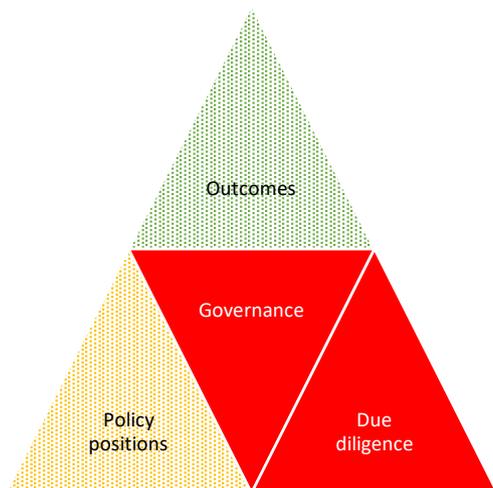


CHALLENGER LIMITED YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

Company Name	CHALLENGER LIMITED
Industry	investment management / wealth management
FY end	30 June 2019
Revenue FY19	\$2.3726 bn
Employees	687
Retail divisions	Life (annuity products to retail investors)
CLIS divisions	Life (commercial distribution relationships/ platform relationships), Funds management (Fidante Partners and CIPAM)
Law reform contributions	not in our sample
Overall level of disclosure	Moderate

Our overall rating for Challenger's human rights performance for each domain is set out below



RETAIL: AMBER

Challenger's approach to governance of human rights risk in this domain is piecemeal, with glimpses of attention to privacy (and in some respect information via its Code of Conduct's description of 'fair dealing'), but we found no evidence of conscious attention to governance of human rights risk across all of our human rights categories.

We found some evidence of policy positions but mostly we were unable to view policies that might speak to the risks in this area. There was no evidence of a due diligence process relating to human rights risk arising from its retail activities.

Challenger was one of the better performers on our outcomes indicators: no disclosures were required to be made to OAIC; no evidence of customer complaints at AFCA, no evidence of data breaches, no evidence of regulator actions in respect of retail customers, no payment of remediation to customers. We also found evidence of positive reviews of its retail products. Yet there was a lack of disclosure from Challenger on matters only it could report on: levels of consumer complaints and timeframes to address (including evidence of other remedies); any need for use of

policies to assist customers dealing with particularly challenging financial circumstances. We note disclosures around product simplification but no evidence to suggest that promoting human rights (notably economic security, anti-discrimination) was a motivating factor.

COMMERCIAL LENDING INVESTMENT AND SERVICES (CLIS): AMBER

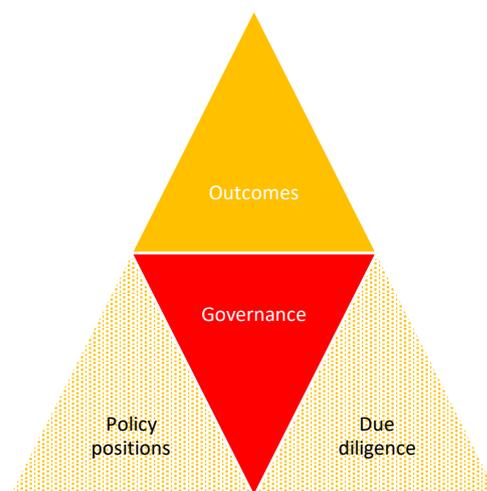
Given the importance of this domain to Challenger's overall activities, we were disappointed at a lack of obvious disclosures from Challenger.

We found little evidence of a holistic approach to governance of human rights risk in this area. While Challenger mentions certain SDGs are relevant to its thinking, its commentary on 'sustainability' appears to be focused towards environmental issues. We also examined Challenger's 2019 Principles of Responsible Investment Transparency Report in the hope of understanding their approach more clearly, but it didn't provide much in the way of insight into what the 'S' in 'ESG' means for Challenger.

Challenger appears to have a broad policy framework, with various policies cited within various reports. Only a few policies are publicly available and this influences our ability to assess their performance against our policy indicators.

We found evidence of a due diligence process operating for 'ESG' risk via its investment activities, deploying external consultants and advisers on ESG. It lacked specifics on human rights risk.

There was little in the way of disclosure of outcomes around investment. While Challenger appears to view 'E' as 'climate change', it notes that the group is 'not materially exposed to climate risk due to diversification as part of its asset allocation strategy'. Human rights risk cannot be diversified away such that, on a portfolio view, there is no risk at all.

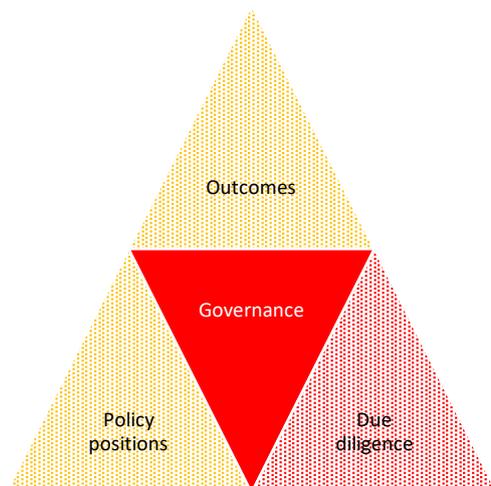


This report is presented for the purpose of disseminating information and research findings for the benefit of the public. It has been prepared on the basis of evaluation of human rights performance based on publicly available material for the 22 ASX listed entities included in the sample.

The University of Sydney ("University") makes no representations or warranties as to the accuracy, completeness, or reliability of the information contained in the report, and accepts no legal liability whatsoever arising from, or connected to, the material contained in this report.

The information contained in this report is not intended to constitute legal, tax, financial or investment advice and nothing in the report is intended to imply any recommendations or opinions. The University recommends that users make their own independent judgements or seek independent advice with respect to the information contained in this report.

EMPLOYEES: AMBER



As one of the smaller employers in our FSE sample, with most of the team based in Australia and smaller teams in London and Tokyo (and only one or two persons in Ireland and Sweden), there is some attention given to governance of human rights risk for employees, notably in non-discrimination and work health and safety. But this attention lacks a holistic approach as evidenced across our six human rights categories.

While we found evidence of the existence of a broad suite of policies in the areas of non-discrimination and work health and safety, we were unable to find these policies on Challenger’s website.

There was not real evidence of any due diligence processes applied to assess human rights risks or impacts.

While there was some positive performance on our outcomes indicators, there was an absence of disclosure on certain key issues. For example, detailed reporting on diversity profiles was comprehensive for age and gender, but not

other aspects of diversity. This is notwithstanding Challenger adopting a broad definition of diversity in its Diversity Policy. We note Challenger indicates it ‘refreshed’ its approach to diversity in FY19, ‘incorporating direct inputs from our employees to focus on the areas that matter most to them.’ Its apparent focus on diversity was also not reflected in any specific reporting on how it was going to address the worsening gender pay gap Challenger reported for FY19.

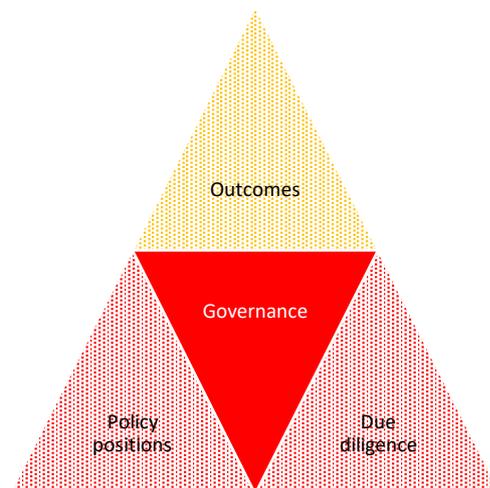
SUPPLY: RED

The commentary in the FY2020 Modern Slavery Statement indicates a series of actions taken in that year (not FY2019, the relevant period for our Year 1 study) which suggests these were not in place for FY19.

Our review of the documents we could access for FY19 indicated a lack of attention to Governance of this source of risk within Challenger.

Thus it was unsurprising to find little attention of policy positions or details on supplier and supply chain due diligence around human rights risk.

The coding for Outcomes is common across our FSE sample.



SOCIETY: RED

One element of Challenger’s sustainable business strategy is constructive public policy settings: ‘taking action on issues affecting the ability of retirees to achieve financial security; and helping our customers and communities to be strong and financially resilient.’ Challenger links this to SDGs 8, 10 and 17.

This statement of intent speaks directly to economic security.

However we did not find any recognition of the potential for its public policy advocacy to impact human rights impacts – positively or negatively - in relevant Board and Committee Charters or in its 2019 Annual or Sustainability Reports.

Recognising the potential for impact and then assessing all public policy advocacy through a human rights lens even for economic security alone might identify other opportunities for Challenger to lend its voice to ensuring financial resilience not only of its customers, but also of the broader community. For example, we note the partnership with National Seniors Australia in research around finances and retirement. We also note the support of the Council of the Ageing around consumer retirement issues.

Challenger did not make any submissions to the law reforms we considered. Some of these were a missed opportunity for Challenger.

