. Through this platform, employees can donate to their charity of choice and Challenger will match donations up to \$500 per employee each year.

In FY24, total donations via the Good2Give platform were over \$73,300 across 77 charities. Challenger also supports employees to volunteer, providing one day of leave for volunteering every year.

WOMEN UP NORTH (WUN)

WUN is a not-for-profit organisation that provides vital services for women, children and young people who have experienced domestic or family violence or abuse in Northern New South Wales.

In 2024, our support for WUN included hosting a fundraising gala that raised over \$50,000. Funds will help refurbish their Bugalma Bihyn Aboriginal Women and Children's Refuge and support a variety of programs to support the complex needs of their clients, many of whom without our care will fall through the service gaps.



FOODLAB SYDNEY

Supporting marginalised communities and local culinary innovators

We are delighted to partner with FoodLab Sydney, a social enterprise that works with food entrepreneurs from high-barrier backgrounds to build their businesses.

Challenger provide FoodLab with a social value-based \$1 per annum nominal rent, with a three-year lease term that commenced in June 2023. With the support of our dedicated employees, in FY24 we expanded our partnership to include marketing and strategic planning as well as holding a fundraising event with our commercial partners and clients.



Doing things right



OUR PEOPLE

Our people are the bedrock of our business and are key to our long-term success. Building a high-performing, collaborative and innovative culture underpins our 'Talented Team and Capability' strategic pillar.

120

employee L&D sessions conducted – over 5,300 hours of learning

Met our gender diversity targets

across the business

16th

global ranking for gender equality

16

Diversity & Inclusion network events in FY24



Our values

Act with integrity, aim high, collaborate and think customer – our values are at the core of what we do at Challenger. To help deliver against these values, we know our people need to feel valued, recognised and understand how their work contributes to our purpose.



Celebrating one year of our new EVP

In FY24, we celebrated the one-year anniversary of our new Employee Value Proposition ‘Creating better futures together’ – an important milestone that reflects our commitment to putting people first.

‘Grow and realise your potential’ outlines how we support our people to fulfil their potential. In FY24, we held over 120 Learning and Development sessions, including leadership and presentation training, mentoring and development planning – that’s over 5,300 hours of learning, as well as over 90 matches in our mentoring program.

Engagement

In 2024, Challenger’s overall engagement score was 65%, aligning with the global trend of a three percentage point decrease in scores. Feedback reflected the significant change program underway as we implement our technology partnership. This will make it easier to do business with us and address areas highlighted for improvement, including legacy processes and systems.

Our investment in Learning and Development was reflected in the results, with a significant improvement in questions regarding learning and development opportunities, and our collaborative, diverse and inclusive culture also remained strong.

In FY24, we included a question on our people’s views on ESG and sustainability at Challenger, which we will be closely monitoring as we implement our climate risk work program in FY25.

Updating our ways of working

This year we updated our ways of working approach, to balance learning and development opportunities, collaboration and innovation, with maintaining flexibility in where and how our people work. Our group-wide approach is working well, with the Executive Management Team expected to be in the office four days a week and our wider team required to work from the office three days a week.

Gender equality progress

In FY24, Challenger met our targets for achieving gender diversity across the business, including management, the Leadership Team and Board.

Our Diversity, Equity and Inclusion Strategy has helped drive progress in increasing female representation at all levels of the business. Initiatives we implemented in FY24 include:

Leadership and development training to support a pipeline of female leaders, including our Women in Leadership Development (WILD) training program

Increasing female representation on succession and talent development plans

18 weeks paid parental leave for all genders

Challenger continues to be a Workplace Gender Equality Agency (WGEA) Employer of Choice citation holder. This recognises our work to improve gender equality across areas such as leadership and strategy; that is, developing a gender-balanced workforce, preventing gender-based harassment and discrimination, sexual harassment and bullying.

	FY24	FY24 TARGET	FY25 TARGET	FY30 TARGET
Women in all roles	45.4%	40-60%	40-60%	40-60%
Women in management	40.8%	40-60%	40-60%	40-60%
Women in Leadership Team	44.4%	37.5%	40-60%	40-60%
Board	44.4%	37.5%	40-60%	40-60%

Doing things right continued

OUR PEOPLE CONTINUED

Pay equity and gender pay gap

Challenger has long been an advocate for gender equality and we have no disparity in pay for individuals in like-for-like roles.

Gender pay gap (GPG) differs to pay equity, and refers to the overall average difference in earnings between males and females. In FY24, WGEA released GPG measures for over 5,000 Australian companies, including Challenger. Our total remuneration pay gap was 9.3%, compared to an industry median of 23.2%. Our GPG continues to improve every year as we work towards a zero gender pay gap.

This year, Equileap, a leading data and insights provider for gender equality and diversity and inclusion ranked Challenger 6th in Australia and 16th globally for gender equality in its 2024 Gender Equality Report.

Diversity and inclusion networks

Our five employee-led diversity and inclusion networks contribute to our diversity agenda and celebrate the different perspectives and backgrounds of people across the business. This year we held 16 diversity and inclusion initiatives and events.

In FY24, Challenger also held an information session on the Proposed Voice to Parliament. This was presented by a panel of external lawyers who provided information on the Constitution and on the proposed amendment, as well as facilitating a discussion around frequently asked questions.

Challenger has been a participant to the Australian Workplace Equality Index since 2019.

Code of Conduct

Challenger’s Code of Conduct sets out the expectations for how we act, solve problems and make fair and balanced decisions, bringing together our IACT values and group policies and statements. The Code also highlights expectations of leaders and outlines how employees can speak up if they see something that isn’t right. The Code applies globally to everyone who works for or represents Challenger. All employees are required to complete mandatory training annually.

Whistleblower Policy

Challenger’s Whistleblower Policy applies to all employees (including contractors, former employees and their relatives) and service providers of Challenger and reinforces our commitment to an open culture, where concerns and issues are disclosed in a supportive environment. The Policy aims to encourage disclosure of reportable conduct, ensure that all matters are properly investigated and any wrongdoing is corrected. It also provides anonymity and protection to the person making the disclosure.

Financial Accountability Regime (FAR)

FAR is intended to increase the transparency and accountability of financial services organisations and improve risk culture and governance. We continue to prepare to ensure Challenger and our APRA-regulated entities meet our obligations by the effective date in March 2025.

Age inclusion



Gender inclusion



Cultural inclusion



LGBTQ+ inclusion



Disability inclusion



TESSELLATE INVISIBLE DISABILITIES AWARENESS

Tessellate, our newest diversity and inclusion employee network, focuses on raising awareness, understanding and support for disabilities and chronic illness in the workplace. This year our program included an event to promote Neurodiversity Celebration Week, which included video interviews with some of our people who shared their experiences with neurodivergence. The event was introduced by our CEO and attended by members of the Leadership Team and employees from across the business, as we continue to promote a diverse and inclusive workplace.



GROUP POLICIES

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

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 Discrimination, Bullying and Harassment policy

CEO AWARDS

Challenger's biannual CEO awards have become a highlight of the employee engagement program, recognising employees who continuously go above and beyond and exemplify our IACT values with colleagues, customers, clients and advisers. Since the awards launched 18 months ago, almost 80 individual and 50 team nominations have been submitted for the awards.

Julia Rinaldi, National Facilities Manager, was the CEO Award Individual winner at our June Awards. Julia was recognised for her collaborative, 'can do' approach across her significant remit, which includes working with Challenger's diversity networks, supporting ESG initiatives and community partnerships – in addition to the day-to-day running of facilities and supporting the wider business.



Doing things right continued

MODERN SLAVERY

Challenger recognises that no industry is immune to the risk of modern slavery, and we are committed to upholding the highest standards of ethics in all aspects of our business, as well as playing our part to prevent, detect and remediate instances of modern slavery.

This includes decisions about who we partner with in our supply chain or where we invest funds we manage on behalf of our clients.

In 2023, Challenger engaged an external human rights consultant to undertake a review of our initiatives to date, as well as provide recommendations for the future. In FY24, we focused on implementing these recommendations and strengthening our approach to identifying, assessing and mitigating risks relating to modern slavery across our business operations and supply chains.

Key improvements implemented include:

- strengthening our risk assessment methodology;
- launching a modern slavery training module for employees in key teams, with a completion rate of over 95%;
- providing modern slavery compliance training for our Fidante affiliates; average attendance rate of 89%;
- strengthening our contractual mechanisms regarding modern slavery, embedding a modern slavery clause in renewed and new supplier contracts;
- our headquarter offices were certified under the Cleaning Accountability Framework (CAF); and
- actively engaging with peers and industry groups including contributing to responses to the Commonwealth Modern Slavery Act review via the FSC and RIAA.

Challenger's Modern Slavery Working Group is leading a detailed program of work as we continue to enhance our modern slavery framework to assess associated risks and remediate any instances of modern slavery.

95%

**MODERN SLAVERY
TRAINING MODULE
COMPLETION RATE**

FRAUD AND CORRUPTION

Challenger is committed to the highest level of integrity and ethical standards in all our business practices.

We recognise that the management of fraud and corruption is integral to good governance and have implemented a robust Fraud and Corruption Framework. The Group Risk Committee oversees Challenger's Fraud and Corruption Policy, which prohibits employees from inducing, receiving, facilitating or making payments that may be constituted as a bribe.

Challenger has an extensive training and education program to maintain our high ethical standards:

- All employees are required to complete Risk & Compliance training every two years which covers key policies and requirements related to employee conduct, including staff trading, conflicts of interest management and fraud.
- Monthly, face-to-face induction training for all new employees that includes dedicated content on fraud and corruption.
- Specialised face-to-face training sessions for our Operations teams on fraud risk.

Statistics for completion of mandatory online training courses are reported to the Group Risk Committee on a quarterly basis, with senior managers accountable for ensuring completion by their teams.

INFORMATION AND CYBER SECURITY

In FY24, Challenger continued to invest to strengthen its cyber security capabilities to protect the security of our customer and corporate data against known and emerging threats.

Governance

Challenger's Board holds the ultimate responsibility and oversight of the business' information security, controls and processes. The Group Risk Committee formally discusses information security on a quarterly basis, where they assess the effectiveness of our security controls and program of continuous improvement to address emerging threats. The Board also approves the information security strategy and program of investment to continue to strengthen our capabilities.

A management-led security risk and governance committee, including Challenger's Chief Risk Officer, Chief Information Security Officer and senior risk and technology leaders, supports the Board, while cybersecurity experts manage daily operations. Independent assurance of our security related-processes is provided by Risk and Internal Audit functions.

Risk management

Governance processes and ongoing employee education and awareness is key to strengthening our cyber resilience and protecting our customer data. This includes preparing our employees for cyber attacks, monthly phishing simulations as well as regular testing of controls and processes.

In FY24, our average click rate on phishing simulations continued to decline to 3.8%. More broadly, we experienced no material security breaches and a 50% reduction in incidents.

Continuous improvement

In FY24, Challenger continued to strengthen its cyber resilience through a range of mechanisms including:

- a cyber security simulation exercise, attended by the Chair of the Board, Chair of the Group Risk Committee, Challenger's Leadership Team and subject matter experts across the business, with findings incorporated into improving people, processes and technology;
- conducting a Cyber Security Awareness Month to increase employee cyber knowledge and awareness, including lunch and learn sessions with a combined attendance of over 600 employees, online learning content, externally hosted interactive sessions, educational booths and multiple group-wide competitions focused on phishing awareness;
- updating data security controls across our business;
- updating key information security policies and procedures;
- implementing advanced network, endpoint and perimeter security tools to prevent widespread incidents;
- applying protection mechanisms which ensured almost 23 million emails containing malware, business email compromise and phishing threats were filtered out of Challenger's systems over a 90-day period alone; and
- our uplift program, which is well underway to align with the latest version of the National Institute of Standards and Technology (NIST) Cybersecurity Resilience Framework and the ISO27001:2022 international standard for information security.

TAX TRANSPARENCY

Challenger takes our obligation to comply with prevailing taxation laws, practices and reporting requirements seriously and is committed to paying our fair share of taxes.

Our tax charter governs how tax is managed and is embedded in Challenger's broader risk governance framework, which is reviewed and approved by the Board biannually.

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.

Most of the tax paid by the Group is to the Australian Taxation Office (ATO). The Group seeks to maintain a 'high assurance Justified Trust' over income tax and GST with the ATO. Under the ATO Justified Trust framework, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive manner.

More detailed information is available in the 'Tax transparency' section of the 2024 Challenger Annual Report.



Doing things right continued

Measurement of Scope 3 financed emissions

across our corporate bonds, listed equities and direct Australian real estate portfolios

Carbon emissions reduction strategy developed

Plan to be net zero across Scope 1 and 2 emissions from FY25

Mandatory employee greenwashing training launched

CLIMATE

Climate change will affect every part of the economy. Understanding how environmental issues could impact our business, and how our business activities may impact the environment, will be a key focus of our ESG work program in FY25.

Australia’s regulatory landscape for climate measurement and disclosures is also evolving rapidly. We are committed to transparent reporting and strengthening our sustainability disclosures, including alignment with the International Sustainability Standards Board (ISSB) and Australian Accounting Standards Board’s (AASB) climate standard as we prepare for the implementation of the regulatory climate framework in Australia.

Governance

Challenger has implemented a governance structure to manage sustainability and ESG risks and opportunities, and ensure we have appropriate policies, systems and processes in place to deliver on our commitments.

Challenger’s Board has oversight and responsibility for Challenger’s sustainability and ESG risks and opportunities, and ESG topics are considered at each Group Risk Committee meeting at a minimum. The Leadership Team reviews and approves Challenger’s sustainability strategy and workplan. The ESG Steering Committee provides regular progress reports to the Leadership Team and presents at each GRC meeting.

More detail is provided in the ‘Sustainability governance’ section of this report.

Executive remuneration

In FY24, the Board introduced Sustainability as a key performance indicator into Challenger’s executive performance framework for the Leadership Team, including the CEO. The measure assesses the effectiveness of ESG integration across Challenger and our affiliates.

As the executive performance framework forms the basis of assessing short-term remuneration outcomes for the Leadership Team, the achievement of the Sustainability measure will be considered as part of this decision. In addition, the Challenger Board’s Group People and Remuneration Committee reviews executives’ individual and collective accountability for the management of risk across our business. The Board can decide to apply downward adjustments, malus or clawback to the CEO and/or an executive’s variable remuneration and deferred awards, if they fail to meet risk management expectations. Variable remuneration for the Leadership Team includes short-term and long-term incentives.

ESG and climate training

This year, Challenger continued to expand its ESG training and awareness program, which included a focus on climate risk. Initiatives included presentations with external experts and lunch and learn sessions with our Investment, Customer, Risk and Legal teams. Challenger also launched mandatory online greenwashing training for approximately 250 key individuals across the business.



Strategy

Reducing our climate impact

In FY24, Challenger's Board and Leadership Team endorsed our operational emissions reduction strategy to address and minimise the environmental impact of our operations.

Our approach focuses on achieving net zero, which means reducing our greenhouse gas emissions by at least 90% over a specified timeframe from our baseline year through emissions reduction activities, with the residual 10% of emissions neutralised through the purchase of high-quality carbon offsets.

Using FY23 as a baseline carbon footprint, Challenger aims to be net zero across its Scope 1 and 2 emissions from FY25 through:

- procuring renewable electricity for tenancy power across our operations in Australia and overseas; and
- procuring carbon removal offsets for residual Scope 1 emissions.

From FY25 onwards, we will continue to reduce our Scope 3 operational emissions through a range of initiatives including:

- migration of our technology services to a third-party provider;
- engagement with vendors in our supply chain;
- better collection of data relating to business travel and accommodation; and
- reduced paper usage.

Challenger will continue to provide updates on progress against our operational emissions reduction targets in our annual Sustainability Report.

CHALLENGER'S OPERATIONAL EMISSIONS REDUCTIONS TARGET AND FORWARD VIEW

SCOPE 1

Offset Scope 1 emissions by FY25

Eliminate all Scope 1 emissions by FY30

SCOPE 2

Eliminate Scope 2 emissions by FY25

SCOPE 1 & 2

Achieve net zero in operations for Scope 1 and 2 by FY25

SCOPE 3

Reduce Scope 3 emissions by 20% by FY26

Reduce Scope 3 emissions by 50% by FY35

Reduce Scope 3 emissions by over 90% before FY50

Residual emissions from 2050 onwards neutralised using carbon removal credits

Emissions scopes defined

Scope 1 measures direct emissions from within our office tenancies (gas in kitchens and refrigerants used in air conditioning and fridges).

Scope 2 measures indirect emissions associated with our office tenancies' electricity consumption across our operations in Australia and overseas.

Scope 3 measures indirect emissions related to activities within our value chain. This includes utilities operated by the landlord in our offices, relevant products and services procured by Challenger such as IT services, printing, paper, food and beverages, postage, brand advertising, business travel (flights, taxi services and accommodation), employee commute and waste.

Doing things right continued

CLIMATE CONTINUED

Risk management

Challenger’s Board is responsible, in conjunction with senior management, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks. The Board’s Group Risk Committee and Group Audit Committee assist in discharging its risk management responsibilities. In particular, the Group Risk Committee assists the Board in setting the appropriate risk appetite and for ensuring that there is an effective risk management framework which informs and guides strategic and operational decisions that management make in service of delivering on our strategy and purpose.

We consider ESG risks throughout our investment process. Challenger’s Responsible Investment Policy is the overarching policy that governs ESG at Challenger, while our Responsible Investment Statements for CLC and CIM Fixed Income provide asset-class-specific guidance to the respective investment teams. Our Fidante affiliates are governed by their own ESG policies and frameworks.

Metrics and targets

In FY24, we further developed our approach to greenhouse gas (GHG) emissions reporting for our operations and financed emissions across our investment portfolio.

Operational greenhouse gas emissions

This year, emissions sources were categorised in line with GHG protocol. A relevancy test was conducted for each emission category to identify which categories need to be included in Challenger’s emissions boundary. The review concluded that processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets and franchises were not relevant.

Based on the relevancy test, a small number of new inclusions were added, including tenancy refrigerants in fridges and tenant supplementary air conditioning units (Scope 1 emissions), and upstream leased assets’ diesel and refrigerants used in the base buildings. We also reallocated some emission sources to other emissions categories, still within Scope 3.

In this assessment, it was identified that some carbon offsets are being purchased within the supply chain, notably carbon removal and avoidance credits to offset the residual Scope 1 and 3 emissions for the building in which Challenger is headquartered, and achieve a certified carbon-neutral base building under Climate Active. Our footprint assessment deems a proportion of these offsets inherited through the supply chain and have been included for full transparency.

In FY24, Challenger’s Scope 1 and 2 emissions reduced, as did emissions from flights, accommodation, taxi and car hire, food and catering, postage, paper and staff commute. The increase in our Scope 3 emissions was largely driven by a broadening of the scope of IT equipment to include software program licensing arrangements and software as a service subscriptions (reported as both purchased goods and services, and capital goods) that were not included in our emissions calculations in previous years.

Scope 3 financed emissions

Challenger recognises the importance of understanding and measuring carbon footprinting and exposure metrics to manage climate-related risks and opportunities in our investments and to meet our reporting obligations under the upcoming climate regulatory framework.

In FY24, we built on our work to understand the Scope 3 financed emissions across our portfolio, and expanded our focus to measurement of listed equities, corporate bonds as well as direct Australian real estate.

Corporate bonds and listed equities

Challenger’s revenue-based carbon intensity for corporate bonds and listed equities covers Scope 1 and 2 emissions of those investments. In FY24, this has been calculated using MSCI’s Climate Change Metrics, which follows guidance from the Taskforce of Climate-related Financial Disclosures (TCFD). MSCI’s reporting solution calculates financed emissions and revenue-based intensities using reported and estimated emissions data. Investments which have insufficient data coverage are excluded from the calculation.

We have focused on data with a better Partnership for Carbon Accounting Financials (PCAF) quality rating to ensure our reporting reflects usable and accurate information. The overall PCAF rating this year for corporate bonds is 2.10 and listed equities is 2.14.

ASSET CLASS	PORTFOLIO WACI (tCO ₂ e/A\$m sales)	PORTFOLIO PCAF RATING	BENCHMARK WACI (tCO ₂ e/A\$m sales)
Corporate bonds	111.1	2.10	92.8 iBoxx \$ Liquid Investment Grade Index
Listed equities	85.0	2.14	115.2 S&P/ASX 300 Accumulation Index

1. Fidante holds a minority stake with most of its affiliates and serves as the Responsible Entity for most products. Investment management activities are delegated to the affiliates.
2. The calculations represent each investment portfolio’s exposure to corporate bonds and listed equities across CLC and the Funds Management business. It excludes Funds Management mandates.
3. Portfolio and Benchmark WACI refers to the weighted average of each company’s carbon intensity expressed in tCO₂e/A\$m sales.
4. PCAF rating refers to weighted average PCAF Data Quality Score calculated using MSCI’s climate change metrics.

Direct Australian real estate

	EMISSIONS INTENSITY (kgCO ₂ e/m ²)	PORTFOLIO PCAF RATING
Scope 1 and 2 (location-based)	34.37	
		2
Scope 1 and 2 (market-based)	34.00	

1. Scope 1 and Scope 2 emissions relate to the energy use of retail and commercial buildings in Challenger's direct Australian real estate portfolio that is within Elanor's operational control.
2. Scope 2 emissions (location-based) refers to indirect emissions from purchased energy, calculated based on the average emissions intensity of local grids where energy was consumed.
3. Scope 2 emissions (market-based) refers to indirect emissions from purchased energy, based on specific procurement choices or contracts.
4. PCAF rating refers to weighted average PCAF quality score as calculated by Energetics.

Energetics supported Elanor Investors (which manages Challenger's direct Australian real estate portfolio) in collecting and collating data to enable the reporting of associated Scope 1 and 2 emission. These emissions are reported as Scope 3 financed emissions in Challenger's direct Australian real estate portfolio.

Energy and emissions are calculated in accordance with the principles contained in the Australian National Greenhouse and Energy Reporting (NGER) Scheme.

Energy consumption data, derived from retailer invoices or estimated from historical usage patterns, alongside direct diesel top-ups, form the basis for calculating energy usage.

Scope 1 emissions, encompassing onsite consumption of natural gas and diesel, are computed using emission factors from the National Greenhouse Accounts (NGA) Factors and collated energy consumption data.

Scope 2 emissions are quantified through location-based and market-based approaches. Location-based emissions incorporate state-based emission factors from NGER and NGA workbooks, while market-based emissions are calculated in line with the GHG protocol as well as the Australian Climate Active Electricity Accounting method.

The overall PCAF rating this year for direct Australian real estate is 2.

We will continue to extend the coverage of our portfolio emissions measurement as data availability, methodologies and data quality continue to improve as we prepare for implementation of the regulatory climate framework in Australia.



Constructive public policy settings



POLICY ADVOCACY

Challenger actively engages in shaping public policy and reforms that align with the best interests of our customers, clients, investors and stakeholders. In FY24, we participated in a range of activities advocating for reforms that will significantly enhance the lives of retirees.

Through our policy advocacy work, we directly engage with members of Parliament, relevant Federal Government departments such as the Treasury, and regulatory agencies such as the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). We also engage on policy issues through our memberships of the Financial Services Council (FSC), Association of Superannuation Funds of Australia (ASFA), and the Council of Australian Life Insurers (CALI).

Strongly advocated for retirement income reforms to **improve financial security in retirement**

Supported reforms to provide Australians with **high-quality, accessible and affordable financial advice**

Contributed to consultations focused on **improving the quality of climate risk disclosures**



RETIREMENT ADVOCACY

Retirement income reform

Challenger for many years has been a strong advocate of retirement income reforms and policy settings that contribute to a stronger retirement system which delivers Australians with the income they need for a dignified retirement.

We support the Federal Government and Treasury's work to enhance Australia's superannuation system and address the risks Australians face in retirement. We agreed with many of the concepts raised in the Government's recent consultation into the retirement phase of superannuation, including the need for Australians to have better access to information, advice and well-rounded retirement income products.

Financial advice policy

High-quality, affordable financial advice at scale will be critical to the financial security of Australia's ageing population. Challenger supported the Federal Government's Delivering Better Financial Outcomes reforms, which will simplify the financial advice regulatory framework and make financial advice more accessible to more Australians as they prepare for retirement.

CLIMATE DISCLOSURE POLICY

Climate-related financial disclosures regime

Challenger, through its membership of the FSC, has contributed to Treasury's consultations on Australia's proposed climate-related financial disclosure regime.

In March 2024, the Australian Government introduced the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 to Parliament, which includes updated legislation setting out the government's proposed climate-related financial disclosure regime.

Introduction of the mandatory climate-related financial disclosures regime will enhance the decision-making process for large companies and investors, who will be able to more effectively factor climate risks and opportunities into their investment decisions.

Challenger will be included in the first phase of mandatory reporting and is implementing a climate risk work program in FY25 to ensure we comply with the proposed regime.

Draft Australian Accounting Standards Board (AASB) Sustainability Reporting standards

The AASB has released Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. The draft standards are largely aligned to International Financial Reporting Standards (IFRS) Foundation S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures, and build on the global baseline for sustainability disclosures for investors and financial markets. Differences between the AASB and International Sustainability Standards Board standards reflect the context in Australia and Challenger has been involved in the consultation process through the FSC.

INDUSTRY GROUPS

Challenger participates in a range of finance and sustainability-focused industry groups. We are committed to working with these stakeholders through our membership, and participation in policy committees and consultations.



POLITICAL DONATIONS

Challenger engages with political parties and members of parliament in a bipartisan way to progress its advocacy efforts both directly and indirectly through industry associations.

We seek to strike the right balance between constructive involvement in Australia's policy-making agenda and protection of our employees' freedom of political communication.

Challenger does not make political donations to any political party, member of parliament, elected official or candidate for political office. Employees, directors and contractors are not permitted to attend political fundraising events as a representative of Challenger.

Metrics and targets

ENVIRONMENT

2024 greenhouse gas emissions[†]

EMISSIONS	UNITS	FY 23/24		FY 22/23	
		ACTIVITY DATA	tCO ₂ -e	ACTIVITY DATA	tCO ₂ -e
Scope 1					
Company facilities					
Natural gas ¹	GJ	42.7	2.6	676.7	34.9
Refrigerants ²	kg	10.9	0.3		
Total Scope 1			2.9		34.9
Scope 2					
Purchased electricity, steam, heating & cooling for own use					
Purchased electricity ³	MWh	944.2	624.9	948.8	670.9
Total Scope 2			624.9		670.9
Scope 3					
Purchased goods and services					
Food and catering ¹	AUD ('000)	31.4	12.2	407.9	81.1
Brand promotion	AUD ('000)	1,809.6	217.3	491.6	59.0
IT equipment and software ^{1,4}	AUD ('000)	15,531.9	2,163.0	12,259.5	1,700.6
Printing	AUD ('000)	349.6	90.2	337.4	87.0
Paper	tonnes	2.1	5.4	3.6	9.2
Capital goods					
PPE – IT equipment and software ¹	AUD ('000)	1,987.8	270.3		
Fuel and energy-related activities					
Indirect emissions from natural gas ¹	GJ	42.7	0.6	676.7	8.9
Indirect emissions from purchased electricity	MWh	944.2	46.7	948.8	56.4
Waste generated in operations					
Waste	tonnes	3.1	2.5	3.6	4.1
Base building wastewater ^{1,5}	ML	3.8	6.1		
Business travel					
Flights	('000) km	2,734.7	810.2	3,221.2	882.1
Taxis and car hire	AUD ('000)	200.3	20.6	291.9	25.1
Accommodation	Occupancy nights	925.3	49.5	1,218.0	40.2
Staff food and catering ¹	AUD ('000)	122.4	47.5		
Employee commuting					
Staff commute	('000) km	2,559.0	420.5	2,946.9	505.5
Working from home	tCO ₂ e	141.9	141.9	151.7	151.7
Upstream leased assets					
Base building electricity ⁶	MWh	471.5	60.2	716.4	614.5
Base building natural gas ²	GJ	427.1	5.6		
Base building diesel ²	GJ	81.0	2.2		
Base building water supply ^{1,5}	ML	5.3	2.7	7.2	13.9
Base building refrigeration ²	tCO ₂ e	1.3	1.3		
Downstream transportation and distribution					
Postage and couriers	AUD ('000)	198.5	28.4	223.4	52.9
Total Scope 3			4,559.0		4,292.1
TOTAL EMISSIONS			5,027.9		4,997.9
Inherited reduction offsets ⁷	Credits	12.0	-12.0		
Inherited removal offsets ⁷	Credits	4.4	-4.4		
Total offsets			16.4		-
TOTAL NET EMISSIONS			5,011.5		4,997.9

[†] See page 31 for footnotes.

PEOPLE

Employee profile

Number of employees

	TOTAL
FTE	693.84
Headcount	710

Employees by contract type and gender

CONTRACT TYPE	FEMALE	MALE	NOT SPECIFIED	TOTAL
Permanent				
Full-time	249	366	2	617
Part-time	48	6	0	54
Fixed term				
Full-time	11	21	0	32
Part-time	5	1	0	6
Casual	1	0	0	1
Total	314	394	2	710

Contingent workers by type

CONTRACT TYPE	TOTAL
Agency contractor	529
Independent contractor	16
Intern – contingent worker	1
Total	546

Parental leave return rate

	FEMALE	MALE
Employees who took parental leave during the period ¹	16	14
Employees who returned to work during the period after taking parental leave ²	100%	100%
Parental leave attachment rate (%)³	94%	89%

1. Commenced leave between 1 Jul 23 to 30 Jun 24.

2. Commenced leave between 1 Jul 22 and 30 Jun 24, and returned from leave before 30 Jun 24.

3. Returned from leave between 1 Jul 22 and 30 Jun 24, and remained employed on 30 Jun 24.

FOOTNOTES FOR TABLE ON PAGE 30

- Recategorised emissions sources (for better alignment with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard):
 - Scope 1 Natural gas corrected this year based on confirmation through submetering that only 6% consumed directly in Challenger kitchen facilities. The rest is reallocated as Scope 3 under Upstream leased assets (base build operations gas consumption for central heating systems).
 - Scope 3 Capital goods this year contains the capitalised proportion of IT equipment and software which in previous year was included under Opex.
 - Scope 3 Food and catering this year has a proportion of staff meals reallocated under Business travel.
 - Scope 3 Base building wastewater impacts have been split from base building water use and allocated to Waste generated in operations.
- Newly-included emissions sources: based on latest relevance test, the following items have been included for FY2023–24:
 - Scope 1 Refrigerants used in tenant supplementary air-conditioning and refrigeration units.
 - Scope 3 Upstream leased assets refrigerants, natural gas and diesel reported by the base building.
- Scope 2 Electricity emissions calculated using the location-based method.
- In FY24, management broadened the scope of IT Equipment to include software program licensing arrangements and software as a service subscriptions that was reported as subscriptions in prior years, and outside the scope of reporting. The impact of this on FY23 is an increase from 1,700.6 tCO₂-e to 2,123.3 tCO₂-e.
- The combined base building water supply and wastewater activity has increased by 1.9ML but the combined carbon emissions have decreased. This is a consequence of the separation of base building water supply and wastewater, because the water supply portion on its own inherits a significantly lower emission factor and results in lower emissions.
- Base building electricity emissions reduced due to confirmed purchases of 100% renewable electricity by the landlord of the Sydney office.
- Inherited offsets: certified contributions by supply-chain members linked to products and services purchased by Challenger, i.e. Sydney Office upstream leased asset is a Climate Active carbon-neutral certified base building.

Metrics and targets continued

Employees by region and gender

REGION	FEMALE	MALE	NOT SPECIFIED	TOTAL
Adelaide	0	2	0	2
Brisbane	11	11	0	22
Hobart	0	1	0	1
Melbourne	13	17	0	30
Perth	3	2	0	5
Sydney	281	335	2	618
London	4	15	0	19
Sweden	0	2	0	2
Tokyo	2	9	0	11
Total	314	394	2	710

Employees by age group

AGE GROUP	TOTAL
Under 30	112
30–39	226
40–49	244
50–59	104
60 and over	24
Total	710

New hires by age group

AGE GROUP	TOTAL
Under 30	48
30–39	31
40–49	24
50–59	12
60 and over	3
Total	118

New hires by region and gender

REGION	FEMALE	MALE	TOTAL
Adelaide	0	0	0
Brisbane	1	1	2
Hobart	0	0	0
Melbourne	3	4	7
Perth	0	0	0
Sydney	47	55	102
London	1	1	2
Sweden	0	1	1
Tokyo	0	4	4
Total	52	66	118

Voluntary turnover by age group

AGE GROUP	TOTAL
Under 30	19
30–39	28
40–49	20
50–59	3
60 and over	2
Total	72

Voluntary turnover by region and gender

REGION	FEMALE	MALE	TOTAL
Adelaide	0	0	0
Brisbane	0	0	0
Hobart	0	0	0
Melbourne	1	1	2
Perth	0	0	0
Sydney	32	34	66
London	0	1	1
Sweden	0	0	0
Tokyo	0	3	3
Total	33	39	72

Internal employee movement by gender

	FEMALE	MALE	TOTAL
Transfer	5	34	39
Secondment	9	10	19
Promotion	37	44	81
Total	51	88	139

Employee safety and wellbeing

WORK HEALTH AND SAFETY	2023	2024
Lost time injury frequency rate (days)	0	1.48
Workers compensation claims	1	2
Absenteeism days per FTE	3.23	2.47
Fatalities	0	0
Work health and safety training	487	415

