



2020 Modern slavery statement

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Challenger Limited ACN 106 842 371

About this statement

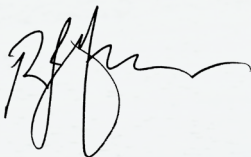
This modern slavery statement is prepared and issued by Challenger Limited on behalf of Challenger Life Company Limited (CLC), Accurium Pty Limited, Fidante Partners and CIP Asset Management (CIPAM). For the purposes of this statement, these entities will collectively be referred to as Challenger.

This statement is made in accordance with the requirements within the Australian *Modern Slavery Act 2018* (Cth) (the Act) and covers the period 1 July 2019 to 30 June 2020.

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

While the prevalence of modern slavery is significant around the world, we recognise the important role we play to leverage our relationships to support its eradication.

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



Richard Howes
Managing Director and CEO



About us

Challenger is an ASX-listed investment management firm focused on providing customers with financial security for retirement.

We operate two core investment businesses, a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (CLC, Challenger Life or Life) is Australia's largest provider of annuities.

Our vision and strategy

To provide our customers with financial security for retirement

| | | | |
|--|--|---|--|
|  |  |  |  |
| <p>Increase the use of secure retirement income streams</p> | <p>Lead the retirement incomes market and be the partner of choice</p> | <p>Provide our customers with excellent funds management solutions</p> | <p>Maintain leading operational and people practices</p> |

Our values

Our values are integral to our culture and linked to everything we do. They represent what makes our culture special. These values set out the behaviours we need to meet community expectations and ensure we can deliver on our vision and strategy, now and in the future.

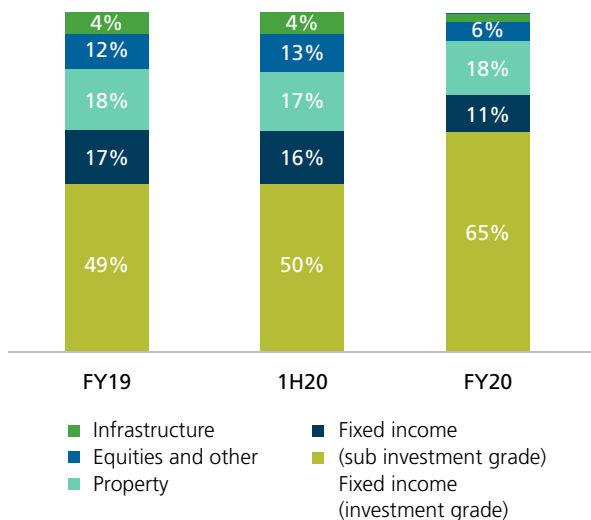
| | | | | |
|---|---|------------------------|---|------------------------------|
|  |  | <p>AIM HIGH</p> | <p>COLLABORATE</p> | <p>THINK CUSTOMER</p> |
| <p>ACT WITH INTEGRITY</p> |  | <p>A</p> |  | <p>C</p> |
|  | <p>T</p> | | | |

Our structure and operations

Challenger is listed on the Australian Securities Exchange (ASX) and has offices in Australia, London and Tokyo. Challenger is regulated by the Australian Prudential Regulation Authority (APRA), the Australian banking, superannuation, general insurance and life insurance regulator. Our activities are also subject to supervision by other regulatory agencies both in Australia and in other markets in which it operates. As at 30 June 2020, our assets under management were \$85.2 billion.

The retirement incomes Challenger Life pays to its customers are backed by a high-quality investment portfolio, predominantly in fixed income and commercial property. These investments are across eight countries and a range of sectors including government, financial services, consumer staples and healthcare.

Life investment portfolio

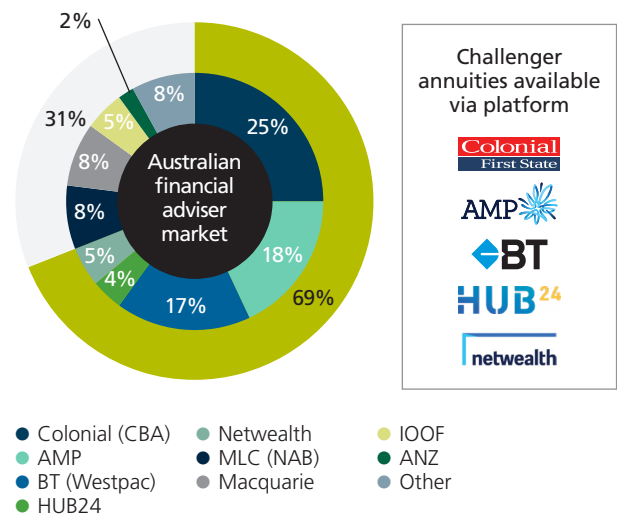


The COVID-19 pandemic presented significant challenges to global economies and investment markets. With the escalation of the pandemic, the Life business repositioned their investment portfolio to have more defensive settings. For more information on financial performance see [Challenger's 2020 Annual report](#).

Life's products are distributed via independent financial advisers and financial advisers tied to the administrative

platforms serviced by the four major Australian banks and AMP (the 'major hubs'). Life's products are included on all major hub Approved Product Lists (APLs) and are available on other leading investment and administration platforms.

Platform relationships
Provides access to ~70% of financial advisers²



Life also has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary), a leading provider of foreign currency annuities in Japan and a subsidiary of MS&AD Insurance Group Holdings Inc. (MS&AD).

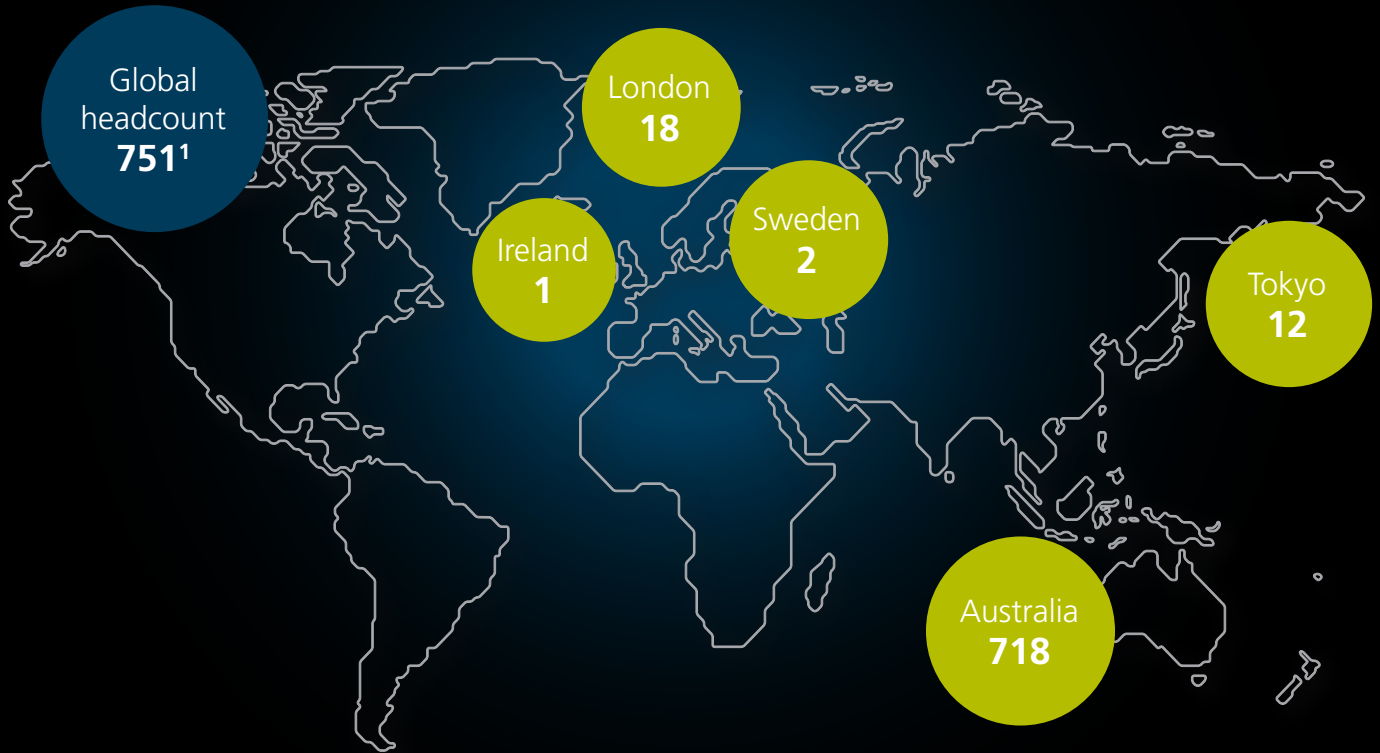
The Funds Management business invests across a broad range of asset classes including fixed income, commercial property and Australian and global equities.

The Funds Management business is comprised of Fidante Partners and CIP Asset Management (CIPAM).

Fidante Partners forms long-term alliances with talented investment teams to create, support and grow specialist funds management businesses (Boutique partners). CIPAM is an investment manager that principally originates and manages fixed income and commercial property assets for leading global and Australian institutions, including Challenger Life.

¹ Capital intensity represents CLC Prescribed Capital Amount (PCA) divided by Life Investment assets.
² Primary platform used by advisers – Wealth Insights December 2019 Adviser Market Trends Report (provider footprint).

Where we operate



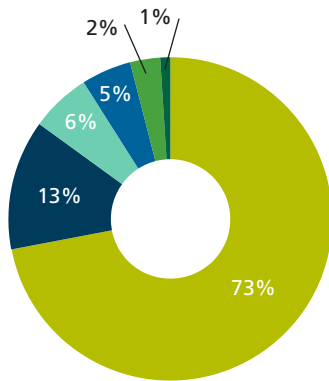
1 as at 30 June 2020.



Our investments and supply chain

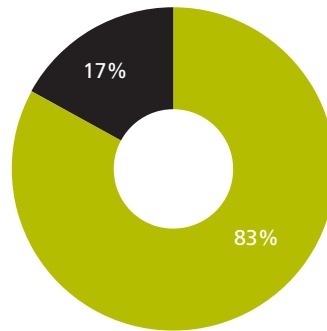
By location as at 30 June 2020

Infrastructure portfolio



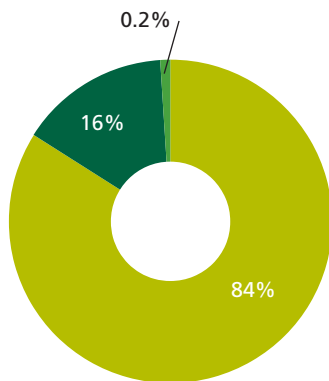
- Australia ● North America ● United Kingdom
- South America ● Europe ● Asia

Equity and other portfolio



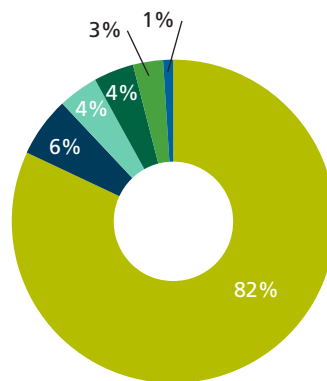
- Australia ● Rest of world

Property portfolio



- Australia ● Asia ● Europe

Fixed Income portfolio

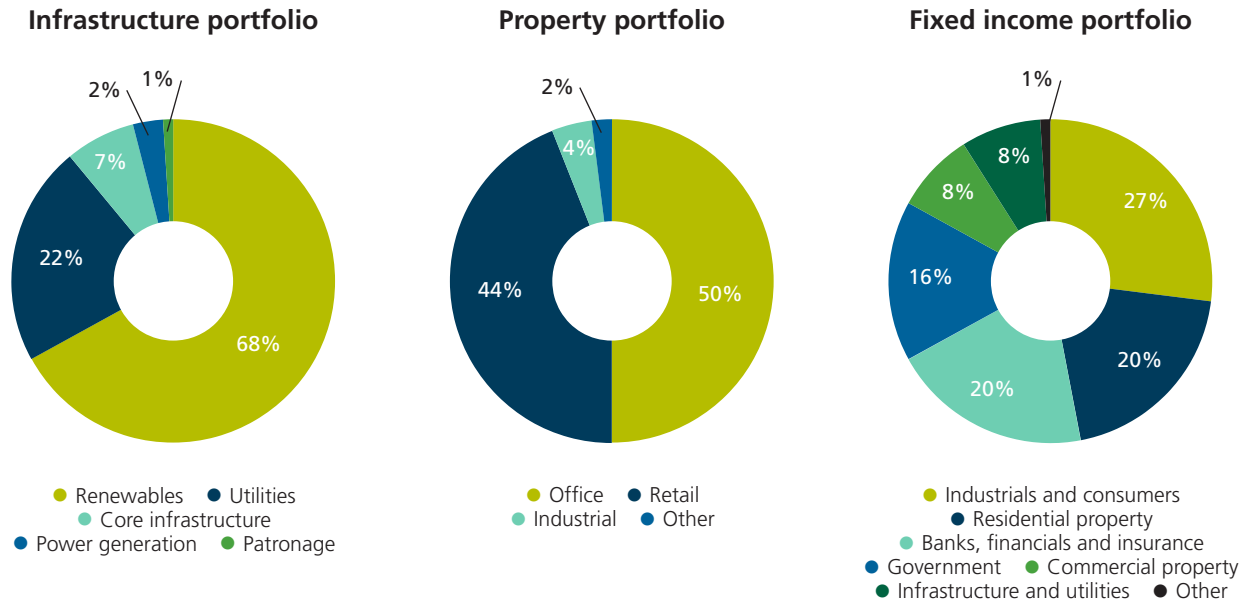


- Australia ● North America ● United Kingdom
- Asia ● Europe ● South America



Our investments and supply chain

By sector as at 30 June 2020



Our supply chain

Challenger’s supply chain includes the procurement of good and services, including information technology, professional services, property management, marketing, cleaning and travel. The majority of Challenger’s investment operations are conducted using in-house resources.

Our primary procurement categories are:



Our modern slavery risk areas

At Challenger, our values are integral to our culture and linked to everything we do. One of these values is to Act with Integrity, and this is about ensuring we’re doing things the right way.

At Challenger, risk is everybody’s business and this is supported through our ‘Making good decisions’ framework which is outlined in our [Code of Conduct](#). As a part of this framework, our employees are encouraged to ask, “should we?” and not just “can we?”.

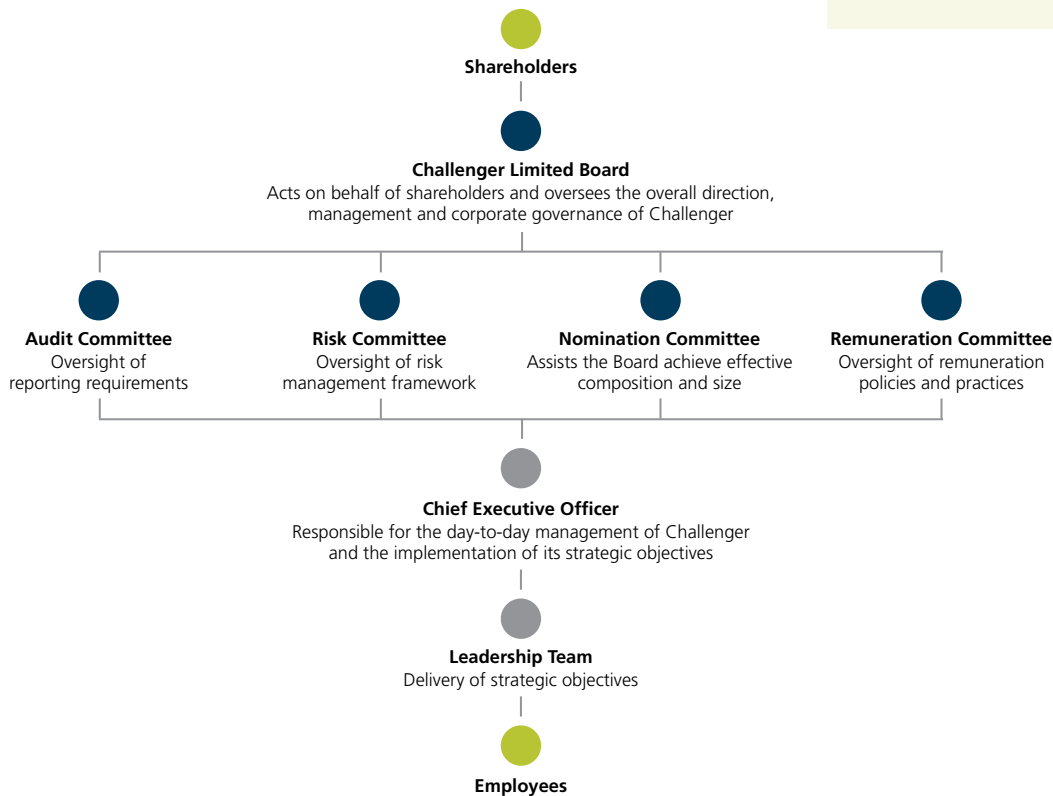
We understand the significance of modern slavery risks and are committed to addressing the risk to people throughout our operations, investments and supply chain. Modern slavery practices include trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, deceptive recruiting for labour or services and the worst forms of child labour.¹

Challenger’s approach to corporate governance

The Group Risk Committee (GRC) assists the Board in setting the appropriate risk appetite in relation to all risks, including that of modern slavery. The GRC also delegates to management the responsibility of ensuring modern slavery risks are managed, controlled and reported against on a frequent and timely basis.

Related policies

- Anti-money Laundering and Counter Terrorism Financing program and policy
- Code of Conduct
- Complaint and Dispute Resolution policy and practice note
- Compliance policy
- Conduct Risk and Consequence Management Framework
- Fraud and Corruption policy
- Incident Management policy
- Operational Risk policy and practice note
- Outsourcing policy
- Responsible Investment policy
- Risk Appetite Statement
- Risk Management Strategy
- Whistleblower policy



¹ *Modern Slavery Act 2018 (Cth)*, s4. The worst forms of child labour means situations where children are subjected to slavery or similar practise or engaged in hazardous work.

Consideration of risks

At Challenger, we take a risk-based approach to addressing modern slavery risks and consider the following when assessing our operations, investments and supply chain.



Through our initial risk assessment, we have not identified any specific instances of modern slavery. As part of this process, we investigated the below categories and have highlighted key risk areas for further investigation.

Supply chain & property portfolio

- Facilities management
- Overseas supply chains
- Business practices

Fixed income

No significant areas of risk identified

Fidante Partners

Boutique partners

Equities, alternatives & infrastructure

Due to the COVID-19 pandemic, a significant portion of this portfolio was divested, reducing the potential risk of modern slavery.

High risk areas

Due to the nature of our business we do not cause or contribute to modern slavery practices in our day-to-day operations. 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 for Challenger, we understand the potential for risk in these areas and will continue to monitor them.

| Risk category | Description |
|-------------------------------|---|
| Facilities management | Some facilities management services can be delivered by low skilled workers, often subject to subcontracting arrangements, which can lead to potential risks of modern slavery being created. Through our facilities management, we indirectly procure the services of individuals responsible for cleaning, security and construction on the properties we hold in our property portfolio. |
| Overseas supply chains | The development and distribution of IT equipment and services have inherent risks of modern slavery. Materials to develop the equipment and services provided by cloud-based software providers are often sourced from countries with known human rights violations. IT equipment can also be constructed and distributed from geographies with significant levels of corruption. |
| Business practices | Certain industries employ business practices that can heighten the risk of modern slavery. Industries such as marketing where branded and unbranded goods are made for resale is highly price competitive. This, combined with often short lead times for delivery, creates an environment to increase pressure on suppliers who seek to cut corners where possible. |
| Funds Management | Through our boutique partners we are exposed to the following higher-risk industries: <ul style="list-style-type: none"> • Agricultural & fishing; • Mining; • Electronics manufacturing & electronics recycling; • Food and beverage; and • Transport and warehousing. These industries are known to have higher risks through their supply chains and distribution channels. They are more likely to have instances of poor business practices or the businesses may be located in geographies with weak rule of law and corruption. |

Our actions

Managing risks and opportunities in our operations, investment portfolios and supply chain is an important part of our business. One of our core values is Collaboration and we acknowledge that better outcomes can be achieved by working together. We engage with our stakeholders regularly on economic, environmental, social and governance considerations.

Our risk-based approach to considering modern slavery risks across our business is informed by the United Nations Guiding Principles on Business and Human Rights.

This approach looks at our commitment to human rights, our systems and controls, remediation considerations and our communication across the following activities:



Actions taken in FY20

Commitment to human rights

● Human rights policy

We have a Board-approved Risk Appetite Statement that outlines our commitment to identifying, and reducing the risk of modern slavery in our operations, investments and supply chain.

● Industry engagement

Challenger participated in the Financial Services Council's (FSC) Environmental, Social and Governance (ESG) working group. This group worked to develop materials to support members in relation to the Act. We also commenced discussions with the Property Council of Australia (PCA) to understand industry collaboration and initiatives planned.

● Stakeholder engagement

We engaged with our stakeholders across our business and investment teams. This allowed us to provide information on our approach to addressing modern slavery risks.

Systems and controls

● Governance

We established a modern slavery project group to not only ensure we comply with the legislation but also to genuinely work towards supporting people at risk. This group includes employees from our Legal, Risk, Finance, Corporate Affairs and Investment teams.

● Risk assessment

We conducted risk assessments on our suppliers, investment managers and our investment portfolios. Read the details of our approach and outcomes in [Challenger's modern slavery risks](#) of this report.

● Education and awareness

At Challenger, we understand that modern slavery is a significant global issue, particularly in the Asia Pacific region. This issue is not well understood in Australia and we aim to raise awareness and educate our employees on the risks of modern slavery. This includes understanding the different types of modern slavery, the geographies and industries where risks may lie, and how we can change our practices to reduce risk to people. During the year, we arranged for our project group and boutique partners to attend a session on modern slavery with an external provider. Project group members also attended industry events to enhance knowledge of the requirements under the Act. Internal presentations on the risks of modern slavery and the introduction of this new legislation were given to business units throughout the year.

● Policy integration

A policy analysis was conducted to identify relevant policies to be updated to reflect consideration of modern slavery risks. As a result, the following policies and statements were updated in FY20:

- Responsible Investment policy; and
- CLC Responsible Investment Statement.

In addition, the CIPAM Fixed income and property portfolios documented their approach to modern slavery in their Responsible Investment Statements.

Remediation and communication

Through our initial assessment, we did not find any instances of modern slavery through our initial risk assessment and we communicated our risk-based approach and process in our [2020 Sustainability Report](#).





Actions planned for FY21

We understand the importance of continuing to take action to prevent modern slavery in all its forms. We have a number of actions planned for FY21, some of which are already in progress. These actions will enable us to evolve our approach to addressing the risks of modern slavery and embed this risk management thinking in our day-to-day activities.

Commitment to human rights

- Continue to participate in the FSC initiatives aimed at designing guidance on incorporating modern slavery assessments for members;
- Participate in the PCA industry program addressing modern slavery risks; and
- Continue to engage with stakeholders to share our approach to addressing modern slavery risks.

Systems and controls

- Continue to assess risks of modern slavery across operations, supply chain and investments to monitor known and identify additional risk areas;
- Investigate ways to incorporate processes for identifying, assessing and mitigating modern slavery risks within our equities and alternatives investment framework;
- Review and update due diligence procedures for investment clients;
- Consider risk impact of modern slavery in our register of material operational risks;
- Identify and document controls to manage the risks of modern slavery in our risk systems;

- Update Responsible Investment Statements for our CIPAM Fixed Income and Real Estate businesses to reflect our improved approach;
- Finalise internal policy gap analysis and update relevant policies;
- Design and issue questionnaire to selected suppliers;
- Work with our boutique partners on engagement strategies and on identifying risks of modern slavery in their investment portfolios; and
- Continue to monitor how modern slavery is incorporated into ESG integration processes across the Group.

Remediation and communication

- Utilise appropriate communication channels to inform our stakeholders of the approach we have implemented;
- Work with stakeholders to implement action plans if instances of modern slavery are identified; and
- Incorporate modern slavery considerations into our Whistleblower policy.

The effectiveness of our actions

At Challenger, we embrace our value to Aim high. This includes striving to deliver outstanding results by looking for opportunities to grow and continuously improve. How we monitor and assess the effectiveness of the actions we're putting in place is still in progress. Our first modern slavery risk assessment has provided a baseline for our business to measure against. As more actions are implemented across our operations, supply chain and investment teams, we will have a more complete understanding of our progress.

We will monitor the effectiveness of our actions through the modern slavery project group.

The working group established in FY20 will continue to progress improvements in mitigating risks of modern slavery at Challenger. This group will continue to meet regularly and assess progress in implementing agreed actions to mitigate risks.

How we collaborate

At Challenger, we regularly communicate with entities we own and control. They have been involved in the development of risk assessment processes, mitigating activities and generating ideas for continuous improvement. They have also been included in programs developed to educate employees on modern slavery risks. This will continue and be improved over time.

We understand the subject matter expertise required to comply with the legislation and complexity of assessing risks in relation to modern slavery and have engaged external experts to guide our approach. Representatives from Challenger also regularly participate in industry working groups and initiatives. This builds knowledge that can be shared internally and supports making genuine progress on important issues.

We will continue to engage with the industry and more broadly to ensure we keep up to date on global trends and monitor the impacts on Challenger's operations, supply chain and investments.

For more information, please contact us at humanrights@challenger.com.au

