

# Modern Slavery Statement 2023



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## About this statement

This modern slavery statement is prepared and issued by Challenger Limited, the reporting entity, on behalf of Challenger Life Company Limited (Challenger Life), Fidante and Challenger Investment Management. For the purposes of this statement, these entities will collectively be referred to as Challenger.

This statement is made in accordance with the requirements within the *Modern Slavery Act, 2018* (Cth) (the Act) and the *United Kingdom Modern Slavery Act 2015* and covers the period 1 July 2022 to 30 June 2023 representing Challenger's FY23 financial year.

This statement provides detail on Challenger's approach to identifying, mitigating, and addressing the risks of modern slavery across our operations and supply chain.

This statement uses the Act's definition of modern slavery. This involves conduct which would constitute a criminal offence under Australian law or international law, including trafficking in persons and the worst forms of child labour.

In this report, unless otherwise stated, references to 'Challenger', 'the Group', 'we', 'us' and 'our' refer to Challenger, comprising the ASX-listed entity and the Life, Funds Management, Artega and Bank businesses.

# Message from Chair and CEO



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

We operate with integrity and respect for human dignity and are guided by our values and Code of Conduct, which sets the standards and expectations for how we conduct our business and interact with all stakeholders. We also adhere to the United Nations Guiding Principles on Business and Human Rights (UNGPs), which provide a framework for businesses to respect and protect human rights across their activities.

Last year, Challenger engaged an external human rights consultant to review our approach to modern slavery and identify areas for improvement. The review concluded that whilst Challenger had laid solid foundations, a number of initiatives could be implemented to strengthen our approach to addressing risks related to modern slavery. This year, 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.

Modern slavery is a complex and evolving challenge that requires ongoing focus. We will continue to review and enhance our processes and practices to ensure they reflect the latest developments and expectations on modern slavery.

This statement has been endorsed by the Board of Directors of Challenger Limited.

**DUNCAN WEST**  
Independent Non-Executive  
Director and Chair

**NICK HAMILTON**  
Managing Director and  
Chief Executive Officer



# Key actions

## Summary of progress in FY23

- Strengthened our risk assessment methodology
- Issued modern slavery questionnaires to our suppliers via the Informed 365 platform; 373 responses received
- Strengthened our contractual mechanisms regarding modern slavery, embedding a modern slavery clause in renewed and new supplier contracts
- Launched modern slavery training module for employees in key teams; completion rate of over 95%
- Provided modern slavery compliance training for our Fidante affiliates; average attendance rate of 89%
- Our headquarter offices were certified under the Cleaning Accountability Framework (CAF)
- Continued to actively engage with peers and industry groups including contributing to responses to the Commonwealth Modern Slavery Act review via the Financial Services Council (FSC) and the Responsible Investment Association of Australasia (RIAA)

## Timeline of key actions

### 2020

- Published Challenger's first modern slavery statement in accordance with the Australian Modern Slavery Act 2018
- Modern slavery project group established
- Conducted initial risk assessment on our suppliers, investment managers and investment portfolios
- Responsible Investment Policy and Challenger Life Company Responsible Investment Statement updated to reflect consideration of modern slavery risks
- Worked with affiliates and Challenger investment teams to incorporate modern slavery considerations into their investment assessments
- Challenger became a signatory to Investors against Slavery and Trafficking (IAST) APAC as a founding member

### 2022

- Engaged external human rights consultant to undertake a review of our initiatives and provide recommendations to strengthen approach
- Overhauled modern slavery statement, including an improved structure for addressing and assessing modern slavery risks
- Updated Whistleblower Policy to include modern slavery practices as an example of reportable conduct
- Actively participated in the FSC response to the Modern Slavery Issues Paper
- Fidante became a member of RIAA and an active member of RIAA's Human Rights Working Group

### 2021

- Published Board approved Human Rights Statement
- ESG Steering Committee established
- Developed modern slavery questionnaire
- Conducted policy gap analysis and updated a range of policies to reflect consideration of modern slavery risks

### 2023

- Strengthened our risk assessment methodology
- Updated ESG Steering Committee with clear accountabilities and responsibilities
- Implemented employee modern slavery awareness and education program
- Delivered modern slavery compliance training for Fidante's affiliates
- Embedded modern slavery clause in supplier contracts
- Active participant in IAST and FSC's responses to the Government's review of the Modern Slavery Act
- Engaged with RIAA's Human Rights Working Group and international experts to develop a toolkit for investors and companies to help safeguard human rights and mitigate risks associated with armed conflict

# About us

## Purpose

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates a fiduciary Funds Management division, an APRA-regulated Life division and an APRA regulated authorised deposit-taking institution. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

## Strategy

Challenger has four strategic priorities to ensure it achieves its purpose of providing customers with financial security for a better retirement.



Broaden customer access across multiple channels



Leverage the combined capabilities of the group



Expand the range of financial products and services for a better retirement



Strengthen resilience and sustainability of Challenger

## Values

Our values are integral to our culture and linked to everything we do. They set out the behaviours we need to deliver on our purpose and strategy and to meet community expectations, now and in the future.



# Structure and operations

Challenger is listed on the Australian Securities Exchange (ASX), with offices in Australia, London, Singapore and Tokyo.

In Australia, our activities are subject to supervision by the Australian Prudential Regulation Authority (APRA) and the Financial Conduct Authority (FCA) in the United Kingdom, as well as other regulatory agencies in Australia and overseas markets. As at 30 June 2023, our assets under management were \$105 billion.

## Challenger Life

Challenger Life is Australia's leading retirement income brand and focuses on helping customers convert their retirement savings into safe, secure and reliable retirement income.

Lifetime annuities protect retirees from the risk of outliving their savings by paying an income for life. The retirement incomes that Challenger Life pays to its customers are backed by a high-quality investment portfolio, predominantly invested in high-grade fixed income. These investments generate reliable investment income, which is used to fund the retirement incomes paid to customers.

Challenger Life's products are primarily distributed via independent financial advisers and are included on all major advice hubs' Approved Product Lists (APLs) and are also available on leading independent investment and administration platforms.

We are building partnerships with superannuation funds to help meet their members' needs in retirement, with two major partnerships announced in FY23.

In Japan, Challenger Life has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) to provide Australian dollar and US dollar annuities, that will expand to include Japanese yen denominated annuities. Through this partnership Challenger is helping to support the retirement outcomes of Japanese retirees.

## Funds Management

Funds Management focuses on wealth accumulation and supports customers to build their savings through contemporary investment strategies and products.

Funds Management is one of Australia's largest active fund managers and comprises Fidante and Challenger Investment Management (CIM), with operations in Australia, the United Kingdom, Europe and Asia.

Fidante's business model involves taking minority equity interests in separately branded affiliate funds management firms, with Challenger providing distribution services and business support. CIM principally originates and manages fixed income and commercial real estate for leading global and Australian institutions.

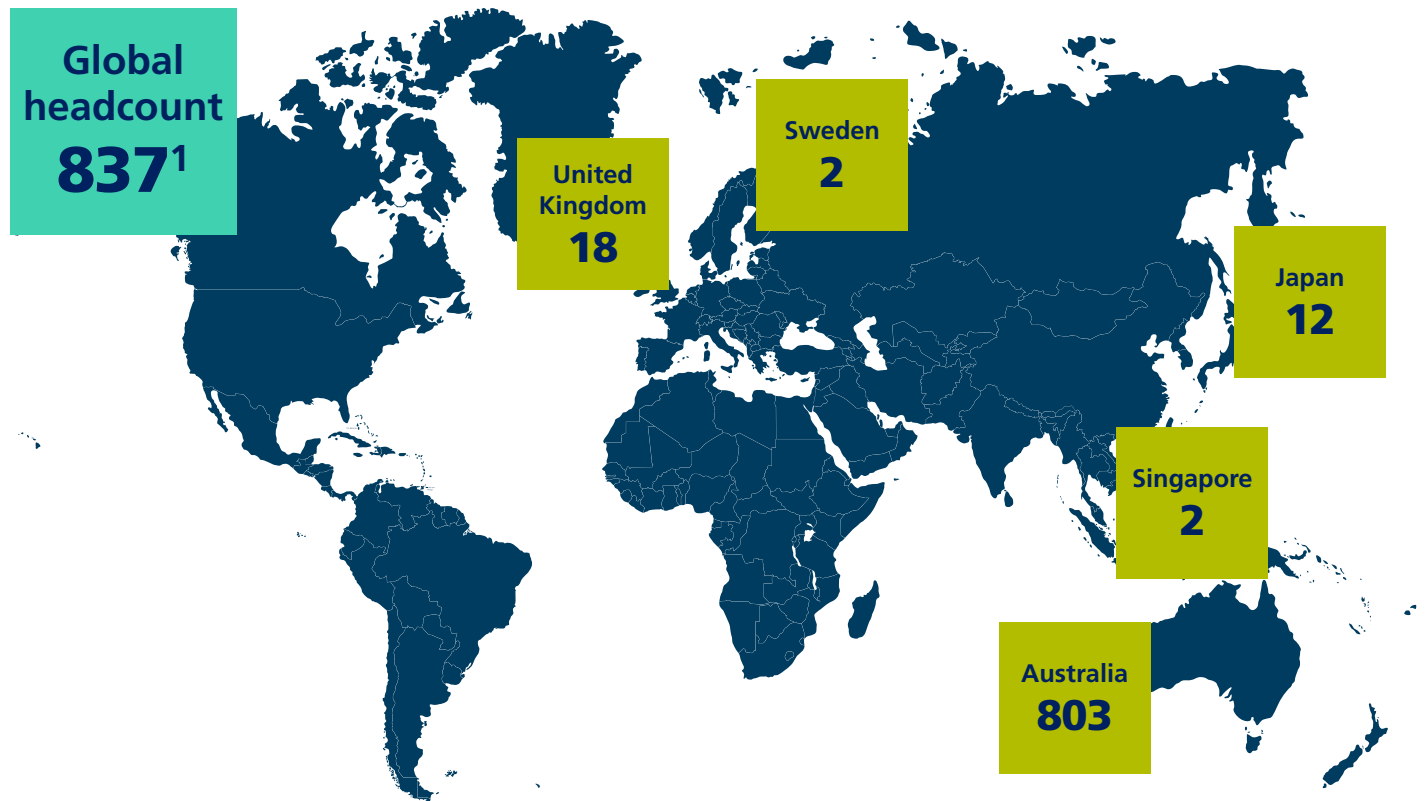
In FY23, Challenger entered into an agreement with Elanor Investors Group, an Australian listed real estate investment and funds management business, to form a new strategic real estate partnership. As part of the agreement, Challenger sold its Australian real estate business (within Challenger Investment Management) to Elanor who has become Challenger's exclusive commercial real estate partner in Australia and New Zealand. The sale completed in July 2023.

Equities		
 <b>alphinity</b> INVESTMENT MANAGEMENT	 <b>eiger capital</b>	 <b>Greencape</b> CAPITAL
 <b>IMPAX</b> Asset Management	 <b>LENNOX</b> CAPITAL PARTNERS	 <b>MERLON</b> CAPITAL PARTNERS
 <b>NOVAPORT</b> CAPITAL	 <b>OX CAPITAL</b> MANAGEMENT	 <b>WaveStone</b> CAPITAL
Fixed Income		
 <b>ARDEA</b> Investment Management	 <b>challenger</b>	 <b>Kapstream</b> - JANUS HENDERSON -
Alternatives		
 <b>APOLLO</b>	 <b>ARES</b>   ARES AUSTRALIA MANAGEMENT™	 <b>cultiv8</b>
 <b>Elanor</b>	 <b>PROTERRA ASIA</b>	 <b>RESONANCE</b> ASSET MANAGEMENT

## Bank

In 2022, Challenger announced the sale of its bank to Heartland Group Holdings Limited following a strategic review. As at November 2023, the sale was going through regulatory approvals.

# Where we operate



**734**  
Permanent full time

**63**  
Permanent part time

**35**  
Fixed term full time

**5**  
Fixed term part time

**131**  
EMPLOYEES AGED 50 AND OVER

**342**  
FEMALE EMPLOYEES

**198**  
CONTINGENT WORKERS

<sup>1</sup> All information on this page refers to FY23.

# Our supply chain

## Key facts about our supply chain

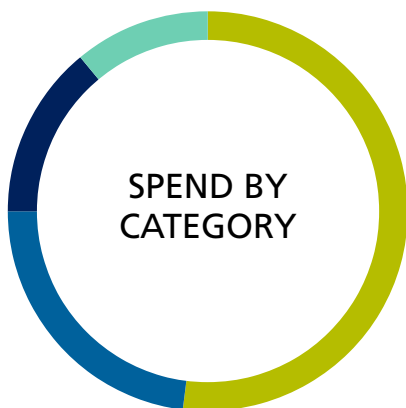
Challenger works with a range of suppliers to procure goods and services.



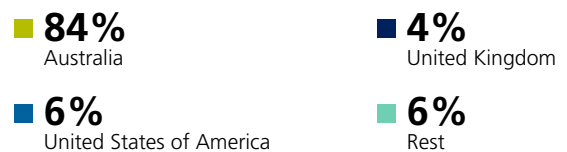
### Our Supply Chain

- In FY23, Challenger Group spent approximately \$116 million procuring goods and services from 704 suppliers
- The large majority of our expenditure (84%) is located in Australia. Key areas of spend include professional and financial services, technology, property management and operation costs (including advertising, insurance and training)
- No suppliers were identified as high risk
- In FY23, Challenger performed an additional assessment of tier 2 suppliers (suppliers or subcontractors of our direct suppliers) to further identify potential risk areas, considering their broader supply chain and industry. Of our 704 suppliers, 209 may be engaging with suppliers with potential modern slavery risk across construction, electronics, security and building, marketing and food and beverage. These suppliers will undergo additional due diligence efforts to identify potential risks of modern slavery
- In FY23, Challenger's Real Estate Portfolio directly managed 24 properties including 10 commercial office buildings, 4 industrial assets, 9 retail assets and 1 hotel

### Spend by category



### Spend by geography





# Our investments

The geographic exposure of Challenger's investments by country of incorporation is outlined below. This includes investments on the Challenger Life Company balance sheet and investments across the managed investment schemes of Challenger and Fidante. The large majority of our investments are in Australia, New Zealand, the United Kingdom and the United States. The developing market exposure relates to only one emerging market managed investment scheme in one of the Fidante affiliates.



# Governance and risk management

At Challenger, we have a strong governance and risk management framework that seeks to address the risk of modern slavery.

The way we work is informed by our risk culture, which is embedded throughout our operations.

Managing risks and opportunities in our operations and supply chain is a key element of this. We engage with our stakeholders regularly on economic, environmental, social and governance considerations and believe that better outcomes can be achieved by working together.

Our risk-based approach to considering modern slavery risks across our business is informed by the UNGPs. This approach looks at our commitment to human rights, our systems and controls, remediation considerations and our communication across the activities detailed in this statement.



# Identifying and assessing modern slavery risk

We understand the significance of modern slavery risks and are committed to addressing the risk to people throughout our operations, and supply chain.

## Corporate Governance

Challenger's Board of Directors is responsible for the oversight and approach of our modern slavery statement. ESG and associated programs of work, such as Challenger's approach to modern slavery, are discussed at the most senior levels of the organisation including the Board's Group Risk Committee (GRC) and the Leadership Team.

### Board Group Risk Committee

The GRC assists the Board in setting the appropriate risk appetite for all risks, including modern slavery. The GRC ensures Challenger has an effective risk management framework, remains compliant with relevant laws and regulations and promotes a strong risk culture. At a minimum, the Board's Group Risk Committee considers ESG issues on a quarterly basis, including written and verbal updates from the Chair of the ESG Steering Committee.

### Group ESG Steering Committee

In FY23, Challenger renewed its Group ESG Steering Committee and its leadership to enhance focus on Challenger's core business activities and their impact on ESG issues. Chaired by Challenger's General Manager Corporate Affairs and Sustainability, the Group ESG Steering Committee meets monthly and includes senior executives such as Challenger Life's Chief Investment Officer, the Group Chief Risk Officer and representatives from Funds Management and Finance. The Steering Committee assists Challenger's Leadership Team and Board to develop Challenger's ESG strategy, initiatives to support and implement the strategy, reporting on ESG risks and associated controls, and external assessment of the Group's ESG performance.



# Corporate Governance

## Modern Slavery Working Group

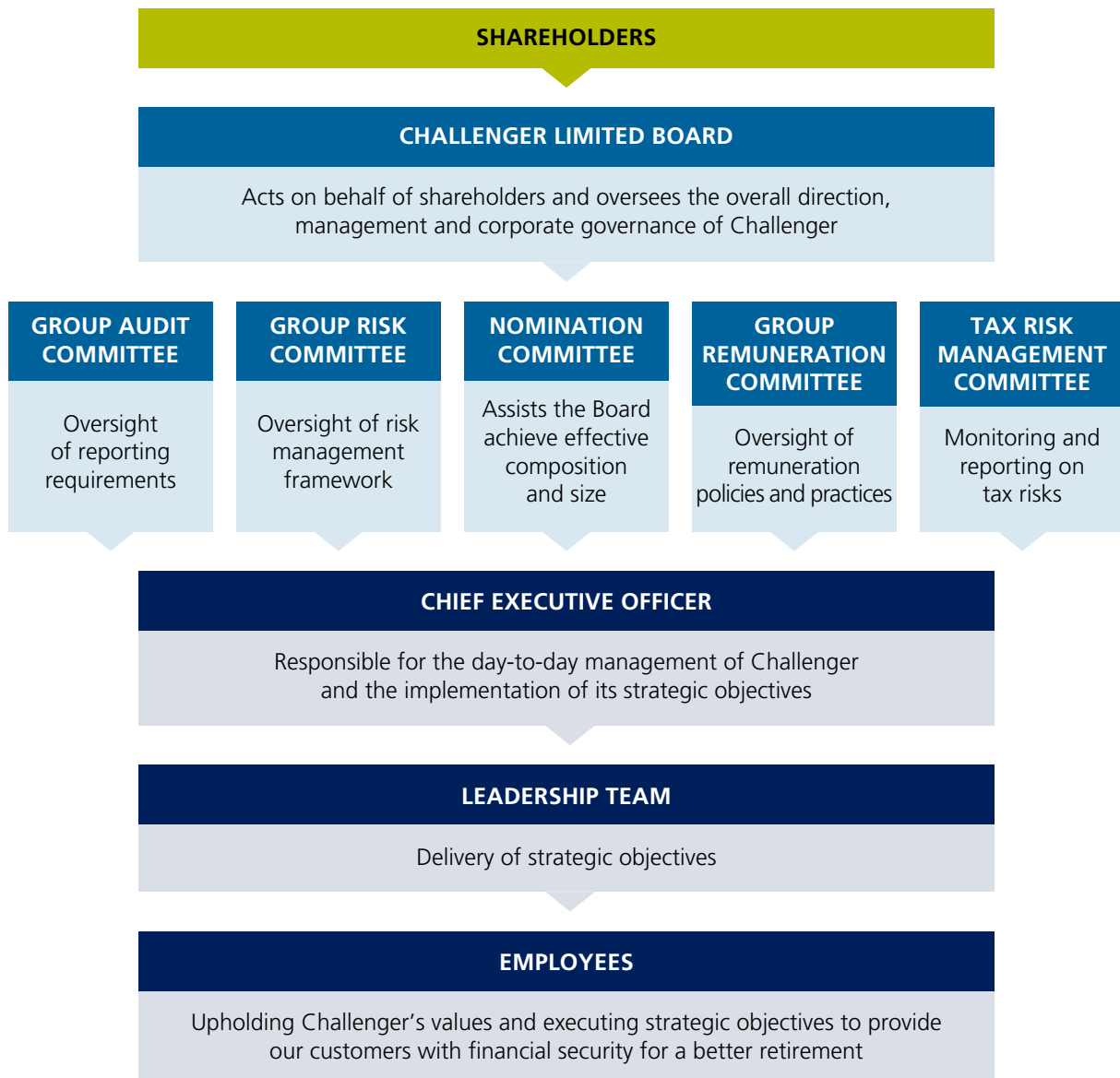
Challenger's Modern Slavery Working Group is a cross functional working group focused on enhancing our modern slavery framework to assess associated risks and remediate any instances of modern slavery. The Working Group meets regularly and includes individuals from ESG, Risk, Funds Management, Human Resources, Commercial and Finance. The Group provides updates to the ESG Steering Committee.

### In FY23, the Modern Slavery Working Group focused on:

- Policy and process improvements
- Building awareness of modern slavery through training and education
- Strengthening our due diligence and risk management framework

Challenger is an active signatory to international frameworks committed to driving sustainable practices, including addressing modern slavery, across financial services:

- Principles for Responsible Investment (PRI)
- Investors Against Slavery and Trafficking Asia Pacific (IAST)
- Responsible Investment Association of Australasia (RIAA)
- Financial Services Council (FSC) ESG Working Group
- Informed 365



# Policies

Challenger has a range of policies that guide our business practices and help support the identification, management and escalation of potential modern slavery risks across Challenger’s operations. Key policies include:

Policy	How this supports Challenger to mitigate modern slavery risk
Anti-Money Laundering (AML) and Counter Terrorism Financial (CTF) policy	Details Challenger’s compliance with AML/CTF laws that prevent money laundering and terrorism financing, which are often linked to modern slavery. Lists the countermeasures that may be used against high-risk countries or entities that are involved in modern slavery.
Code of Conduct	Outlines Challenger’s expectation that employees will act in line with our values and policies when making decisions relating to our customers and communities. Applies to employees, contractors, and Directors and encourages employees to raise concerns and speak up via a number of methods and refers to legal obligations for human rights.
Conduct risk and consequence management framework	Explains the process for reporting, managing and applying consequences to poor conduct that may occur across Challenger’s operations, products and services, including those that involve or contribute to modern slavery practices.
Fraud and corruption policy	Defines Challenger’s commitment to preventing, detecting and responding to fraud and corruption, including the procedures for reporting, investigating and resolving potential instances and the consequences of fraud and corruption.
Human Rights Statement	Explains Challenger’s support for internationally recognised human rights and its expectation that all employees, contractors and Directors comply with the Human Rights Statement.
Incident management policy	Sets a consistent process for escalating, managing, reporting and remediating incidents at Challenger, including those that may involve or affect human rights.
Operational risk policy and practice note	Outlines Challenger’s approach to operational risk identification, assessment and management in line with our Risk Appetite Statement.
Outsourcing policy	Details that outsourcing arrangements are established and managed in a way that ensures Challenger continues to meet its obligations to regulators, customers and other stakeholders. This includes an assessment of modern slavery risk using modern slavery risk indicators.
Responsible investment policy	Describes how Challenger integrates ESG considerations in its investment processes, manager selection, stewardship and reporting, including undertaking due diligence to assess any potential modern slavery risks.
Risk appetite statement	Outlines the Board’s risk appetite, so that management can ensure decisions made are within the Board’s risk appetite. Outlines specific risk appetite statements across financial and non-financial risk, including modern slavery risk.
Whistleblower policy	Detailed explanation noted below

## IN-DEPTH ANALYSIS: CHALLENGER’S WHISTLEBLOWER POLICY

Challenger’s Whistleblower Policy was updated in FY23 and will be reviewed in May 2025. Authorised by the Challenger Board’s Group Risk Committee, the Policy is owned by Challenger’s Chief Risk Officer.

The Policy applies to all employees (including contractors, former employees and their relatives), service providers of Challenger (including suppliers of goods and services) and reinforces Challenger’s commitment to an open culture, where concerns and issues are disclosed in a supportive environment.

The Policy aims to encourage and facilitate 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. An actual or suspected instance of modern slavery is listed as reportable matter under the Policy.

‘Protected disclosure’ can be submitted anonymously to ensure that the identity of the whistleblower is protected. There are a number of ways to report concerns anonymously

including reporting to our independent whistleblower service via web, telephone or postal mail. All whistleblower reports are triaged by a third-party and investigated by a Whistleblower Investigation Officer, who is also responsible for ensuring whistleblowers are protected against any detrimental conduct.

The GRC is updated on Challenger’s whistleblowing program on a quarterly basis. In FY23, no instances of modern slavery were reported through the whistleblower program. Any reports or investigations that carry an undue amount of risk will be reported to the Board outside of the quarterly updates.

All employees are required to undertake training on the Whistleblower Policy as part of the induction process and complete annual mandatory training. Onboarding communication is also provided to suppliers of services and products. This Policy is publicly available on Challenger’s website and on the intranet for employees.



# Modern slavery risk assessment methodology

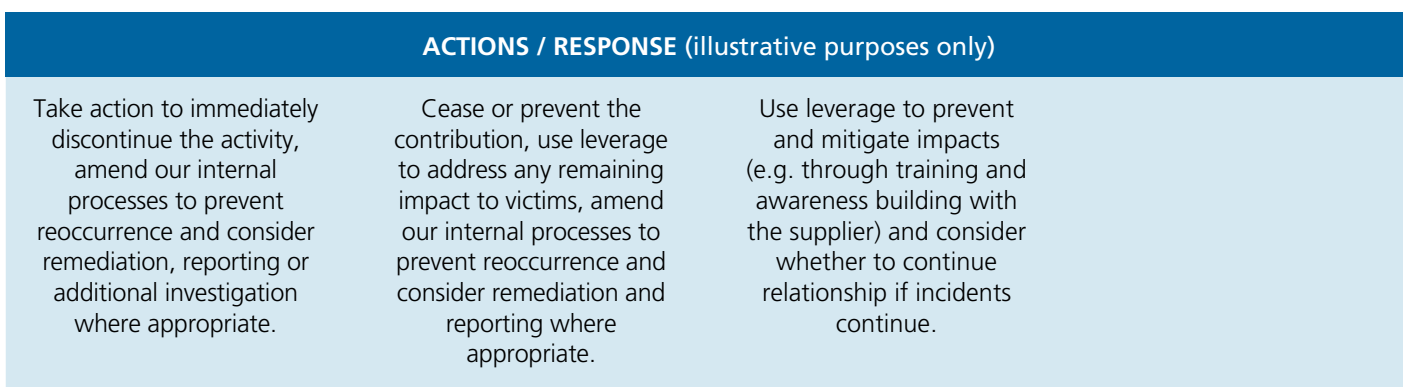
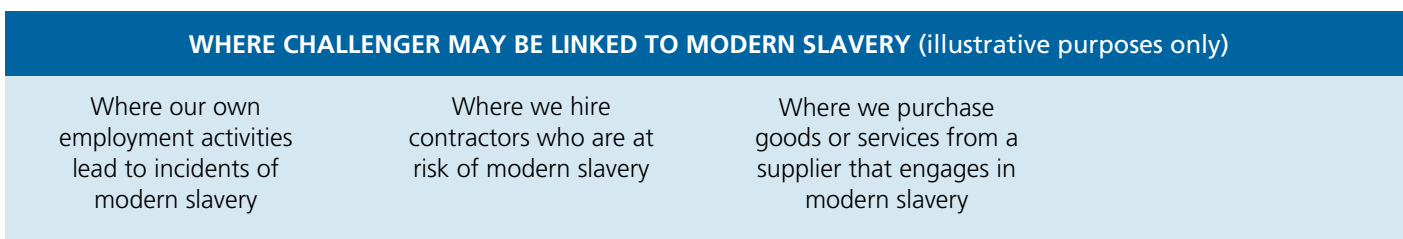
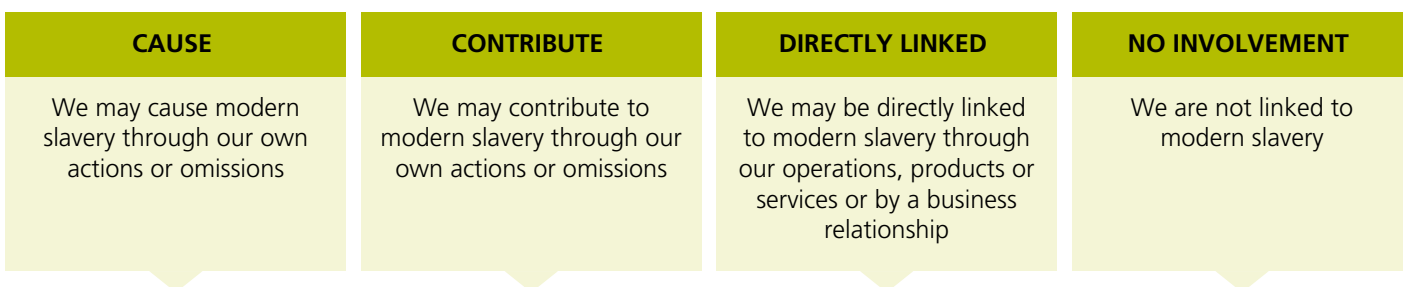
In FY23, Challenger updated its modern slavery risk assessment methodology to incorporate the latest research from the WalkFree Global Slavery Index, as well as refining factors for assessment in our inherent risk assessment, including:

- Removal of the spend factor to ensure any potential modern slavery risk is identified irrespective of spend
- Inclusion of a modern slavery prevalence factor to improve the accuracy of country risk
- Inclusion of interaction effects between country and industry factors (for example, agriculture in specific countries is considered highest risk)

The strengthened methodology has provided more accuracy in our risk assessment, whilst also expanding the number of suppliers being risk assessed. In FY23, an additional 540 suppliers were risk assessed using the new methodology and we also performed an additional assessment of our suppliers' supply chain (fourth parties) which will drive further due diligence efforts in FY24.

## Consideration of risks

We continue to evolve our risk-based approach to addressing modern slavery risks. In FY23, we also updated our key criteria when assessing our operations, investment portfolios and supply chains.



# Potential risk areas

Due to the nature of our business, the risk that we cause or contribute to modern slavery practices in our day-to-day operations is low.

However, we may be directly linked to modern slavery risk through our supply chain or investments. While we have not identified any instances of modern slavery, we understand the potential for risk in these areas and will continue to monitor

them. An additional review was undertaken in FY23 and no additional risk areas were identified. With the completion of the sale of Challenger’s Real Estate business to Elanor and the expected completion of the sale of the Bank, we expect our risk exposure to change in FY24 due to a reduction of our supplier universe and how Challenger is linked to modern slavery risk within the real estate portfolio.

Risk category	Description
Real Estate, Property & Facilities Management	Through Challenger Investment Management’s property and facilities management service providers, we procure services for our commercial real estate investments, including cleaning and security. Workers in the facilities management supply chain may be from vulnerable populations, including low skilled or migrant workers, and subject to subcontracting arrangements. If not managed appropriately, this elevates the risk of potential modern slavery practices. In FY23, we did not identify any high-risk suppliers. When using the Global Slavery Index to assess high risk industries and geographies by supplier, all suppliers were identified as either moderate or low risk suppliers.
Overseas supply chains	Challenger sources IT equipment and services from some suppliers in the Asia-Pacific region. This region is estimated to have the most instances of modern slavery globally, so has higher inherent risk. Materials to develop the equipment and services provided by cloud-based software providers are often sourced from countries with known human rights violations and significant levels of corruption.
Procurement practices	Challenger procures branded and unbranded items for marketing purposes. These items are produced within an industry that is known to employ business practices that can lead to an increased risk of modern slavery. It is highly price competitive with often short lead times for delivery, creating an increased pressure on suppliers. These items are often mass produced at low cost, in countries with higher risks of modern slavery.
Investment activity	We are exposed to higher-risk industries and geographies through investment-related activities of our investment management teams and our affiliates. Industries include agriculture and fishing, food and beverage, mining and metals, transport and warehousing, and electronics manufacturing and recycling, and operate in geographies that have higher instances of modern slavery or operate under poor business practices. Challenger’s Funds Management business uses the Global Slavery Index to structure the risk assessment of high-risk industries and geographies by investment, as outlined in this Statement.



# Our investments

## Investment Risk Assessment Methodology

The updated risk assessment methodology was applied to investments across Challenger’s Funds Management business, which includes all managed investment schemes.

In FY23, Challenger utilised the ISS Modern Slavery Scorecard for the first time to obtain data across the portfolios, where coverage permitted. The risk assessment was performed manually where there were coverage gaps. Our risk assessment methodology was applied to data derived from the ISS Modern Slavery Scorecard to achieve the below outcomes, with an inherent risk and residual risk score.

The focus of the risk assessment was both country and industry risk to achieve a combined inherent risk rating. In the first instance we used country of incorporation as the basis for the risk assessment. However, in FY23 we progressed to also consider country of operations for each company and issuer, taking the highest risk country in the operations. This allowed us to progress one step further in our investment risk assessment, with the goal of improving our risk assessment to consider the upstream and downstream risks of modern slavery in the investment value chain. For sovereign investments, such as government bonds, we only assessed issuer country.

## Risk Assessment Outcome

In FY23, we completed the annual risk assessment across Challenger’s investments. This table outlines the key risks identified across asset classes for the risks associated with the country of incorporation as well as operations, together with high-risk industries:

Risk category	Description
<b>Australian Equities</b>	On a country of incorporation basis, the inherent risk rating for the Australian equities portfolios ranges from moderate to low as the majority of portfolio companies are incorporated in developed countries, primarily Australia, New Zealand and the United States. When we extended the review to countries of operation, the inherent risk rating increased to moderate and high in some instances, when considered against high-risk industries in the company operations and supply chains. When the controls of the investment teams were applied, the residual risks in the operations were moderate to low. The highest risk industries are supermarkets and retail, particularly retail associated with garments, cocoa and electronics, metals and mining, and any operations and supply chains associated with electronics.
<b>Global Equities/Emerging Markets</b>	This segment of investments produced the highest inherent risk rating in country of incorporation and operations, with a moderate to low residual risk. The highest risk is in the emerging markets portfolio, with high-risk geographies including China, India, Philippines, and Brazil. The highest risk industries are those in the mining and manufacturing sector. The investment teams in this asset class have targeted engagement programs and for the high to moderate risk investments, Challenger will be implementing modern slavery workplans with these managers as part of the FY24 actions.
<b>Fixed Income and Credit</b>	The fixed income portfolio has a low residual risk rating for country of incorporation and country of operations. The main exposures are to issuers in financials, with the moderate risk exposures in energy and resources and any supply chains associated with electronics. The fixed income teams have an active engagement program where modern slavery is deemed to be a material risk, although if modern slavery is assessed as a high risk, it is likely this would affect the credit rating of the investment from an ESG perspective.
<b>Sovereign</b>	Challenger’s sovereign exposure is in developed markets only and the inherent and residual risk for all exposures is low, except for the United States which is moderate and relates to a position in a Fidante affiliate.
<b>Alternatives</b>	Commercial property is a moderate to high risk in the portfolio and this risk primarily resides in the supply chain of the properties. The risk assessment of the supply chain in the commercial properties is detailed in the abovementioned supply chain section.  Venture capital exposures are in developed countries that are rated low to moderate risk from a country of incorporation and operations perspective. This is a risk that the investment teams consider in their due diligence process and as part of the ongoing management of the investment through direct engagement.



# Our investments

## Modern Slavery Risk Assessments within the investment process

Challenger is cognisant of the world into which our current and future customers will retire into and the opportunity we have to make a positive difference in how that future looks through stewardship and investment activity. We integrate ESG considerations in our investment process because we believe ESG factors have an impact on the long-term performance of markets, countries and companies, and that ESG integration should improve risk adjusted returns over time. Modern Slavery is one of the key ESG factors that is considered as part of the ESG integration process across our investment teams.

When assessing potential or existing investment opportunities, Challenger's investment managers and affiliates undertake due diligence to assess and identify any potential modern

slavery risks in accordance with the specific entity and asset class approach to ESG integration. Challenger is committed to ensuring that its investment managers are aware of the risks of modern slavery within their investment portfolios and supply chains, ensuring adequate policies are in place to mitigate and manage modern slavery risks caused by, contributed or directly linked to an investment activity.

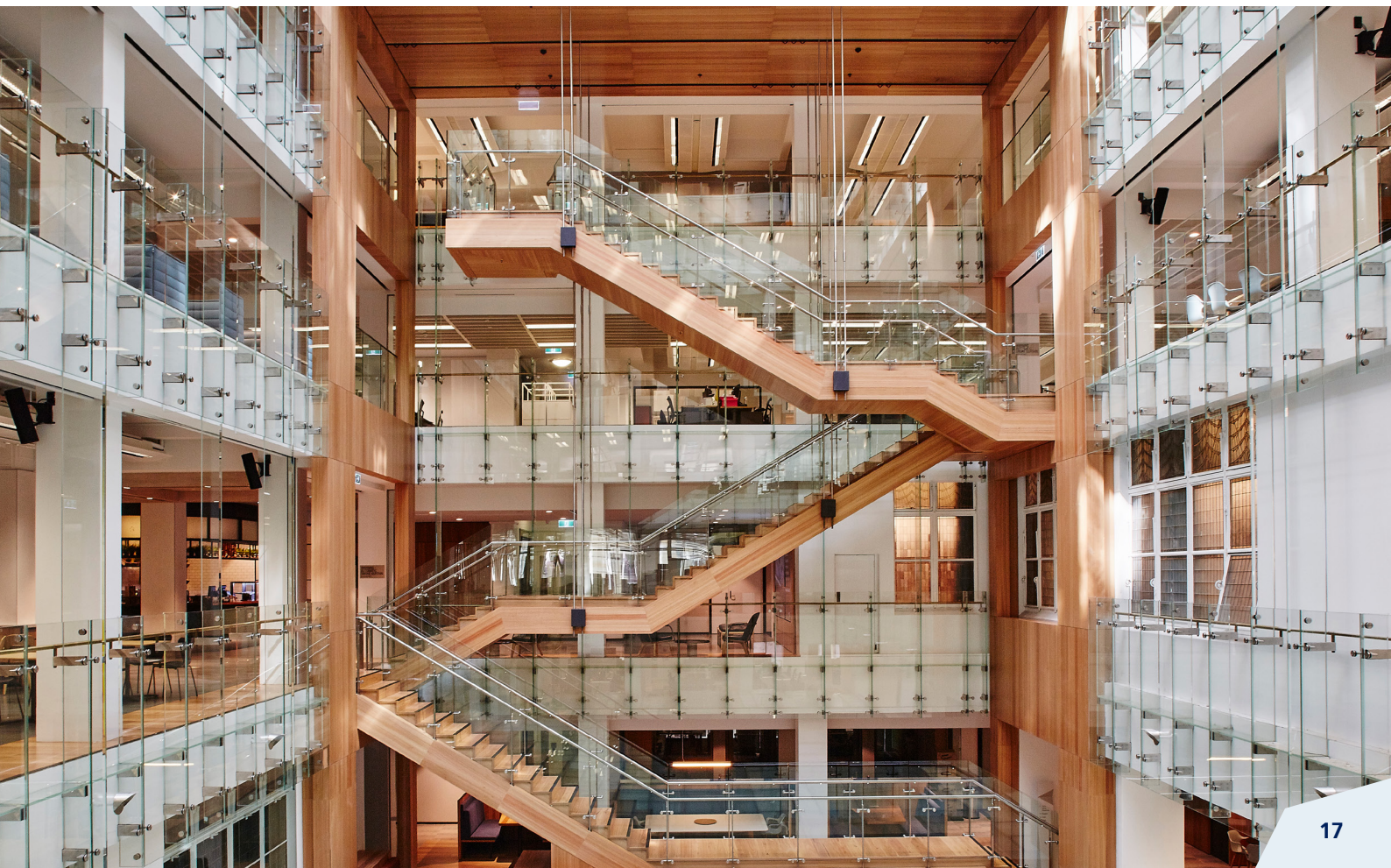
Where possible, Challenger investment managers also engage with portfolio companies and issuers on the way modern slavery risks are identified, assessed and managed by investee companies, particularly those in high-risk industries and jurisdictions.

## Modern slavery in our due diligence process – Challenger Life Company

Challenger Life has a robust ESG due diligence process when assessing and onboarding third party investment managers. The due diligence process is managed by the investment management team with guidance from Challenger's Senior ESG Specialist. Modern slavery risk is a key consideration in this process.

Challenger's Senior ESG Specialist reviews the Manager's framework to identify, assess and mitigate modern slavery risks within their portfolios. Modern slavery risk is included in the due diligence questionnaire issued to third party Managers. If the third-party Manager is in a jurisdiction where it is a

regulatory requirement to consider modern slavery risks, their Modern Slavery Statement and policy framework will be assessed, alongside the responses to the questionnaire. If the third-party Manager is in a jurisdiction where there may not be a regulatory requirement to consider modern slavery risks, or if the Manager is at an early stage of the development of their ESG processes, Challenger will work with the Manager to develop controls and policies to assess modern slavery risks. If there are gaps in the policies, processes or frameworks for the third-party managers, a meeting dedicated to modern slavery risks will be scheduled with the third-party manager.



# Actions taken in FY23

In FY23, Challenger implemented a program of work to address modern slavery risk in our operations and supply chain which included initiatives from the review conducted by an external human rights consultant in FY22.

## Addressing modern slavery risk



### Commitment to human rights

In FY23, we continued to participate in a range of industry initiatives aimed at eradicating modern slavery.

Challenger is a signatory to IAST Asia-Pacific and was an active participant in workstream 1 and the ESG data subgroup, which is focused on improving the quality of modern slavery data offered by ESG data providers. In FY23, Challenger was also an active participant in IAST's response to the Government's review of the Modern Slavery Act.

Fidante is a member of RIAA and a committed member of their Human Rights Working Group. Through this initiative, we engaged on a range of modern slavery issues in FY23, including responding to the Government's review of the Modern Slavery Act.

## Addressing risk in our supply chains



### Supplier engagement

In FY23, Challenger issued modern slavery questionnaires to all our suppliers via the Informed 365 platform and 373 responses were received.

Under Challenger's strengthened risk assessment methodology, the majority of suppliers were assessed as low to moderate risk given the significant proportion are Australian-based, which is regarded as a low risk jurisdiction for modern slavery. As a result, no suppliers required engagement outside of the informed 365 platform.



### Supply chain contracts

In FY23, Challenger strengthened its contractual mechanisms regarding modern slavery, embedding a modern slavery clause in new and renewed supplier contracts. This provides Challenger with a process to request information to ensure that suppliers are complying with modern slavery requirements and help identify potential modern slavery risks.



### Modern slavery training and education

During the reporting year, Challenger launched its Modern Slavery training module for employees in key teams, with a completion rate of over 95%. The training focused on increasing awareness of modern slavery, how to identify modern slavery risks and report concerns appropriately. Completion of the training was mandatory for specific roles in the business that have the potential to influence processes or decisions where modern slavery could occur, including employees in investments, legal, risk, operations and cost centre managers and steps to ensure this mandatory training is completed are currently underway.

13 tailored modern slavery compliance training sessions were also held for our Fidante affiliates, with an average of 89% attendance. The interactive sessions were structured around modern slavery awareness and identification of modern slavery risks by geographical location, sectors, products and services and business models.



### Compliance with the Cleaning Accountability Framework

In FY23, Challenger worked closely with the Property Manager of its head office at 5 Martin Place, Sydney to confirm compliance with the standard of the Cleaning Accountability Framework (CAF). In May 2023, 5 Martin Place was certified under the CAF, which ensures that a worker-led approach is implemented at the property and establishes a formal role for the on-site cleaning workforce to contribute to due diligence.

During the year, Challenger's property managers also updated the tender process for cleaning contracts within its real estate portfolio to comply with CAF, as well as the Shopping Centre Council of Australia (SCCA) and Building Services Contractors Association of Australia's (BSCAA) cleaning code of conduct, which outlines a commitment to ensure fair service provisions for those that work in the industry.



### Operational level grievance mechanisms

Reports of modern slavery can be made through a number of reporting channels including our independent whistleblower service via a dedicated hotline, online and via postal mail,





and eligible persons making the report are provided legal protections. The Challenger Limited Board of Directors are notified of concerns via our reporting channels. In FY23, no instances of modern slavery were reported via this mechanism.



## Remediation

While we have not found any instances of modern slavery through our analysis in FY23, should we identify any instances in the future we will assess remediation actions on a case-by-case basis through our ESG Steering Committee. Developing and implementing a comprehensive remediation approach will be a focus in FY24 and the coming years.



## Collaborating with industry

At Challenger, we are committed to continuing to learn and share good practice with peers across the industry. As part of this approach, we engage with a broad range of stakeholders and industry bodies. In addition to RIAA and IAST, Challenger is a member of the FSC's ESG working group. In FY23, Challenger was an active participant in the Government's consultation to the Modern Slavery Act Review.

### Industry collaboration – RIAA Investor Toolkit on Human Rights and Armed Conflict

Armed conflict impacts communities and investors across the world. The Russia-Ukraine conflict, with its severe economic and humanitarian consequences, highlighted the need to manage the complex financial and moral dilemmas of armed conflict in real time. Armed conflict causes high migration flows and displacement and substantial disruption to supply chains, exacerbating socioeconomic inequalities and the vulnerability of individuals to become the victims of forced labour, exploitation and trafficking.

In response, in FY23 Challenger engaged with the RIAA Human Rights Working Group and international experts to develop a comprehensive toolkit to empower investors and companies in safeguarding human rights and mitigating risks associated with armed conflict. The toolkit provides detailed guidance for investors to identify where portfolio companies may be operating in a conflict-affected context, and how to identify actual and potential adverse human rights and international humanitarian law impacts. The toolkit also provides detailed guidance on how investors can engage with companies on these issues.



## Stakeholder engagement

In FY23, we continued to engage with our investment teams and other key stakeholders to ensure investment managers are updated on key ESG matters. This engagement helps investment teams make informed decisions, and ensures we maintain a consistent approach to modern slavery. During the year, we also responded to a number of requests from external stakeholders for information on our approach to modern slavery.

# Assessing effectiveness

Challenger continues to mature our methodology to identifying and mitigating modern slavery risk, as well as developing how we measure the effectiveness of our mitigating actions. While we cannot control the external forces that contribute to modern slavery, we can address and evolve how we manage our supply chain and assess the risks of modern slavery in our investments.

Our activities to measure the effectiveness of modern slavery are governed by the ESG Steering Committee that monitors the status and quality of measures implemented to mitigate identified modern slavery risk.

We use qualitative and quantitative measures to assess the effectiveness of our actions. In FY23 we have disclosed a number of metrics that we will continue to measure progress against, as we seek to improve measurement indicators and engage with the industry to understand better ways to measure effectiveness.

## Identifying and assessing modern slavery risk

We continue to evolve our approach to identifying and assessing modern slavery risks, that will ensure we are better placed to measure effectiveness in future. In FY23 we took a range of actions:

- Strengthened our risk assessment methodology to incorporate the latest research from WalkFree's Global Slavery Index and narrow our focus on the highest risk areas
- Updated our Group ESG Steering Committee to focus on Challenger's core business activities and their impact on ESG issues, including modern slavery

## Actions to address modern slavery risks

### Training and awareness

In FY23, Challenger implemented modern slavery training as a measure of effectiveness.

Education and training programs	FY23 – completion rate (%)
Code of Conduct	100
Modern slavery training	95
Fidante affiliate Modern Slavery risk and compliance training	89 (average)

Supplier engagement	FY23 actions
Supplier due diligence	Embedded a modern slavery clause in new and renewed supplier contracts
	Challenger's headquarters, 5 Martin Place, certified under the Cleaning Accountability Framework
	373 responses to Informed 365 questionnaire
Suppliers considered high risk (#)	0

# Actions planned for FY24

Challenger continues to strengthen its approach to identifying, assessing and managing modern slavery risks in its operations and supply chain. We have identified a number of initiatives to help us improve in 2024 including:



## Systems and controls

- Implement workplan to ensure Challenger complies with findings of the Modern Slavery Act Review
- Develop Operational Guidance Note which contains criteria on the minimum standards of acceptable responses to supplier and investment questionnaires, including a minimum standard for inherent and residual risk



## Education and awareness

- Continue to roll out modern slavery training to improve awareness of modern slavery and how to raise concerns
- Strengthen Fidante affiliate modern slavery interactive compliance training program with a focus on addressing risk in our investments
- Implement quarterly quantitative modern slavery reporting to the ESG Steering Committee



## Engaging with investment teams

- For investments rated as a high inherent risk or moderate residual risk, develop and roll out modern slavery action plans, engaging closely with the investment teams to ensure adequate controls are in place to manage the risk of modern slavery and remediate any instance of modern slavery identified
- Conduct ESG lunch and learn sessions for all investment teams with technical training on the UNGPs, collaborating with an industry group to provide the training



## Engaging with suppliers

- Work towards a Group Supplier Management Framework that incorporates modern slavery risks and controls, including the development of minimum standards that will be incorporated into Challenger's Supplier Code of Conduct
- Engage with direct suppliers to better understand modern slavery risk within their supply chains



## Collaboration and consultation

- Continue to participate in a range of stakeholder and industry groups to inform and strengthen approach to modern slavery and human rights more broadly
- In collaboration with other investors, engage on advocacy initiatives that support the Australian Government implementing the modern slavery initiatives outlined in the National Action Plan



## Grievance and remediation

- Develop structured remediation process for implementation if instances of modern slavery are identified



# Our consultation process

Challenger is the reporting entity publishing this statement on behalf of the Group. In order to prepare this statement, Challenger collaborated with key individuals from across the entities that we own and control.

They have been involved in the strengthening of our risk assessment and methodology outlined in this statement, as well as initiatives to continually improve our approach to modern slavery and future priorities.

Challenger's Modern Slavery Working Group has led the development of this statement and the key initiatives implemented during the year, including developing an improved risk assessment methodology.

The ESG Steering Committee and the Leadership Team reviewed and approved this Statement, before submitting it to the Challenger Limited Board for approval.



# Appendix A

## Meeting the legislation

Modern Slavery Act Reporting requirements (Australia)	Modern Slavery Act (UK)	Challenger Statement reference
Identify the entity that is reporting	Organisation structure and supply chains	About this statement (p2)
Describe the structure, operations, and supply chains of the reporting entity	Organisation structure and supply chains	About us (p5-10)
Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity, and any entities that the reporting entity owns or controls	Risk assessment and management	Our modern slavery risk areas (p11-17)
Describe the actions taken by the reporting entity (and owned or controlled entities) to assess and address those risks, including due diligence and remediation processes	<ul style="list-style-type: none"> <li>• Policies in relation to slavery and human trafficking</li> <li>• Due diligence processes</li> <li>• Training on modern slavery and trafficking</li> </ul>	Our actions (p18-19)
Describe how the reporting entity assesses the effectiveness of these actions	Key performance indicators to measure effectiveness of steps being taken	Effectiveness of our actions (p20)
Describe the process of consultation with any entities the reporting entity owns or controls (a joint statement must also describe consultation with the entity giving the statement)	N/A	How we collaborate (p22)
Provide any other relevant information	N/A	Actions planned for FY24 (p21)