

# Challenger's Climate change statement



**At Challenger we understand that climate change is one of the biggest challenges facing society now and for future generations. It is a shared global challenge that needs to be addressed by governments, businesses and individuals.**

We're focused on providing customers with financial security for retirement and we understand that climate change will disproportionately impact older Australians. We're determined to ensure what we do as a business supports the wellbeing of older Australians.

There is significant scientific evidence from the Intergovernmental Panel on Climate Change (IPCC) that the climate is warming, resulting in changes to global weather patterns.

In response to this overwhelming evidence, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) signed the Paris Agreement in December 2015. The Paris Agreement's central aim is "to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels."



## Challenger's commitment to action on climate change

### Everything we do is guided by four principles:

1. Climate risk is a financial risk for businesses and communities.
2. There are opportunities for economic growth through emissions reduction.
3. We acknowledge the need for more focus on climate adaptation and resilience.
4. We know that transparency and disclosure matters.

At Challenger we're committed to supporting progress in transitioning to a low-carbon economy. This includes working with internal and external stakeholders to find ways to reduce risks and create a more resilient economy.

We recognise that the physical and transition risks related to climate change, if not considered, will have financial impacts. To address this, in November 2019 we engaged AECOM, a leading consultancy in climate resilience to help us assess current and potential future climate-related risks and to develop effective mitigation strategies for the future.

Throughout 2020, our work with AECOM included:

- analysis of policy and market context for areas relevant to Challenger, based on a breakdown of material areas of investment;
- developing and analysing climate scenarios; and
- identifying priority climate-related risks and opportunities at a market sector level.

Through this process, real estate assets and debt investments under Challenger Life Company Limited (CLC) and CIP Asset Management (CIPAM) were identified for [climate scenario analysis](#).

## Taking action on climate risks and opportunities

At Challenger, we seek to hold a diversified portfolio of assets and manage risks in accordance with our asset allocation framework. This combined with our Responsible Investment policy and approach to ESG integration, mitigates risk across our portfolios. Following the scenario analysis, we have strengthened our approach to managing climate-related risks across both CLC as well as the CIPAM Real Estate and Fixed Income portfolios. Within CLC we take a diversified approach to investing to reduce the risks associated with climate change.

The CIPAM Real Estate business undertakes climate risk assessments before acquiring any new asset, and the entire real estate portfolio undergoes scenario analysis every three years to monitor the above risks. For more information, refer to [the CIPAM Real Estate Responsible Investment statement](#).

Additionally, the CIPAM Fixed Income business considers climate change risks on all investments and believe that climate change and its associated risks, both from a physical and transition perspective, have become an increasingly important consideration within fixed income markets and will continue to grow in relevance in the coming years. For more information, refer to the [CIPAM Fixed Income Responsible Investment statement](#).

Challenger is reviewing our climate-related risks to develop a roadmap to addressing them. We will continue to disclose information that is material to our stakeholders. We will evolve our approach over time to reduce identified risks as they arise.

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