




The image shows two overlapping forms from the PRI (Principles for Responsible Investment) LEA (Leadership Engagement) toolkit. The top form is LEA 02, titled 'Disruptive Mandatory', and the bottom form is LEA 03, titled 'Gateway'. Both forms are designed for reporting on engagement activities with companies.

Type of engagement	Reason for interaction
Individual/ internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making in a company's investment ESG issues <input checked="" type="checkbox"/> To encourage corporate practice for identifying the need to address ESG issues <input type="checkbox"/> Other: specify _____ <input type="checkbox"/> We do not engage via internal staff <input type="checkbox"/> To support investment decision-making in a company's investment ESG issues <input type="checkbox"/> To encourage corporate practice for identifying the need to address ESG issues <input type="checkbox"/> Other: specify _____
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making in a company's investment ESG issues <input checked="" type="checkbox"/> To encourage corporate practice for identifying the need to address ESG issues <input type="checkbox"/> Other: specify _____ <input type="checkbox"/> We do not engage via collaborative engagements <input type="checkbox"/> To support investment decision-making in a company's investment ESG issues <input type="checkbox"/> To encourage corporate practice for identifying the need to address ESG issues <input type="checkbox"/> Other: specify _____
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making in a company's investment ESG issues <input checked="" type="checkbox"/> To encourage corporate practice for identifying the need to address ESG issues <input type="checkbox"/> Other: specify _____ <input type="checkbox"/> We do not engage via service providers <input type="checkbox"/> To support investment decision-making in a company's investment ESG issues <input type="checkbox"/> To encourage corporate practice for identifying the need to address ESG issues <input type="checkbox"/> Other: specify _____

# RI TRANSPARENCY REPORT

2017

Challenger Limited

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2017 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	✓	Private							✓
OO 09	Breakdown of AUM by market	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	n/a							✓
OO End	Module confirmation page	✓	-							

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04		✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13	Long term investment risks and opportunity	✓	Private	✓						
SG 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 15	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 16	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 17	Innovative features of approach to RI	✓	Private							✓
SG End	Module confirmation page	✓	-							

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	Role of investment consultants/fiduciary managers	✓	Public				✓			
SAM 02	RI factors in selection, appointment and monitoring across asset classes	✓	Public	✓						
SAM 03	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private							✓
SAM 04	ESG incorporation strategies	✓	Public	✓	✓					
SAM 05	Selection processes (LE and FI)	✓	Public	✓						
SAM 06	Evaluating engagement and voting practices in manager selection (listed equity/fixed income)	✓	Public		✓					
SAM 07.1	Appointment processes (listed equity/fixed income)	✓	Public	✓						
SAM 07.2-5	Appointment processes (listed equity/fixed income)	✓	Public	✓						
SAM 08	Monitoring processes (listed equity/fixed income)	✓	Public	✓						
SAM 09	Monitoring on active ownership (listed equity/fixed income)	✓	Public	✓						
SAM 10	Percentage of (proxy) votes	⚙	n/a		✓					
SAM 11	Percentage of externally managed assets managed by PRI signatories	✓	Private	✓						
SAM 12	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public	✓					✓	
SAM 13	Disclosure of RI considerations	✓	Public						✓	
SAM End	Module confirmation page	✓	-							

Direct - Fixed Income				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
FI 01	Breakdown by passive,active strategies	✓	Private							✓
FI 02	Option to report on <10% assets	🔒	n/a							✓
FI 03	Breakdown by market and credit quality	✓	Private							✓
FI 04	Incorporation strategies applied	✓	Public	✓						
FI 05	ESG issues and issuer research	✓	Private	✓						
FI 06	Processes to ensure analysis is robust	✓	Public	✓						
FI 07	Types of screening applied	🔒	n/a	✓						
FI 08	Negative screening - overview and rationale	🔒	n/a	✓						
FI 09	Examples of ESG factors in screening process	🔒	n/a	✓						
FI 10	Screening - ensuring criteria are met	🔒	n/a	✓						
FI 11	Thematic investing - overview	🔒	n/a	✓						
FI 12	Thematic investing - themed bond processes	🔒	n/a	✓						
FI 13	Thematic investing - assessing impact	🔒	n/a	✓						
FI 14	Integration overview	✓	Public	✓						
FI 15	Integration - ESG information in investment processes	✓	Public	✓						
FI 16	Integration - E,S and G issues reviewed	✓	Public	✓						
FI 17	ESG incorporation in passive funds	🔒	n/a	✓						
FI 18	Engagement overview and coverage	✓	Private		✓					
FI 19	Engagement method	✓	Private	✓	✓					
FI 20	Engagement policy disclosure	✓	Private	✓	✓					
FI 21	Financial/ESG performance	✓	Private							✓
FI 22	Examples - ESG incorporation or engagement	✓	Private	✓	✓					
FI 23	Communications	✓	Public		✓				✓	
FI End	Module confirmation page	✓	-							

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments	✓	Private							✓
PR 02	Breakdown of assets by management	✓	Private							✓
PR 03	Largest property types	✓	Private							✓
PR 04	Responsible Property Investment (RPI) policy	✓	Public	✓					✓	
PR 05	Fund placement documents and RI	🔒	n/a	✓			✓		✓	
PR 06	Formal commitments to RI	🔒	n/a				✓			
PR 07	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 08	Types of ESG information considered in investment selection	✓	Private	✓		✓				
PR 09	ESG issues impact in selection process	✓	Public	✓						
PR 10	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 11	ESG issues in post-investment activities	✓	Public		✓					
PR 12	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 13	Certification schemes, ratings and benchmarks	✓	Private		✓					
PR 14	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 15	Proportion of property occupiers that were engaged with	🔒	n/a		✓					
PR 16	Proportion of green leases or MOUs referencing ESG issues	🔒	n/a		✓					
PR 17	Proportion of assets engaged with on community issues	🔒	n/a		✓					
PR 18	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
PR 19	Examples of ESG issues that affected your property investments	✓	Private	✓		✓				
PR 20	Disclosure of ESG information to public and clients/beneficiaries	✓	Public						✓	
PR End	Module confirmation page	✓	-							

# Challenger Limited

## Reported Information

### Public version

### Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.



## Basic Information

OO 01	Mandatory	Public	Gateway/Peering	General
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**OO 01.1** Select the type that best describes your organisation or the services you provide.

- ☐ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation
- ☐ Endowment
- ☐ Development finance institution
- ☐ Reserve - sovereign or government controlled fund
- ☐ Family office
- ☒ Other, specify

Challenger Limited is an ASX-listed investment management company established in 1985. Challenger has two main businesses - Life and Funds Management.

**OO 01.2** Additional information. [Optional]

Challenger Limited is an ASX-listed investment management company established in 1985. Challenger has two main businesses, Life and Funds Management. Challenger Life is the leading provider of annuities and guaranteed retirement income streams in Australia. The Life business is regulated by the Australian Prudential Regulation Authority (APRA) and provides products aimed at investors seeking the security and certainty of guaranteed cash flows with protection against market, inflation and longevity risks. Annuity premiums, along with shareholder capital, are invested in a diversified and high quality portfolio of assets to deliver predictable, long-term cash flows to meet commitments to our annuitants while providing attractive returns for shareholders. Challenger's Funds Management business is comprised of Fidante Partners and Challenger Investment Partners, and is one of Australia's fastest growing fund managers and the seventh largest. Fidante Partners comprises of co-owned, separately branded, boutique active investment managers. Challenger provides administration, distribution and business management support to the boutiques and shares in the profits of the boutique partnerships through its equity ownership. Challenger Investment Partners develops and manages assets under Challenger's brand for the Life business and third party investors. Challenger Investment Partners invests in fixed income and property assets. Challenger's vision is to provide customers with financial security for retirement. Our teams are committed to achieving this goal, and their efforts are being invested in the following strategies to achieve our long term vision: - Increase the Australian retirement savings pool allocation to secure and stable incomes - Be recognised as the leader and partner of choice in retirement income solutions with a broad product offering - Provide clients with relevant investment strategies exhibiting consistently superior performance - Maintain a highly engaged, diverse and agile workforce committed to outstanding client service with a strong risk and compliance culture For more information on Challenger Limited, please refer to our website: [www.challenger.com.au](http://www.challenger.com.au)

OO 02	Mandatory	Public	Peering	General
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**OO 02.1** Select the location of your organisation's headquarters.

Australia

**OO 02.2** Indicate the number of countries in which you have offices (including your headquarters).

- ☐ 1  
☒ 2-5  
☐ 6-10  
☐ >10

**OO 02.3** Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

632

**OO 03** **Mandatory** **Public** **Descriptive** **General**

**OO 03.1** Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes  
☒ No

**OO 04** **Mandatory** **Public** **Gateway/Peering** **General**

**OO 04.1** Indicate the year end date for your reporting year.

31/12/2016

**OO 04.2** Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on.

	trillions	billions	millions	thousands	hundreds
Total AUM		33	700	000	000
Currency	AUD				
Assets in USD		25	116	611	868

**OO 04.4** Additional information. [Optional]

Challenger Limited publically reported Assets and Funds under management as at 31 December 2016 was AUD 64.7bn. For PRI purposes the AUM associated with our Funds Management Boutique Partners through external segregated mandate appointments by their third party clients totalling AUD 31.0bn has been excluded.

**OO 06** **Mandatory** **Public** **Descriptive** **General**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**OO 06.1**

How you would like to disclose your asset class mix.

- ☐ as percentage breakdown
- ☒ as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	<10%	<10%
Fixed income	10-50%	10-50%
Private equity	0	<10%
Property	10-50%	0
Infrastructure	0	<10%
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	<10%	0
Other (1), specify	0	0
Other (2), specify	0	0

**OO 06.2**

Publish our asset class mix as per attached image [Optional].

**Gateway asset class implementation indicators**

OO 10	Mandatory	Public	Gateway	General
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<b>OO 10.1</b>	Select the direct or indirect ESG incorporation activities your organisation implemented for listed equities in the reporting year.
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- ☐ We incorporate ESG in our investment decisions on our internally managed assets
- ☒ We address ESG incorporation in our external manager selection, appointment and/or monitoring processes
- ☐ We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

<b>OO 10.2</b>	Select the direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.
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- ☐ We engage with companies on ESG factors via our staff, collaborations or service providers
- ☒ We require our external managers to engage with companies on ESG issues on our behalf
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors.

<b>OO 10.3</b>	Select the direct or indirect voting activities your organisation implemented for listed equity in the reporting year
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- ☐ We cast our (proxy) votes directly or via dedicated voting providers
- ☒ We require our external managers to vote on our behalf
- ☐ We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

<b>OO 11</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>General</b>
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<b>OO 11.1</b>	Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).
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- ☒ Fixed income – SSA
- ☒ Fixed income – corporate (financial)
- ☒ Fixed income – corporate (non-financial)
- ☒ Fixed income – securitised
- ☒ Property
- ☐ Cash
- ☐ None of the above

<b>OO 11.2</b>	Select the externally managed assets classes where you addressed ESG incorporation and/or active ownership in your external manager selection, appointment and/or monitoring processes (during the reporting year)
----------------	--

- ☒ Fixed income – SSA
- ☒ Fixed income – corporate (financial)
- ☒ Fixed income – corporate (non-financial)
- ☒ Fixed income – securitised
- ☒ Private equity
- ☒ Infrastructure
- ☐ None of the above

# Challenger Limited

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

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## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

☒ Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- ☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- ☐ Your investment objectives that take ESG factors/real economy influence into account
- ☒ Processes / approaches to incorporating ESG
- ☐ Time horizon of your investment
- ☒ Governance structure of organisational ESG responsibilities
- ☒ ESG incorporation approaches
- ☒ Active ownership approaches
- ☒ Reporting
- ☐ Other RI considerations, specify (1)
- ☐ Other RI considerations, specify (2)

**SG 01.4**

Indicate what norms you have used to develop your investment policy that covers your responsible investment approach.

- ☐ UN Global Compact Principles
- ☐ UN Guiding Principles on Business and Human Rights
- ☐ Universal Declaration of Human Rights
- ☐ International Bill of Human Rights
- ☐ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☐ Other, specify (1)
- ☐ Other, specify (2)
- ☐ Other, specify (3)
- ☒ None of the above

**SG 01.5**

Describe your organisation's investment principles, and overall investment strategy, and how they consider ESG factors and real economy impact.

Challenger is one of the largest investment managers in the Asia-Pacific region. Challenger recognises the responsibilities we have as a company in relation to sustainability and the environment, our people and the community in which we operate. We also acknowledge the relevance of environmental, social (including labour standards) and governance factors and believe that there are links between long-term sustainable returns and the quality of an organisation's ESG practices.

Challenger undertakes to consider ESG factors in investment decision-making and ownership practices. Challenger has adopted an integrated investment management approach to deliver responsible investment outcomes. In line with these practices is our belief that the consideration of ESG factors will provide us with a greater understanding of areas of potential risk and opportunity that could ultimately affect the value, performance and reputation of the investment decision-making that we undertake.

Challenger recognises that ESG considerations cover a wide range of issues and that the means of applying RI Principles in a practical sense are still developing across the industry. Accordingly, Challenger aims to concentrate its efforts on those considerations it considers material, particularly those where Challenger feels it can exert its influence towards achieving a specific outcome.

☐ No

**SG 02****Mandatory****Public****Core Assessed****PRI 6**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 02.1**

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

- ☒ Policy setting out your overall approach

URL/Attachment
<input checked="" type="checkbox"/> URL

- ☒ URL

	URL
--	-----

<http://www.challenger.com.au/about/Businesspractices.asp>

- ☐ Attachment (will be made public)
- ☐ Asset class-specific RI guidelines
- ☐ Engagement policy
- ☐ (Proxy) voting policy
- ☐ We do not publicly disclose our investment policy documents

## SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

- ☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

	URL/Attachment
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- ☒ URL

	URL
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<http://www.challenger.com.au/about/Businesspractices.asp>

- ☐ Attachment

- ☒ Processes / approaches to incorporating ESG

	URL/Attachment
--	----------------

- ☒ URL

	URL
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<http://www.challenger.com.au/about/Businesspractices.asp>

- ☐ Attachment

- ☒ Governance structure of organisational ESG responsibilities

	URL/Attachment
--	----------------

- ☒ URL



URL

<http://www.challenger.com.au/about/Businesspractices.asp>

- ☐ Attachment
- ☐ ESG incorporation approaches
- ☐ Active ownership approaches
- ☐ Reporting
- ☐ We do not publicly disclose any investment policy components

**SG 02.3**

Indicate if your organisation's investment principles, and overall investment strategy is publicly available

- ☐ Yes
- ☒ No

**SG 03**

**Mandatory**

**Public**

**Core Assessed**

**General**

**SG 03.1**

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

- ☒ Yes

**SG 03.2**

Describe your policy on managing potential conflicts of interest in the investment process.

Challenger Limited is required to have in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by it or its representatives in the provision of financial services.

Challenger Limited's Conflicts of Interest Policy aims to ensure that:

- Challenger Limited's financial services are not significantly compromised by conflicts of interest and that adequate management procedures are in place;
- any actual and potential conflicts of interest between Challenger companies and their clients are identified, managed effectively and, if necessary, reported in a timely and consistent manner in accordance with applicable laws, regulatory and prudential requirements, industry codes of practice and licensing obligations;
- Challenger Limited maintains the integrity of its advice and services to clients;
- Challenger Limited and its representatives act efficiently, honestly and fairly;
- Challenger Limited and its representatives comply with all relevant financial services laws; and
- Challenger Limited and its representatives comply with their agency and fiduciary obligations under the common law.

Challenger Limited also has other policies in place which cover related issues, such as:

- Corporate Code of Conduct
- Staff Trading - personal account dealing;
- Trade Allocation;
- Related Party Transactions and
- Information Barriers.

☐ No

## Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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### SG 05.1

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☒ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc basis
- ☐ It is not reviewed

## Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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### SG 07.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- ☒ Board members or trustees
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify  
Asset Class Heads

- ☐ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Investment analysts
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Dedicated responsible investment staff
- ☒ External managers or service providers
  - ☐ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investor relations
- ☐ Other role, specify (1)
- ☐ Other role, specify (2)

#### SG 07.2

For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.

Challenger's Directors, relevant Chief-level staff, and all Investment Management Heads and their teams (the relevant Challenger employees) are responsible for the effective management of the integration of ESG matters into the investment decision-making process and for ensuring that proper procedures are in place to meet the obligations outlined within the RI Policy. Challenger's Investment Management Heads monitor the integration of ESG considerations and their management strategies in Challenger's investment decision-making and ownership practices.

#### SG 07.3

Indicate the number of dedicated responsible investment staff your organisation has.

Number

0

#### SG 07.4

Additional information. [Optional]

At present accountability for Responsible Investment practices and implementation is incorporated into a variety of existing Chief level, investment management, risk and compliance roles across the organisation.

### Promoting responsible investment

SG 09

Mandatory

Public

Core Assessed

PRI 4,5

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 09.1**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

☒ Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

☒ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

**25 February 2016 - Meeting with PRI delegates, Sydney**

GM, Risk & Compliance and Senior Risk & Compliance Manager met PRI delegates - Mandy Kirby Head of Reporting and Assessment, and Anastasia Guha Senior Manager, Strategic Projects, Global Networks to discuss:

- queries Challenger Limited had in relation to the completion of the reporting modules; and
- upcoming local and global PRI activities and industry forums in 2016 where Challenger Limited could participate as an active PRI signatory.

**18 March 2016 - PRI's Accountability Consultation Paper**

Challenger response lodged.

**13 May 2016 - PRI Global Workshop Series Programme, Sydney**

Head of Fixed Income, Head of Product and Marketing, Life Analyst and a Senior Risk & Compliance Manager attended the PRI Global Workshop Series Programme at BT Financial Group's offices. Australia.

**31 October 2016 PRI Governance Asset Owner Ballot votes cast**

**18 October 2016 PRI/AMP**

Integrating ESG in Fixed Income - practitioner views and latest developments

How Credit Rating Agencies, Asset Consultants and ESG research providers are responding

**21 November 2016 - PRI Development Session**

2016 Assessment Results and improvement opportunities, Global and Local PRI initiatives and Challenger's organisational priorities discussed with Elina Rolfe Senior Manager, Reporting and Assessment and Matthew Mcadam, Head of Australasia.

☐ AFIC – La Commission ESG

☐ Asian Corporate Governance Association

☒ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)

☒ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

### Wednesday 2 March 2016 - ESG Reporting for Australian Companies launch

The General Manager, Risk & Compliance and a Senior Risk & Compliance Manager attended the offices of the Australian Financial Services Council (**FSC**) for the launch of the new edition of the *ESG Reporting Guide for Australian Companies* (the **Guide**). This Guide had been created by the Australian Council of Superannuation Investors (**ACSI**) and the FSC to help Australian companies report material environmental, social and corporate governance (ESG) issues - with particular attention on what ESG considerations should be reported, and why ESG considerations are relevant to investors.

In addition to an update on the new edition of the Guide was a discussion by the following panel of speakers to intersect ESG Reporting requirements:

- Louise Davidson, CEO, Australian Council of Superannuation Investors (**ACSI**)
- Sally Loane, CEA, Financial Services Council (**FSC**)
- Keven Lewis, Chief Compliance Officer, Australian Securities Exchange Ltd. (**ASX**); and
- Les Hosking, Chairman, Adelaide Brighton Ltd: Non-executive Director, AGL

- ☐ BVCA – Responsible Investment Advisory Board
- ☐ CDP Climate Change
- ☐ CDP Forests
- ☐ CDP Water
- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Code for Responsible Investment in SA (CRISA)
- ☐ Code for Responsible Finance in the 21st Century
- ☐ Council of Institutional Investors (CII)
- ☐ ESG Research Australia
- ☐ Eumedion
- ☐ EVCA – Responsible Investment Roundtable
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Impact Investing Network (GIIN)
- ☒ Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Challenger Limited had two staff from its Real Estate and Risk & Compliance division attend at the Australian launch of the *Sustainable Real Estate Investment - Implementing the Paris Climate Agreement: An Action Framework* on Friday 13 May 2016 at the offices of Lendlease in Sydney, Australia.

This concise, actionable framework for real estate investors was put together by five of the world's largest investor networks - which included the participation of the **Institutional Investors Group on Climate Change (IIGCC)**.

This framework will help the industry make sense of existing ESG guidance to support and accelerate the integration of ESG and climate risks and opportunities into investment decisions.

- ☐ Green Bond Principles
- ☒ Institutional Investors Group on Climate Change (IIGCC)

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Challenger Limited had two staff from its Real Estate and Risk & Compliance division attend at the Australian launch of the Sustainable Real Estate Investment - Implementing the Paris Climate Agreement: An Action Framework on Friday 13 May 2016 at the offices of Lendlease in Sydney, Australia.

This concise, actionable framework for real estate investors was put together by five of the world's largest investor networks - which included the participation of the **Institutional Investors Group on Climate Change (IIGCC)**.

This framework will help the industry make sense of existing ESG guidance to support and accelerate the integration of ESG and climate risks and opportunities into investment decisions.

- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☐ International Corporate Governance Network (ICGN)
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)
--

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--

Challenger Limited had two staff from its Real Estate and Risk & Compliance division attend at the Australian launch of the Sustainable Real Estate Investment - Implementing the Paris Climate Agreement: An Action Framework on Friday 13 May 2016 at the offices of Lendlease in Sydney, Australia.

This concise, actionable framework for real estate investors was put together by five of the world's largest investor networks - which included the participation of the **Investor Group on Climate Change, Australia / New Zealand (IGCC)**.

This framework will help the industry make sense of existing ESG guidance to support and accelerate the integration of ESG and climate risks and opportunities into investment decisions.

- ☐ International Integrated Reporting Council (IIRC)
- ☒ Investor Network on Climate Risk (INCR)/CERES

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

Challenger Limited had two staff from its Real Estate and Risk & Compliance division attend at the Australian launch of the Sustainable Real Estate Investment - Implementing the Paris Climate Agreement: An Action Framework on Friday 13 May 2016 at the offices of Lendlease in Sydney, Australia.

This concise, actionable framework for real estate investors was put together by five of the world's largest investor networks - which included the participation of the Investor Network on Climate Risk ((**INCR**)/**CERES**).

This framework will help the industry make sense of existing ESG guidance to support and accelerate the integration of ESG and climate risks and opportunities into investment decisions.

- ☐ Local Authority Pension Fund Forum
- ☐ Principles for Sustainable Insurance
- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify Responsible Investment Association of Australasia (RIAA)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

In April 2016, Challenger arranged for RIAA's CEO, Simon O'Connor, to attend at our offices for the purpose of meeting Challenger Limited's Chief Investment Officer, the Head of Fixed Income, the General Manager of Risk and Compliance and other key staff responsible for the implementation of Challenger Limited's ESG integration and approach.

- ☐ Responsible Finance Principles in Inclusive Finance
- ☐ Shareholder Association for Research and Education (Share)
- ☒ United Nations Environmental Program Finance Initiative (UNEP FI)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Challenger Limited had two staff from its Real Estate and Risk & Compliance division attend at the Australian launch of the Sustainable Real Estate Investment - Implementing the Paris Climate Agreement: An Action Framework on Friday 13 May 2016 at the offices of Lendlease in Sydney, Australia.

This concise, actionable framework for real estate investors was put together by five of the world's largest investor networks - which included the participation of the **United Nations Environmental Program Finance Initiative (UNEP FI)**.

This framework will help the industry make sense of existing ESG guidance to support and accelerate the integration of ESG and climate risks and opportunities into investment decisions.

- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify  
Royal Institution of Chartered Surveyors (RICS)

Your organisation's role in the initiative during the reporting year (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Challenger Limited had two staff from its Real Estate and Risk & Compliance division attend at the Australian launch of the Sustainable Real Estate Investment - Implementing the Paris Climate Agreement: An Action Framework on Friday 13 May 2016 at the offices of Lendlease in Sydney, Australia.

This concise, actionable framework for real estate investors was put together by five of the world's largest investor networks - which included the participation of the Royal Institution of Chartered Surveyors (RICS).

This framework will help the industry make sense of existing ESG guidance to support and accelerate the integration of ESG and climate risks and opportunities into investment decisions.

- ☒ Other collaborative organisation/initiative, specify  
Presentation by Dr Anthony Corr, Research Director, Redpoint Investment Management hosted by Macquarie University Applied Finance Centre

Your organisation's role in the initiative during the reporting year (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced



Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

The presentation and Q&A session explored the Australian Asset Management propensity to benchmark investment performance to industry standard, ESG agnostic, market cap weighted benchmarks and the allocation by sizeable super funds to index tracking or low active risk equity strategies with the theory that the most effective way of influencing company behaviour will be via incorporation of ESG principals into this large core asset pool. The presenter examined the implications of incorporating ESG into broad market equity portfolios. What biases are introduced? What are performance and risk impacts? Can the biases and risks be mitigated through better portfolio construction?

☐ Other collaborative organisation/initiative, specify

☐ Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
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☒ Yes

SG 10.2	Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.
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☒ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☐ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☐ Spoke publicly at events and conferences to promote responsible investment

☐ Wrote and published in-house research papers on responsible investment

☒ Encouraged the adoption of the PRI

☐ Wrote articles on responsible investment in the media.

☐ Other, specify

☐ No

#### Implementation not in other modules

SG 12	Mandatory	Public	Descriptive	PRI 1
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 12.1</b>	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
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- ☐ We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- ☐ We execute scenario analysis which includes factors representing the investment impacts of future social trends
- ☐ We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- ☐ We execute other scenario analysis, specify
- ☒ We do not execute such scenario analysis and/or modelling

<b>SG 12.2</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.
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- ☒ We do the following
- ☐ Allocation between asset classes
  - ☐ Determining fixed income duration
  - ☒ Allocation of assets between geographic markets
  - ☐ Sector weightings
  - ☐ Other, specify
- ☐ We do not consider ESG issues in strategic asset allocation

<b>SG 15</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 15.1</b>	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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<b>Asset Class</b>	<b>Describe what processes are in place and the outputs or outcomes achieved</b>
Fixed income - SSA	<p>Challenger considers ESG issues as part of the investment process since these issues can influence the current and/or future risk adjusted return of a Fixed Income investment. The Fixed Income team's aim is to apply, where possible, consistent and comparable ESG analysis across the fixed income portfolio.</p> <p>Analysis considers the potential impact on issuer or originator creditworthiness as a result of ESG factors. Given the broad scope of fixed income instruments, ESG analysis may be limited by the availability of information, the ability to engage with issuers on ESG considerations and Challenger's ability to influence a given transaction.</p>

<b>SG 16</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 16.1</b>	Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
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Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Listed equities - ESG incorporation	<p>As a signatory to the PRI, Challenger Limited undertakes to consider ESG factors in our investment decision-making and ownership practices. Investment arrangements are a combination of separate mandates with investment managers, investments in pooled vehicles, and direct investments.</p> <p>As part of the Challenger Limited Group, an ASX-listed investment management firm we operate a global asset management business Fidante Partners; which forms long term alliances with talented investment teams to create, support and grow specialist asset management businesses. As the Responsible Entity for funds that are managed by the boutique investment managers, Fidante funds fall under the Group PRI signatory.</p> <p>New IMAs entered into by Challenger for mandates make reference to Challenger's Responsible Investment Policy. All existing IMAs will make reference to this policy as they are reviewed and progressively updated.</p> <p>Where Challenger invests in pooled funds, adopting principles of responsible investment will ultimately depend upon the relevant investment managers incorporating ESG considerations into their own investment processes.</p>
Listed equities - engagement	<p>Challenger's investment arrangements are a combination of separate mandates with investment managers and investments in pooled vehicles.</p> <p>New IMAs entered into by Challenger for mandates make reference to Challenger's Responsible Investment Policy. All existing IMAs will make reference to this policy as they are reviewed and progressively updated.</p> <p>Managers are encouraged to become a signatory directly with PRI, around 2/3rds of the managers appointed under a separate mandate are PRI signatories. Challenger seeks to understand managers engagement approach and integration into the investment decision process.</p> <p>Where Challenger invests in pooled funds, adopting principles of responsible investment will ultimately depend upon the relevant investment managers incorporating ESG considerations into their own investment processes.</p>
Listed equities - (proxy) voting	<p>Challenger provides its third party appointed fund managers with access to a globally recognised proxy voting service to ensure governance issues are understood and managers are able to vote with full information. Fidante as Responsible Entity actively monitors the managers, ensuring we meet our fiduciary obligation to clients.</p>
Private equity	<p>As part of the Challenger Limited Group, an ASX-listed investment management firm we operate a global asset management business Fidante Partners; which forms long term alliances with talented investment teams to create, support and grow specialist asset management businesses. As the Responsible Entity for funds that are managed by the boutique investment managers, Fidante funds fall under the Group PRI signatory.</p> <p>New IMAs entered into by Challenger for mandates make reference to Challenger's Responsible Investment Policy. All existing IMAs will make reference to this policy as they are reviewed and progressively updated.</p>
Infrastructure	<p>Infrastructure investment management is outsourced to third party managers.</p> <p>A standard due diligence questionnaire has been developed, for appointing external managers which looks at the following considerations:</p> <ul style="list-style-type: none"> <li>• Review of responsible investment policies, including discussion of how ESG considerations impact on potential investment decisions</li> <li>• Whether the organisation is a signatory to the PRI and/or other relevant organisations</li> <li>• Governance and risk management framework</li> </ul>

	<ul style="list-style-type: none"> <li>• Review of available reporting, including reporting relating to ESG</li> <li>• Assessment of approach to manager engagement of entities into which they invest</li> </ul> <p>Quarterly reporting, which updates on asset performance including ESG considerations is reviewed. A meeting is held with external managers at least once per year, with ESG as a standing agenda item for discussion, including:</p> <ul style="list-style-type: none"> <li>• Adherence by the manager to Challenger's responsible investment requirements;</li> <li>• Review of the manager's responsible investment reporting;</li> <li>• Review of impact of ESG issues on financial performance; and</li> <li>• Discussion of current trends and industry best practice</li> </ul>
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Challenger Limited

Reported Information

Public version

Indirect – Manager Selection, Appointment and Monitoring

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

<b>SAM 01</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SAM 01.1** Indicate whether your organisation uses investment consultants and/or fiduciary managers.

- ☐ Yes, we use investment consultants
- ☐ Yes, we use a fiduciary manager that delegates management of some or all of our assets to third-party managers.
- ☒ No, we do not use investment consultants or fiduciary managers.

<b>SAM 02</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 1</b>
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**SAM 02.1** Indicate for which of the following externally managed asset classes your organisation, and/or your investment consultants, consider responsible investment factors in investment manager: (a) Selection, (b) Appointment (investment management agreements/contracts), and (c) Monitoring

Select all that apply

Asset classes	(a) Selection	(b) Appointment	(c) Monitoring
Fixed income - Corporate (financial)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Fixed income - Corporate (non-financial)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**SAM 02.2** Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

### **Selection and appointment of third party investment managers for Challenger Limited's Funds Management business**

As part of the Challenger Limited Group, an ASX-listed investment management firm providing customers with financial security in retirement, we operate a global asset management business under the Fidante brand.

Fidante forms long-term relationships with boutique investment managers. As the Responsible Entity for funds that are managed by the boutique investment managers, these funds fall under the Group PRI signatory.

Each boutique will define the scope and pace of its own implementation path, driven by what fits best with its investment process and the needs of its clients. Each boutique is encouraged to become a signatory directly with PRI.

When carrying out due diligence for the appointment of new third party investment managers, Challenger Limited:

- promotes its expectations in respect of ESG considerations as a formal part of its investment manager and review process;
- seeks to understand the third party investment manager's approach and resource capability with respect to responsible investment;
- encourages the third party investment manager to discuss ESG considerations undertaken in their own investment decision-making and ownership practices in their reports to Challenger Limited; and
- encourages the third party investment manager to become a signatory to the PRI Principles.

- Challenger Limited also expects that the third party investment manager that it appoints will:
- demonstrate an acceptable level of commitment to the management of key ESG risks and opportunities as set out in the PRI Principles; and
- apply principles of active ownership and investment stewardship, particularly in relation to proxy voting and engagement, in a manner similar to that set out in Challenger's Responsible Investment Policy.

Investment Management Heads and their teams are responsible for ensuring that all new IMAs with third party investment managers include ESG considerations as part of the investment management governance. When such IMAs are entered into, the relevant Investment Management Heads and their teams will ensure that:

- there is a specific clause contained within the IMA which clearly sets out the third party investment manager's approach to ESG considerations, including an adequate explanation as to how ESG risks are accounted for; and
- the proxy voting reporting arrangements that have been agreed between Challenger and the third party investment manager are clearly articulated and are sufficient for Challenger to meet its obligations under its Responsible Investment Policy.

### Monitoring, review and reporting of Challenger's ESG integration

Challenger Limited's Investment Management Heads will periodically monitor the integration of ESG considerations and their management strategies for strategies where Challenger has appointed a third party investment manager. This includes monitoring the implementation of the principles of active ownership and investment stewardship particularly in relation to proxy voting and engagement.

## Listed Equity and Fixed Income Strategies

SAM 04	Mandatory	Public	Gateway	PRI 1,2
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### SAM 04.1

Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf:

#### Active investment strategies

Active investment strategies		FI - Corporate (financial)?	FI - Corporate (non-financial)?	
Screening		<input type="checkbox"/>	<input type="checkbox"/>	
Thematic		<input type="checkbox"/>	<input type="checkbox"/>	
Integration		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above		<input type="checkbox"/>	<input type="checkbox"/>	

### SAM 04.3

Additional information. [Optional]

Challenger Limited expects and encourages appropriate approaches to ESG integration from our third party investment managers across the different investment arrangements. The external Fixed Income managers are not PRI signatories, however they take into account ESG considerations when buying, retaining or selling investments.

### Selection and appointment of third party investment managers

When carrying out due diligence for the appointment of new third party investment managers, Challenger will:

- promote its expectations in respect of ESG considerations as a formal part of Challenger's investment manager selection and review process;
- seek to understand the third party investment manager's approach and resource capability with respect to responsible investment;
- encourage the third party investment manager to discuss ESG considerations undertaken in their own investment decision-making and ownership practices in their reports to Challenger; and
- encourage the third party investment manager to become a signatory to the PRI Principles.

Challenger also expects that the third party investment managers it appoints will:

- demonstrate an acceptable level of commitment to the management of key ESG risks and opportunities as set out in the PRI Principles; and
- apply principles of active ownership and investment stewardship, particularly in relation to proxy voting and engagement, in a manner similar to that set out in Challenger's Responsible Investment Policy.

## Selection

**SAM 05**

**Mandatory**

**Public**

**Core Assessed**

**PRI 1**

**SAM 05.1**

Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers

			<b>FI - Corporate (financial)?</b>	<b>FI - Corporate (non-financial)?</b>					
Investment strategy and how ESG objectives relate to it			<input type="checkbox"/>	<input type="checkbox"/>					
ESG incorporation requirements			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					
ESG reporting requirements			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>					
Other			<input type="checkbox"/>	<input type="checkbox"/>					
No RI information covered in the RFPs			<input type="checkbox"/>	<input type="checkbox"/>					

**SAM 05.2**

Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach

Strategy



			FI - Corporate (financial)?	FI - Corporate (non-financial)				
Assess the time horizon of the investment manager's investment strategy			<input type="checkbox"/>	<input type="checkbox"/>				
Assess the quality of investment policy and its reference to ESG			<input type="checkbox"/>	<input type="checkbox"/>				
Assess the investment approach and how ESG objectives are implemented in the investment process (asset class specific)			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
Assess the ESG definitions to be used			<input type="checkbox"/>	<input type="checkbox"/>				
Other			<input type="checkbox"/>	<input type="checkbox"/>				
None of the above			<input type="checkbox"/>	<input type="checkbox"/>				

#### ESG people/oversight

			FI - Corporate (financial)?	FI - Corporate (non- financial)?				
Assess ESG expertise of investment teams			<input type="checkbox"/>	<input type="checkbox"/>				
Review the ownership of the ESG implementation			<input type="checkbox"/>	<input type="checkbox"/>				
Review how is ESG implementation enforced /ensured			<input type="checkbox"/>	<input type="checkbox"/>				
Other			<input type="checkbox"/>	<input type="checkbox"/>				
None of the above			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				

#### Process/portfolio construction/investment valuation

		FI - Corporate (financial)?	FI - Corporate (non-financial)?				
Review the process ensuring the quality of the ESG data used		<input type="checkbox"/>	<input type="checkbox"/>				
Review and agree the investment decision making process (and ESG data use in it)		<input type="checkbox"/>	<input type="checkbox"/>				
Review and agree the ESG incorporation strategy impact of ESG analysis on investment decisions		<input type="checkbox"/>	<input type="checkbox"/>				
Review and agree how the manager is targeting returns and ESG objectives		<input type="checkbox"/>	<input type="checkbox"/>				
Review and agree how the manager identifies, measures and manages ESG risk		<input type="checkbox"/>	<input type="checkbox"/>				
Review and agree return and risk in combination at a portfolio level (portfolio construction) and ESG objectives		<input type="checkbox"/>	<input type="checkbox"/>				
Review how ESG materiality is evaluated by the manager in the monitored period		<input type="checkbox"/>	<input type="checkbox"/>				
Review process for defining and communicating on ESG incidents		<input type="checkbox"/>	<input type="checkbox"/>				
Other, specify		<input type="checkbox"/>	<input type="checkbox"/>				
None of the above		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				

### SAM 05.3

### Describe the selection process

- ☒ Review responses to RfP, RfI, DDQ etc.
- ☐ Review Limited Partners' Responsible Investment Due Diligence Questionnaire (PE DDQ)
- ☒ Review publicly available information
- ☐ Review assurance process
- ☒ Review PRI Transparency Reports
- ☒ Request and discuss PRI Assessment Reports
- ☒ Meetings with the potential shortlisted managers
- ☐ Site visits to potential managers offices
- ☐ Other, specify

**SAM 05.4**

When selecting external managers does your organisation set any of the following:

			FI - Corporate (financial)?	FI - Corporate (non-financial)?				
ESG score			<input type="checkbox"/>	<input type="checkbox"/>				
ESG weight			<input type="checkbox"/>	<input type="checkbox"/>				
Real world economy targets			<input type="checkbox"/>	<input type="checkbox"/>				
Other RI considerations			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
None of the above			<input type="checkbox"/>	<input type="checkbox"/>				

If you select any 'Other' option(s), specify

We require our external investment managers to apply principles of active ownership and investment stewardship as relevant for the investment strategy and asset class particularly in relation to proxy voting and engagement.

**SAM 06****Mandatory****Public****Additional Assessed****PRI 2****SAM 06.1**

Indicate how your organisation typically evaluates the manager's active ownership practices in the majority of the manager.

Engagement

			FI - Corporate (financial)?	FI - Corporate (non-financial)?	
Review the manager's engagement policy			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review the manager's engagement process (with examples and outcomes)			<input type="checkbox"/>	<input type="checkbox"/>	
Ensure that engagement outcomes feed back into the investment decision-making process			<input type="checkbox"/>	<input type="checkbox"/>	
Other engagement issues in your selection process specify			<input type="checkbox"/>	<input type="checkbox"/>	
None of the above			<input type="checkbox"/>	<input type="checkbox"/>	

**SAM 06.2**

Describe how you assess if the manager's engagement approach is effective.

- ☐ Impact on investment decisions
- ☐ Impact on company / asset level
- ☐ Impact on ESG profile or the portfolio
- ☐ Evidence of changes in corporate practices
- ☐ Other, specify
- ☒ None of the above

**Appointment****SAM 07.1****Mandatory****Public****Core Assessed****PRI 1****SAM 07.1**

Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment

- ☒ Sets standard or ESG benchmarks
- ☐ Defines ESG objectives
- ☐ Sets incentives and controls linked to the objectives
- ☐ Requires reporting on these objectives
- ☐ None of the above
- ☐ None of the above, we invest only in pooled funds and have a thorough selection process

**SAM 07.2-5****Mandatory****Public****Core Assessed****PRI 1****SAM 07.2**

Provide an example per asset class of your benchmarks, objectives, incentives/controls and reporting requirements that would typically be included in your managers' appointment.

Asset class

- ☒ Fixed income - Corporate (financial)

Benchmark

- ☒ Standard benchmark, specify

Examples include:

Bloomberg AusBond Composite Bond 0-3 year Index

Bloomberg AusBond Bank Bill Index

- ☐ ESG benchmark, specify

Objectives

- ☒ We do not define ESG objectives

	Incentives and controls
--	-------------------------

- ☒ We do not set incentives and controls

	Reporting requirements
--	------------------------

- ☒ We do not require the reporting on ESG objectives
- ☒ Fixed income - Corporate (non-financial)

	Benchmark
--	-----------

- ☒ Standard benchmark, specify
- Examples include:  
Bloomberg AusBond Composite Bond 0-3 year Index  
Bloomberg AusBond Bank Bill Index
- ☐ ESG benchmark, specify

	Objectives
--	------------

- ☒ We do not define ESG objectives

	Incentives and controls
--	-------------------------

- ☒ We do not set incentives and controls

	Reporting requirements
--	------------------------

- ☒ We do not require the reporting on ESG objectives

<b>SAM 07.4</b>	Explain which of these actions your organisation might take if any of the requirements are not met
-----------------	--

- ☐ Discuss requirements not met and set project plan to rectify
- ☒ Review performance in more detail
- ☐ Place investment manager on a “watch list”
- ☒ Investigate reason for non-compliance
- ☒ Require action plan from the manager
- ☐ Negotiate fees
- ☒ Failing all actions, terminate contract with the manager
- ☐ Other, specify
- ☐ No actions are taken if any of the requirements are not met

<b>Monitoring</b>
-------------------

<b>SAM 08</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
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**SAM 08.1**

When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates from the investment manager in meetings/calls

		FI - Corporate (financial)?	FI - Corporate (non-financial)?				
ESG objectives linked to investment strategy		<input type="checkbox"/>	<input type="checkbox"/>				
Investment restrictions and any controversial investment decisions		<input type="checkbox"/>	<input type="checkbox"/>				
ESG incorporation objectives (with examples)		<input type="checkbox"/>	<input type="checkbox"/>				
ESG portfolio characteristics		<input type="checkbox"/>	<input type="checkbox"/>				
How ESG materiality has been evaluated by the manager in the monitored period		<input type="checkbox"/>	<input type="checkbox"/>				
Information on any ESG incidents		<input type="checkbox"/>	<input type="checkbox"/>				
Metrics on the real economy influence of the investments		<input type="checkbox"/>	<input type="checkbox"/>				
PRI Transparency Reports		<input type="checkbox"/>	<input type="checkbox"/>				
PRI Assessment Reports		<input type="checkbox"/>	<input type="checkbox"/>				
Other general RI considerations in investment management agreements; specify		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
None of the above		<input type="checkbox"/>	<input type="checkbox"/>				

If you select any 'Other' option(s), specify

For relevant asset classes Challenger and Fidante Partners as RE applies principles of active ownership and investment stewardship through discussions with management and or the board of directors and by exercising proxy voting. Proxy voting is monitored and reviewed by internal operations to ensure voting is submitted accordingly.

**SAM 08.2**

When monitoring external managers, does your organisation set any of the following to measure compliance/progress

			FI - Corporate (financial)?	FI - Corporate (non-financial)?				
ESG score			<input type="checkbox"/>	<input type="checkbox"/>				
ESG weight			<input type="checkbox"/>	<input type="checkbox"/>				
Real world economy targets			<input type="checkbox"/>	<input type="checkbox"/>				
Other RI considerations			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>				
None of the above			<input type="checkbox"/>	<input type="checkbox"/>				

If you select any 'Other' option(s), specify

For relevant asset classes, Challenger and Fidante Partners as RE applies principles of active ownership and investment stewardship through discussions with management and or the board of directors and by exercising proxy voting. Proxy voting is monitored and reviewed by internal operations to ensure voting is submitted accordingly.

<b>SAM 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
---------------	------------------	---------------	----------------------------	--------------

**SAM 09.1** When monitoring managers, indicate which of the following active ownership information your organisation typically reviews and evaluates from the investment manager in meetings/calls

Engagement

			FI - Corporate (financial)?	FI - Corporate (non-financial)?	
Report on engagements undertaken (outcomes and examples)			<input type="checkbox"/>	<input type="checkbox"/>	
Account on engagement ESG impacts			<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations relating to engagement in investment management agreements; specify			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above			<input type="checkbox"/>	<input type="checkbox"/>	

If you select any 'Other' option(s), specify

Challenger monitors each appointed Fidante Boutique Fund Manager's performance in terms of active ownership through monitoring performance of corporate engagement through proxy voting records as relevant for the asset class and investment strategy outlined in the IMA

## Outputs and outcomes

**SAM 12**

**Mandatory**

**Public**

**Additional Assessed**

**PRI 1,6**

**SAM 12.1**

Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.

☒ Add Example 1

Topic or issue	Monitor proxy voting
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (financial)
Scope and process	For the relevant asset classes (non fixed income) daily reports provide detail on outstanding voting requirements.
Outcomes	A failure to vote on behalf of clients is reported and actioned.

☒ Add Example 2



Topic or issue	Ongoing monitoring of the Socially Responsible Share Fund
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (financial)
Scope and process	<p>This Socially Responsible Fund offers investors the opportunity to align their individual ethics, morals and values to their investing goals.</p> <p>This fund is not permitted to hold securities in companies generating operating revenue from, or as a result of, the following activities</p> <ul style="list-style-type: none"> <li>• Harvesting of old growth native forests</li> <li>• Alcohol production</li> <li>• Tobacco manufacture</li> <li>• Armaments manufacture</li> <li>• Gambling and gambling equipment manufacture</li> </ul> <p>In addition, the fund includes companies which screen positively to sustainable ESG characteristics.</p> <p>Investment Operations attach rules to both negative and positive screens in the back office compliance system to ensure the rules are adhered to. Fidante Patners utilise the services of a ESG monitoring firm for the screening process.</p> <p>The investment manager is immediately notified and unable to trade in a company that fails the Socially Responsible screening process.</p>
Outcomes	It is not possible to include companies in the Fund that fail on social repsonsibility criteria.

- ☐ Add Example 3  
☐ Add Example 4  
☐ Add Example 5  
☐ We are not able to provide examples

## Communication

<b>SAM 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 6</b>
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<b>SAM 13.1</b>	Indicate if your organisation proactively discloses any information about responsible investment considerations in your indirect investments.
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- ☐ Yes, we disclose information publicly  
☐ Yes, we disclose information to clients/beneficiaries only  
☒ We do not proactively disclose information to the public and/or clients/beneficiaries

# Challenger Limited

## Reported Information

### Public version

#### Direct - Fixed Income













## PRI disclaimer

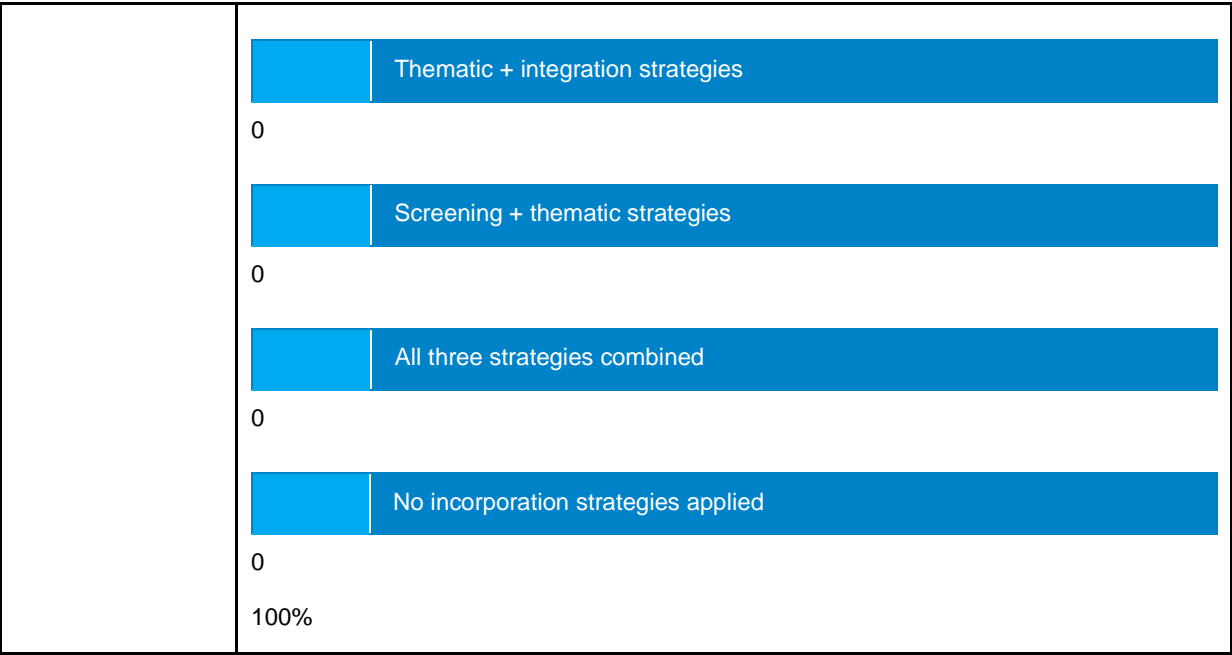
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## ESG incorporation in actively managed fixed income

### Implementation processes

FI 04	Mandatory	Public	Gateway	PRI 1
FI 04.1	Indicate 1) Which ESG incorporation strategy and/or combination of strategies you apply to your actively managed fixed income investments; and 2) The proportion (+/- 5%) of your total actively managed fixed income investments each strategy applies to.			

Corporate (financial)	 Screening alone	0
	 Thematic alone	0
	 Integration alone	100
	 Screening + integration strategies	0
	 Thematic + integration strategies	0
	 Screening + thematic strategies	0
	 All three strategies combined	0
	 No incorporation strategies applied	0
		100%
Corporate (non-financial)	 Screening alone	0
	 Thematic alone	0
	 Integration alone	100
	 Screening + integration strategies	0



Securitised		Screening alone	0
		Thematic alone	0
		Integration alone	100
		Screening + integration strategies	0
		Thematic + integration strategies	0
		Screening + thematic strategies	0
		All three strategies combined	0
		No incorporation strategies applied	0
			100%

**FI 04.2**

Describe your reasons for choosing a particular ESG incorporation strategy and how combinations of strategies are used.

Challenger considers ESG issues as part of the investment process since these issues can influence the current and/or future risk adjusted return of a Fixed Income investment. Challenger has decided to not to actively screen out any particular opportunity purely on ESG considerations, instead incorporating ESG risk factors into its relative value analysis to determine if ESG risks have been rewarded in the expected return.

FI 06	Mandatory	Public	Additional Assessed	PRI 1
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<b>FI 06.1</b>	<b>Indicate how you ensure that your ESG research process is robust:</b>
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- ☐ Issuers are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ Issuer information and/or ESG ratings are updated regularly to ensure ESG research is accurate
- ☐ Internal audits of ESG research are undertaken in a systematic way
- ☐ ESG analysis is benchmarked for quality against other providers
- ☐ Other, specify
- ☐ None of the above

<b>FI 06.2</b>	<b>Describe how your ESG information or analysis is shared among your investment team.</b>
----------------	--

- ☐ ESG information is held within a centralised database and is accessible to all investment staff
- ☐ ESG information is a standard item on all individual issuer summaries, 'tear sheets', 'dashboards' or similar documents
- ☐ Investment staff are required to discuss ESG information on issuers as a standard item during investment committee meetings
- ☒ Records capture how ESG information and research was incorporated into investment decisions
- ☐ Other, specify
- ☐ None of the above

## (C) Implementation: Integration

FI 14	Mandatory	Public	Descriptive	PRI 1
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<b>FI 14.1</b>	<b>Describe your approach to integrating ESG into traditional financial analysis.</b>
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ESG risks are included in the overall required return analysis - i.e. the required return for a company with ESG risks will be higher than a similar company with no such risks.

	<b>Corporate (financial)</b>
--	------------------------------

ESG risks are included in the overall required return analysis - i.e. the required return for a company with ESG risks will be higher than a similar company with no such risks.

	<b>Corporate (non-financial)</b>
--	----------------------------------

ESG risks are included in the overall required return analysis - i.e. the required return for a company with ESG risks will be higher than a similar company with no such risks.

	Securitised
--	-------------

ESG risks are included in the overall required return analysis - i.e. the required return for a company with ESG risks will be higher than a similar company with no such risks.

FI 15	Mandatory	Public	Core Assessed	PRI 1
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FI 15.1	Indicate how ESG information is typically used as part of your investment process.
---------	--

Select all that apply

	Corporate (financial)	Corporate (non-financial)	Securitised
ESG analysis is integrated into fundamental analysis	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is integrated into security weighting decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is integrated into portfolio construction decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is a standard part of internal credit ratings or assessment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis for issuers is a standard agenda item at investment committee meetings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis is regularly featured in internal research notes or similar	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ESG analysis is a standard feature of ongoing portfolio monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ESG analysis features in all internal issuer summaries or similar documents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

FI 16	Mandatory	Public	Additional Assessed	PRI 1
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FI 16.1	Indicate the extent to which ESG issues are reviewed in your integration process.
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	Environment	Social	Governance
Corporate (financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all
Corporate (non-financial)	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all
Securitised	<input checked="" type="radio"/> Environmental <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Social <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all	<input checked="" type="radio"/> Governance <input type="radio"/> Systematically <input checked="" type="radio"/> Occasionally <input type="radio"/> Not at all

#### Corporate (financial)

The portfolio manager will identify ESG issues and determine whether the expected return provides satisfactory compensation for the risks identified via relative value analysis.

#### Corporate (non-financial)

The portfolio manager will identify ESG issues and determine whether the expected return provides satisfactory compensation for the risks identified via relative value analysis.

#### Securitised

The portfolio manager will identify ESG issues and determine whether the expected return provides satisfactory compensation for the risks identified via relative value analysis.

### Communication

FI 23	Mandatory	Public	Core Assessed	PRI 2,6
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**FI 23.1**

Indicate if your organisation proactively discloses information on your approach to RI across all of your fixed income investments.

- ☐ We disclose it publicly
- ☒ We disclose it to clients and/or beneficiaries only

**FI 23.5**

Indicate the information your organisation proactively discloses to clients/ beneficiaries regarding your approach to RI incorporation.

- ☒ Broad approach to RI incorporation
- ☐ Detailed explanation of RI incorporation strategy used

**FI 23.6**

Indicate how frequently you typically report this information.

- ☐ Quarterly or more frequently
  - ☐ Biannually
  - ☐ Annually
  - ☐ Less frequently than annually
  - ☒ Ad-hoc/when requested
- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries

Challenger Limited

Reported Information

Public version

Direct - Property

## PRI disclaimer

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## Overview

PR 04	Mandatory	Public	Core Assessed	PRI 1-6
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**PR 04.1** Indicate if your organisation has a Responsible Property Investment (RPI) policy.

☒ Yes

**PR 04.2** Provide a URL or attach the document

☒ URL

<http://www.challenger.com.au/about/Businesspractices.asp>

☐ Attach Document

☐ No

**PR 04.3** Provide a brief overview of your organisation's approach to responsible investment in property, and how you link responsible investment in property to your business strategy.

Challenger Investment Partners is an investment advisory business within the Challenger Group. Challenger Investment Partners accesses opportunities globally and manages real estate assets on behalf of institutional investors, including Challenger Life Company Limited.

Challenger Investment Partners is committed to continually developing its approach to the integration of ESG considerations into property investment decision making and asset management.

Challenger Investment Partners believe that ESG factors form an integral part of the property selection and management process. We acknowledge that achieving safety, sustainability and diversity outcomes will have the benefit of delivering long term value for investors, the environment and the communities we live in.

Challenger Investment Partners have a successful global portfolio of real estate assets, with a key focus on Australia and Japan. We manage approx. A\$4.8 billion of real estate equity assets and A\$0.5 billion of real estate debt investments on behalf of our largest client; Challenger Life, who in turn is the largest provider of annuities to policy holders in Australia. Investment in real property assets is a core strategy for Challenger Life given the liability profile underpinning the guaranteed returns paid to policy holders. A key business strategy for Challenger Life is set out as 'managing long term guaranteed income streams to annuitants backed by a portfolio of assets, delivering predictable over-the-cycle returns to shareholders'. In reference to the Real Estate Team, this starts with the investment selection process, as well as efficient property management. This is key to providing a 'bed-rock' to asset values and ensuring as a team, we concentrate our focus on more value adding initiatives. In turn, this will lead to long-term value to our investors, the environment and communities we reside in.

Further to this, Challenger Investment Partners has a key focus on third party institutional clients from across the globe, with the ability to leverage local knowledge and relationships in the domestic market to originate assets and provide a strong execution. A number of successful investment partnerships include an Asian Sovereign Wealth Fund, a Middle East Sovereign Wealth Fund, a Chinese family office, various Korean institutions as well as a number of domestic superannuation funds. Overall, we manage approx. A\$3 billion of real estate on behalf of our third party institutional clients.

As mentioned above, we have a key focus on two markets; Australia and Japan. Beginning with the Australian market, we are committed to integrating ESG considerations into both the pre and post investment process. We consider various ESG issues during the due diligence process, for example; NABERS rating, energy efficiency, natural hazards, building safety and materials, occupier satisfaction, and the relevant regulatory standards. We believe these details are key to understanding our assets and allow us to ensure we can actively asset manage post acquisition with the long term objective to provide value for our investors, as well as our environment and our community.

In reference to our overseas assets; specifically shopping centres in Japan, we apply the same thorough due diligence process, conducting external reports and assessing relevant applicable benchmarks to ensure we are making informed decisions upon acquisition.

## Pre-investment (selection)

PR 07	Mandatory	Public	Gateway/Core Assessed	PRI 1
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>PR 07.1</b>	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
----------------	--

☒ Yes

<b>PR 07.2</b>	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection.
----------------	---

We believe that the consideration of ESG factors begins at the earliest stage of the property investment process. The due diligence process utilises a checklist approach to identify key attributes of an asset, the potential opportunities in the future as well as risks that could materialise over the investment horizon. Such factors are considered when assessing asset pricing; in terms of effectively managing these risks and assessing opportunities. The due diligence process is internally managed by approximately 8 individuals within the Real Estate Team, as well as external consultants appointed to advise on specialist skills or technical knowledge. ESG considerations form part of this analysis with engineers or environment consultants setting out the performance of the asset, energy ratings, current health, safety and wellbeing risks, and forming an opinion as to whether the building meets regulatory standards. These are critical considerations during the investment selection process.

☐ No

<b>PR 07.3</b>	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process, and list up to three examples per issue.
----------------	--

### ESG issues

☒ Environmental

List up to three typical examples per E, S and G issue
--

- ☐ Climate change adaptation
- ☐ Contamination
- ☒ Energy efficiency
- ☐ Energy supply
- ☐ Flooding
- ☐ GHG emissions
- ☐ Indoor environmental quality
- ☐ Natural hazards
- ☐ Resilience
- ☐ Transportation
- ☐ Water efficiency
- ☐ Waste management
- ☐ Water supply
- ☐ Other
- ☐ Other

Description [OPTIONAL]
------------------------

For investments in our domestically located assets (Australia) we conduct external valuation reports and obtain external engineering opinions from specialists to understand the NABERS rating of an asset. This would more specifically apply to office buildings, and we look to a minimum NABERS rating of 4.5.

List up to three typical examples per E, S and G issue
--

- ☐ Climate change adaptation
- ☒ Contamination
- ☐ Energy efficiency
- ☐ Energy supply
- ☐ Flooding
- ☐ GHG emissions
- ☐ Indoor environmental quality
- ☐ Natural hazards
- ☐ Resilience
- ☐ Transportation
- ☐ Water efficiency
- ☐ Waste management
- ☐ Water supply
- ☐ Other
- ☐ Other

	Description [OPTIONAL]
--	------------------------

During the due diligence period an external consultant would be appointed to advise on the condition of an asset and whether there is a risk of contamination. As an investment manager, it is key to identify such risks as part of the selection process given these assets are managed on a lifecycle basis.

	List up to three typical examples per E, S and G issue
--	--

- ☐ Climate change adaptation
- ☐ Contamination
- ☐ Energy efficiency
- ☐ Energy supply
- ☒ Flooding
- ☐ GHG emissions
- ☐ Indoor environmental quality
- ☐ Natural hazards
- ☐ Resilience
- ☐ Transportation
- ☐ Water efficiency
- ☐ Waste management
- ☐ Water supply
- ☐ Other
- ☐ Other

	Description [OPTIONAL]
--	------------------------

As with the above considerations, we take into account the risk of flooding in an area where we may be investing in an asset. It is important to be across such details and manage the risk, with the recommendations provided by external specialist individuals.

☒ Social

	List up to three typical examples per E, S and G issue
--	--

- ☒ Building safety and materials
- ☐ Health, safety and wellbeing
- ☐ Socio-economic
- ☐ Accessibility
- ☐ Affordable Housing
- ☐ Occupier Satisfaction
- ☐ Other
- ☐ Other
- ☐ Other

	Description [OPTIONAL]
--	------------------------

Understanding the quality of a building in terms of safety and materials is key during the due diligence period. If there is a potential issue with the build or the materials used, there can be a risk of asset damage

in the future which can cause disruption to the individuals occupying the asset, the community within which the asset is located as well as our investors. Furthermore, a technical adviser would provide insight into the risk of structural failure, and safety of the building.

	List up to three typical examples per E, S and G issue
--	--

- ☐ Building safety and materials
- ☐ Health, Safety and wellbeing
- ☐ Socio-economic
- ☐ Accessibility
- ☐ Affordable Housing
- ☒ Occupier Satisfaction
- ☐ Other
- ☐ Other
- ☐ Other

	Description [OPTIONAL]
--	------------------------

Occupier satisfaction is an area of interest for us as a team internally, as we believe it is important to understand whether an asset is being utilized to the best of its potential. We try to understand if current tenants have disputes with their current landlord, what this dispute is around, as such details provide a greater insight into how we should manage the asset later.

	List up to three typical examples per E, S and G issue
--	--

- ☐ Building safety and materials
- ☐ Health, Safety and wellbeing
- ☐ Socio-economic
- ☐ Accessibility
- ☐ Affordable Housing
- ☐ Occupier Satisfaction
- ☐ Other
- ☐ Other
- ☐ Other
- ☒ Governance



List up to three typical examples per E, S and G issue

- ☐ Anti-bribery & corruption
- ☐ Board structure
- ☐ Conflicts of interest
- ☐ Governance structure
- ☒ Regulatory
- ☐ Shareholder structure & rights
- ☐ Supply chain governance
- ☐ Other
- ☐ Other
- ☐ Other

Description [OPTIONAL]

Our team take very seriously whether a prospective asset meets the applicable regulatory requirements, and we do form an opinion based on the material available to us during the due diligence and with the assistance of external technical specialists. For example fire safety precautions for industrial use assets.

List up to three typical examples per E, S and G issue

- ☐ Anti-bribery & corruption
- ☐ Board structure
- ☐ Conflicts of interest
- ☐ Governance structure
- ☐ Regulatory
- ☒ Shareholder structure & rights
- ☐ Supply chain governance
- ☐ Other
- ☐ Other
- ☐ Other

Description [OPTIONAL]

As an investment manager and working with third party institutional clients we take consideration of voting rights amongst shareholders, appointment of directors, changes to capital structures that may affect shareholder value and corporate conflicts of interest.

	List up to three typical examples per E, S and G issue
--	--

- ☒ Anti-bribery & corruption
- ☐ Board structure
- ☐ Conflicts of interest
- ☐ Governance structure
- ☐ Regulatory
- ☐ Shareholder structure & rights
- ☐ Supply chain governance
- ☐ Other
- ☐ Other
- ☐ Other

	Description [OPTIONAL]
--	------------------------

As an investment manager for both Challenger Life and our other institutional investors, we recognise the need to manage transaction risk. Challenger limited has an Anti Bribery and Corruption Policy that all staff are required to adhere to. Managing with the acquisition or divestment of a property asset involves the Property team working with internal legal, risk and compliance teams to ensure we conduct the appropriate checks on parties we are transacting with. This is crucial prior to any sale or acquisition.

PR 09	Mandatory	Public	Core Assessed	PRI 1
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

PR 09.1	Indicate if ESG issues impacted your property investment selection process during the reporting year.
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- ☒ ESG issues helped identify risks and/or opportunities for value creation
- ☒ ESG issues led to the abandonment of potential investments
- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☐ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☒ ESG issues were considered but did not have an impact on the investment selection process
- ☐ Other, specify
- ☐ Not applicable, our organisation did not select any investments in the reporting year
- ☐ We do not track this potential impact

PR 09.2	Indicate how ESG issues impacted your property investment deal structuring processes during the reporting year.
---------	---

- ☒ ESG issues impacted the investment in terms of price offered and/or paid
- ☒ ESG issues impacted the terms in the shareholder/purchase agreements and/or lending covenants
- ☐ ESG issues were considered but did not have an impact on the deal structuring process
- ☐ Other, specify
- ☐ Not applicable, our organisation did not select any investments in the reporting year
- ☐ We do not track this potential impact

PR 09.3	Additional information.
---------	-------------------------

A recent instance of where an ESG issue impacted the investment selection and decision making process occurred during due diligence on an office building located in Canberra CBD. The asset was occupied however, through the due diligence process we uncovered the current landlord was in breach of the lease to the tenant as the building failed to meet an adequate NABERS rating. This led to further targeted negotiation, whereby the owner agreed to cover the cost of the works required to bring the asset up to the necessary rating. We also ensured that settlement would not occur until the remediation works were completed and validated.

## Selection, appointment and monitoring third-party property managers

PR 10	Mandatory	Public	Core Assessed	PRI 4
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

PR 10.1	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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☒ Yes

PR 10.2	Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.
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☒ Selection process of property managers incorporated ESG issues

	Types of actions
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- ☒ Request explanation of how ESG is effectively integrated, including inquiries about governance and processes
- ☐ Request track records and examples of how the manager implements ESG in their asset and property management
- ☐ Discuss property level out-performance opportunities through greater integration of ESG criteria
- ☐ Request explanation of engaging stakeholders on ESG issues
- ☐ Other, explain

	Coverage
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- ☒ 75-100%
- ☐ 50-75%
- ☐ 25 – 50%
- ☐ 0 – 25%

☒ Contractual requirements when appointing property managers includes ESG issues

Types of actions	
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- ☒ Include clear and detailed expectations for incorporating ESG
- ☐ Require dedicated ESG procedures in all relevant asset and property management phases
- ☐ Clear ESG reporting requirements
- ☐ Clear ESG performance targets
- ☐ Other, explain

Coverage	
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- ☒ 75-100%
- ☐ 50-75%
- ☐ 25 – 50%
- ☐ 0 – 25%
- ☒ Monitoring of property managers covers ESG responsibilities and implementation

Types of actions	
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- ☒ Performance against quantitative and material environmental / resource targets over specified timeframe.
- ☐ Performance against quantitative and material environmental / resource targets against relevant benchmarks
- ☐ Performance against quantitative and qualitative targets to address social impacts of the portfolio/investment,
- ☐ Other, explain

Coverage	
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- ☒ 75-100%
- ☐ 50-75%
- ☐ 25 – 50%
- ☐ 0 – 25%
- ☐ No

PR 10.3	Provide a brief description of your organisations selection, appointment and monitoring of third party property managers and how they contribute to the management of ESG issues for your property investments.
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Our third party property management services provider is aligned with our approach of an active asset management strategy with day-to-day considerations made for ESG risks and opportunities. Our third party property management serviced provider has an obligation to provide regular reporting on risk management, WH&S, energy reporting requirements as well as audit and compliance.

The performance and actions set for ESG is measured through:

- NABERS ratings- target is a minimum 4.5 star average rating across the office portfolio
- Life cycle performance audits
- Energy usage monitoring via RM3 audits - The Rm3 Risk Management System is an online and web-based software platform which enables the business to efficiently manage health and safety, risk and compliance obligations. The system enables effective management and tracking of compliance& risk control actions, including exception reporting.

- BEECS certificates (Defined as a Building Energy Efficiency Certificate setting out the energy efficiency rating of a building or area of a building that is offered or sale, lease or sublease. BEEC's contains two parts: 1. Part 1 consists of a National Australian Built Environment Rating System (NABERS) Energy for offices rating for the building - The NABERS Energy for offices rating provides information on the building's energy efficiency. It must be a base or whole building rating (a whole building rating also covers the tenanted space and is disclosed if there is inadequate metering to obtain a base building rating). 2. Part 2 consists of a CBD Tenancy Lighting Assessment (TLA) for the area of the building that is being sold, leased or subleased. The TLA is an assessment of tenancy lighting that measures the power density of the installed general lighting system.

The Commercial Building Disclosure (CBD) Program requires most sellers and lessors of office space of 2000 square metres (1000 square metres from 1 July 2017) or more to have an up-to-date Building Energy Efficiency Certificate (BEEC). This is necessary to comply with legal obligations under the Building Energy Efficiency Disclosure Act 2010.

## Post-investment (monitoring and active ownership)

### Overview

PR 11	Mandatory	Public	Gateway	PRI 2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

PR 11.1	Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.
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☒ Yes

PR 11.2	Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.
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- ☒ We consider ESG issues in property monitoring and management
- ☒ We consider ESG issues in property developments and major renovations.
- ☐ We consider ESG issues in property occupier engagements
- ☐ We consider ESG issues in community engagements related to our properties
- ☐ We consider ESG issues in other post-investment activities, specify

PR 11.3	Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets.
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Challenger Investment Partners have a strong Asset Management team who strive to deliver a long term, sustainable investment performance. As such ongoing identification, analysis and management of ESG risks and opportunities are undertaken as part of the asset management process. In doing so, we seek external contractors that have ESG credentials, and specialist skills, for example; Honeywell, AE Smith.

Further to this, a key member of the Real Estate Team is the National Operations and Sustainability Manager whose role is heavily involved in ESG matters such as NABERS, BEECS, ENGERS, WH&S, risk management, building & operational compliance, service/supply/works contract procurement, lifecycle audits, capital expenditure approvals, etc.

☐ No

## Property monitoring and management

PR 12	Mandatory	Public	Core Assessed	PRI 2,3
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>PR 12.1</b>	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- ☒ >90% of property assets
- ☐ 51-90% of property assets
- ☐ 10-50% of property assets
- ☐ <10% of property assets

(in terms of number of property assets)

<b>PR 12.2</b>	Indicate which ESG targets your organisation and/or property managers typically set and monitor
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☒ Environmental

Target/KPI	Progress Achieved
<p>Annual NABERS rating of our office buildings to be assessed for both Energy and Water</p> <p>Energy usage across the portfolio monitored and managed for BEEC/NABERS ratings and NGERS reporting.</p> <p>Participate in the Federal Government NGERS reporting. This involves corporations that meet a National Greenhouse and Energy Reporting (NGER) threshold must register report each year.</p>	<p>National Operations and Sustainability Manager, monitors and records the NABERS ratings for office buildings located in Australia</p> <p>Monthly reports provided to the asset manager</p> <p>Annual report completed and lodged</p>

☒ Social

Target/KPI	Progress Achieved
<p>Head sponsor of the Salvation Army Red Shield Appeal as promoted by our property management provider as a social welfare initiative.</p> <p>Initiative to improve the environmental and social impact of our clients' supply chains</p>	<p>Developed appreciation and understanding of issues impacting society</p> <p>Open communication with tenants has developed stronger relationships and understanding of their core business.</p>

☒ Governance

Target/KPI	Progress Achieved
RM3 risk and compliance audits Trust audits undertaken for domestically located assets External KPMG audits undertaken – our property management services provider undertake an external audit of their processes to ensure their practices comply with property accounting practices.	Regular audits and reports completed Completed and reported to meet trust accounting obligations Receipt and review of audit reports

☐ We do not set and/or monitor against targets

#### PR 12.3 Additional information. [Optional]

The above KPI's encompass ongoing operational practices the Real Estate Team employ and are key to the active asset management strategy. We are always keen to understand if our assets are compliant with the relevant key standards here in Australia, e.g. NABERS, RM3 risk, etc.

With regards to our international assets; Japan specifically, our asset managers consult with engineers, and experts to provide reports on the condition of assets on an annual basis. They look at various different factors, including; the building structure, safety and energy efficiency. The property managers are contracted to conduct monthly checks to ensure assets remain compliant. This is in line with the expectations we have of our domestic property managers.

### Property developments and major renovations

PR 14	Mandatory	Public	Core Assessed	PRI 2
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

#### PR 14.1 Indicate the proportion of active property developments and major renovations where ESG issues have been considered.

- ☒ >90% of active developments and major renovations
- ☐ 51-90% of active developments and major renovations
- ☐ 10-50% of active developments and major renovations
- ☐ <10% of active developments and major renovations
- ☐ N/A, no developments and major renovations of property assets are active

(by number of active property developments and refurbishments)

**PR 14.2**

Indicate if the following ESG considerations are typically implemented and monitored in your property developments and major renovations.

- ☐ Environmental site selection requirements
- ☐ Environmental site development requirements
- ☐ Sustainable construction materials
- ☒ Water efficiency requirements
- ☒ Energy efficiency requirements
- ☒ Energy generation from on-site renewable sources
- ☒ Waste management plans at sites
- ☒ Health and safety management systems at sites
- ☐ Construction contractors comply with sustainability guidelines
- ☐ Resilient building design and orientation
- ☐ Other, specify

## Communication

**PR 20****Mandatory****Public****Core Assessed****PRI 6****PR 20.1**

Indicate if your organisation proactively discloses ESG information on your property investments.

- ☐ Disclose publicly
- ☒ Disclose to clients/beneficiaries only

**PR 20.2**

Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

- ☐ Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)
- ☐ Other property reporting standards, specify
- ☒ No property specific reporting standards are used

**PR 20.6**

Indicate the type of ESG information that your organisation proactively discloses to your clients/beneficiaries.

- ☒ ESG information on how you select property investments
- ☒ ESG information on how you monitor and manage property investments
- ☐ Information on your property investments' ESG performance
- ☐ Other, specify



**PR 20.7**

Indicate your organisation's typical frequency of disclosing ESG information to the your clients/beneficiaries.

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☒ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc/when requested, specify
- ☐ No proactive disclosure to the public or to clients/beneficiaries