

Sustainability Report 2016

Challenger Limited – providing
our customers with financial
security for retirement.

From the Chairman

Fellow shareholders

In today's world of advanced medical treatments, technology and healthier lifestyles, people are living longer than previous generations lived. As a consequence, more than 700 people reach retirement age in Australia every day.

Many years ago, Challenger made a deliberate choice to focus its business on providing security to Australians for their retirement. Not only does this provide economic benefits to our shareholders but it also addresses the economic and social challenges that arise from an ageing population.

Sustainability, therefore, underpins our purpose as a business. It encompasses the sustainability of our business activities and their impacts, including but not limited to our environmental footprint. It concerns the sustainability of our workplace and the wellbeing of our employees. Most importantly, it addresses the sustainability of our customers' lifestyles in their older years when financial security is paramount.

The 2016 Challenger Sustainability Report provides an overview of activities that support our sustainability agenda.

Throughout the year, Challenger made significant progress in the area of public policy reform in our efforts to create a world-class retirement income system. The Commonwealth Budget in May outlined a series of reforms that would expand the availability of a new range of lifetime income products for retirees. These reforms followed concerted efforts by Challenger through thought leadership, policy forums and media commentary.

Our employees continued to tell us their workplace provided a productive and rewarding career experience. Our 2016 employee engagement survey showed Challenger was above the Australian national norm in all 17 categories surveyed and above every financial services benchmark globally. We're extremely proud of these results.

We've also improved our commitment to environmental sustainability over the past 12 months. Central to this was moving Challenger's head office in Sydney to new, more environmentally friendly premises in Martin Place. Popularly known as the 'money box' building, these premises have a five star Greenhouse rating.

We're continuing to monitor our carbon footprint across all parts of the business. For the second year we have disclosed our carbon emissions through the internationally recognised Carbon Disclosure Project and have offset relevant greenhouse gas emissions, making our business operations carbon neutral.

Our approach to sustainability will continue to evolve and mature. We recognise our business model provides terrific opportunities to deliver outcomes that are beneficial to both Challenger and the community in which we operate. Having financial security for retirement can be out of reach for many Australians due to a range of circumstances. These are areas we will further explore over the next 12 months, in addition to the work already underway to improve our environmental performance.

Thank you for taking the time to read this report and I look forward to updating you on our progress over the coming year.



Peter Polson
Chairman

1. Our sustainability priorities

Sustainability is critical for Challenger to build long-term value for our customers, shareholders, employees and the wider community.

With a vision of providing our customers with financial security for retirement, we believe in having a retirement system that encourages long-term savings and the conversion of those savings into retirement income that lasts for a lifetime. This is important given the ever growing number of retirees who are living longer.

We also believe in the delivery of sustainable business practices through robust governance; strong risk management culture and practices; people and workplace programs that encourage diversity; the responsible investment of customer and shareholder money; and sustainable taxation practices. Finally, we strive to contribute to the sustainability of our environment and the communities in which we operate.



2. Our stakeholders

In initially defining our material sustainability impacts last year we consulted extensively with stakeholders within Challenger, and incorporated requirements and feedback from groups of external stakeholders, including regulatory bodies, shareholders, proxy

advisory firms and retail shareholder representatives. Those stakeholders remain relevant today.

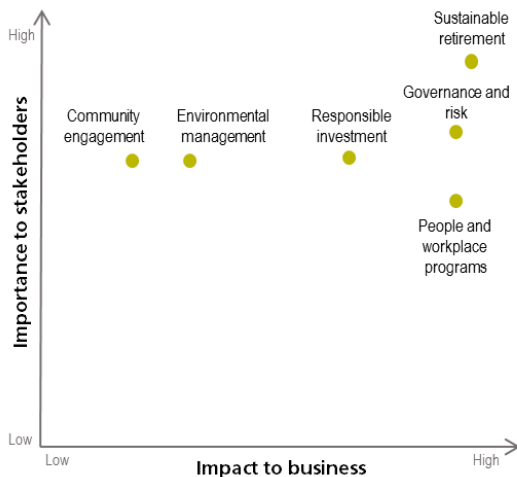
A map of our key stakeholder groups is illustrated below.



3. Material sustainability impacts

We have continued to focus on key material sustainability aspects identified in 2015. These were initially identified by conducting a materiality assessment, taking into account issues which were important to our internal and external stakeholders.

The areas identified as material for Challenger and their level of importance to stakeholders and impact to the business are detailed below.



4. Governance at Challenger

The Board and management of Challenger recognise their duties and obligations to stakeholders to implement and maintain a robust system of corporate governance. We believe the adoption of good corporate governance adds value to stakeholders and enhances investor confidence.

The Board is accountable to shareholders for the activities and performance of Challenger by overseeing the development of sustainable shareholder value within an appropriate risk framework. The Board delegates to the Chief Executive Officer the authority and powers necessary to implement the strategies and policies it approves; and to manage Challenger's business within the policies and specific delegation limits specified.

To assist it in undertaking its duties and to ensure compliance with the ASX Corporate Governance Principles and Recommendations, the Board has established a number of committees. The Charter of the Board and each of the committees is available at <http://www.challenger.com.au/group/Documents/BoardCharter.pdf>

The Executive Risk Management, Work Health and Safety, Asset Liability, Diversity and Our Community Committees are responsible for progressing aspects of Challenger's sustainability strategy and providing regular updates to Senior Executives, the Board and its committees.

Board committees



5. Sustainable retirement

Providing Australians with security for their retirement requires Challenger to engage and collaborate with multiple stakeholders. Successful collaborations help create a sustainable retirement income system, which is good for shareholders, customers and the broader economy.

Over the past 12 months, Challenger yielded significant results by continuing to lead the debate for revised policy settings which support the provision of a new range of retirement income products.

Our activities centred on participation in key policy forums; meetings with government decision makers; and media activities. As a result, the Federal Government announced in its May Budget the removal of barriers impeding the development of a new form of longevity products.

The reforms lay the pathway for further innovation through the creation of Comprehensive Income Products for Retirement or CIPRs. The benefits of these reforms are numerous, but most importantly:

- they ensure retirees have more options available to them to secure guaranteed income streams in retirement; and
- they also mean retirees will be less reliant on the aged pension, which benefits taxpayers.

Challenger was also a sponsor of the Committee for Sustainable Retirement Incomes Leadership Forum, a think tank advocating for the design of a world-class retirement income system. Educating the superannuation industry on better ways to manage income in retirement has been an important focus complementing our advocacy activities.

As the superannuation system begins to mature, more Australians will face the challenge of supporting their desired lifestyle by using their superannuation savings throughout retirement. Previously, retirees have had their income managed by other people, via defined benefits or reliance on the Age Pension. Educating the stakeholders, such as funds and financial advisers about the financial strategy of income layering, has been a key part of this program.

Working with superannuation funds coordinated with the Association of Superannuation Funds of Australia (ASFA) and also with KPMG in targeted roundtables has helped Australia's superannuation funds to deliver better retirement outcomes for their members.

Challenger also supports the education of financial advisers through university accreditation courses at the UNSW and University of Adelaide, as well as contributing to ongoing education for various professional bodies in the industry.

Challenger is also a key collaborator with National Seniors Australia and the publication of the Seniors Sentiment Index, considering how older Australians are coping across a range of wealth, health and social indicators.

6. Sustainable business practices

Risk management

At Challenger, risk is everyone's business. Culturally, it permeates all levels of the organisation in the behaviours displayed towards the identification, discussion and mitigation of risk.

The Board's Risk Appetite Statement outlines the level of risk that is acceptable in striving to achieve Challenger's strategic goals and financial objectives. It also provides clear boundaries on acceptable risk taking activities across the organisation.

Our employees take risk seriously. In our most recent employee engagement survey, 87% of employees had a positive view towards Challenger's risk culture (this is 10 points above the Australian national norm). In addition, 83% of employees proactively identify risk management issues as part of their standard work practices.

Challenger also considers sustainability risk to be an important part of its broader risk management framework and has in place a broad range of policies and practices detailed in later sections of this report.

6. Sustainable business practices (continued)

Code of conduct

The Challenger Board has adopted a Corporate Code of Conduct which applies to all Directors and employees. The Code articulates the standards of honest, ethical and law-abiding behaviour expected. Employees are encouraged to raise any breaches of the Code.

Whistleblower provisions

All policies at Challenger have a whistleblower provision and clear instructions on how employees can raise concerns in a confidential and non-threatening way. We strongly encourage employees to act on any concerns and actively foster a culture where issues can be raised and are addressed.

Political donations

The Challenger Board has adopted a policy of not making political donations in any country or jurisdiction in which it operates.

Anti-money laundering, counter-terrorism financing and anti-corruption

Challenger is committed to deterring the use of its products and services as an avenue for money laundering, financing of terrorism, tax evasion or as a means for processing criminal gains, and has adopted a program to address these matters which complies with anti-money laundering and counter-terrorism financing legislation.

We endorse a corporate culture where employees understand that fraud, corruption, dishonest acts and conflicts of interest will be detected and investigated. This is governed by our Fraud Management and Prevention Policy.

Challenger does not apply any materiality threshold for internal fraud and fraud will not be tolerated in any form.

Responsible investment

As institutional investors, Challenger has a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and through time.

Adding to a Board approved Responsible Investment Policy, in July 2015 Challenger became a signatory to the United Nations Principles of Responsible Investment (UNPRI). This is a further step towards a framework for investment governance which has been developing over many years.

It is Challenger's policy that, to the extent that information is available, investment managers should incorporate ESG issues into investment analysis and decision making. We also recognise that applying the UNPRI aligns investors with the broader objectives of society.

Our commercial property assets

Challenger is committed to investing in commercial property assets with strong environmental credentials, and targets a minimum NABERS occupancy rating of 4.5 stars for all new assets.

In 2016, Challenger purchased the following commercial property asset:

Asset	NABERS occupancy rating
215 Adelaide St, Brisbane	4.5

We operate a program of continuous improvement across our commercial portfolio to maximise energy efficiency, working towards an average NABERS occupancy rating of 4.5 stars.

At year end, the average NABERS occupancy rating across our commercial property portfolio was 4.2 stars.

Challenger complies with all regulatory requirements with regard to our commercial property assets, and will report in accordance with the National Greenhouse and Energy Reporting Scheme in 2016.

Responsible marketing

Challenger is committed to marketing its products in a way which is ethical and responsible.

The Australian Securities and Investments Commission (ASIC) has highly prescriptive expectations about marketing and advertising and policies are in place to ensure compliance.

No incidents of non-compliance with the relevant regulations occurred during 2016.

Customer privacy

Challenger collects sensitive information where required by law or where collection has been consented to. Privacy is important to Challenger, and we are committed to ensuring the security and protection of all personal information we hold, in line with our obligations under the Privacy Act and the Australian Privacy Principles.

No significant complaints regarding the breach of customer privacy or loss of customer data occurred during 2016.

6. Sustainable business practices (continued)

Taxation

From a risk perspective, Challenger has a stated “no appetite” for non-compliance with prevailing taxation laws, practice and reporting requirements.

Challenger, in accordance with its corporate governance policies, maintains an open and transparent relationship with key regulators, including the Australian Prudential Regulation Authority (APRA), ASIC and the Australian Taxation Office (ATO).

Challenger’s tax charter governs how tax is managed within the organisation and has been in place since 2007. The charter states that Challenger will manage its tax obligations in a sustainable way with regard to the commercial and social imperatives of the business and our stakeholders. It determines that Challenger will comply with prevailing revenue laws and maintain professional relationships with the regulatory and tax authorities in the jurisdictions we operate in.

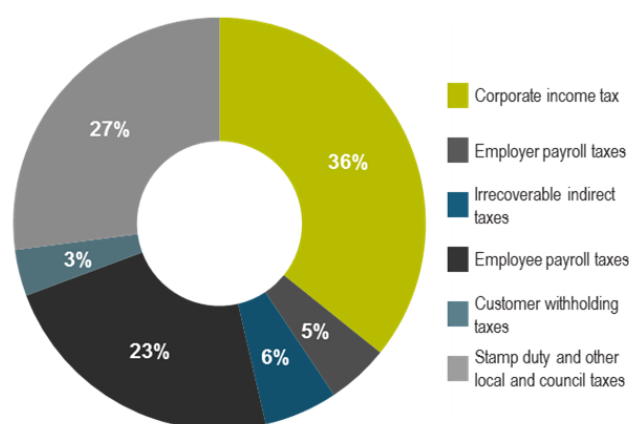
Challenger does not knowingly participate in the avoidance of tax or facilitate and/or promote the avoidance or evasion of tax by a third party.

Engagement with the ATO

According to the ATO’s risk differentiation framework, which is used to assess tax compliance risk and determines the frequency of monitoring and review, Challenger has been categorised as a ‘Key Taxpayer’. This rating positions Challenger at the low end of the relative likelihood of non-compliance with relevant tax laws.

This is a result of the open working relationship Challenger has with the ATO. Matters are disclosed to the ATO in a transparent and collaborative way and there is ongoing engagement between Challenger’s Chief Financial Officer and the relevant Assistant Tax Commissioner.

Challenger’s total tax contribution (paid and collected) to and on behalf of the Australian Government (state and federal) for 2016 was \$178.9 million, broken down as follows:



Overseas subsidiaries

Twenty-four per cent of Challenger Life Company’s investment assets, as at 30 June 2016, were offshore. Challenger invests offshore to secure a diversified and balanced portfolio for its investors and policy holders. Challenger’s Life Company is also party to a number of global reinsurance agreements.

Challenger’s Funds Management business originates and manages offshore assets on behalf of the Challenger Life Company and third party institutional investors such as Australian industry superannuation funds.

These offshore interests mean a number of overseas subsidiaries are included in the Challenger Group organisational structure.

Foreign structures are used to provide certainty over commercial, legal and tax aspects of the various transactions we enter into. This certainty comes from using entities in jurisdictions with similar laws to Australia or those that have substantially complied with the Organisation for Economic Cooperation and Development’s guidelines on tax transparency, including information exchange with global tax authorities.

Challenger, like many other institutional investors in Australia and globally, when investing in offshore investments is required to establish wholly-owned subsidiaries in the countries where the investment is located.

Use of these structures is part and parcel of global investing for most institutional investors. For Challenger, it allows us to invest alongside other institutions from other countries in an efficient way; increase economies of scale by allowing investors to pool their capital; reduce investment risk through portfolio diversification; and gain exposures to assets that Challenger may not otherwise be able to access directly on its own.

The investment returns that Challenger makes are taxable in the source country of the investment and also in Australia.

6. Sustainable business practices (continued)

Our workplace and people

At Challenger, our employees are key to our success and we foster and promote a work environment where diversity is embraced and our people are motivated to perform at their best.

Our workforce demographics, in terms of full-time equivalent (FTE) employees as at 30 June 2016, are detailed in the following tables:

Employment type by gender

Employment status	Female	Male
Permanent full-time	194.0	349.0
Permanent part-time	20.5	3.0
Fixed-term full-time	17.0	26.0
Fixed-term part-time	3.8	0.6
Casual	1.0	0.8
Agency contractors	6.6	10.6
Independent contractors	-	2.0
Total FTE	242.9	392.0

Employment by region and gender

Region	Female	Male
Adelaide	1.0	2.0
Brisbane	5.0	5.0
Hobart	9.0	7.0
Melbourne	7.0	11.8
Perth	2.0	2.0
Sydney	208.1	335.2
United Kingdom	8.8	28.0
Total FTE	242.9	392.0

Employment by age group

Age group	FTE
Under 30	111.6
30 – 50	464.1
Over 50	59.1
Total FTE	634.9

Challenger increased the number of FTE by 77.5 during 2016.

Breakdowns of new hires and turnover in terms of FTE are detailed in the following tables.

New hires by age group

Age group	New hires
Under 30	44.2
30 – 50	115.4
Over 50	16.2
Total FTE	175.8

New hires by region and gender

Region	Female	Male
Adelaide	-	-
Brisbane	-	-
Hobart	2.0	1.0
Melbourne	2.6	1.8
Perth	1.0	-
Sydney	60.2	71.4
United Kingdom	7.8	25.0
Total FTE	75.6	100.2

Turnover

Challenger's turnover during 2016 was 98.3 FTE employees. Further breakdowns are detailed in the tables below.

Turnover by age group

Age group	Turnover
Under 30	22.0
30 – 50	64.8
Over 50	11.5
Total FTE	98.3

Turnover by region and gender

Region	Female	Male
Adelaide	-	-
Brisbane	1.0	-
Hobart	3.0	3.5
Melbourne	1.0	1.0
Perth	-	-
Sydney	33.4	46.4
United Kingdom	7.0	2.0
Total FTE	45.4	52.9

6. Sustainable business practices (continued)

Challenger Principles

Challenger has five principles that are integral to our culture and linked to everything we do:



Our employment brand

Challenger's employment brand, developed with our employees, communicates the employment experience offered to current and potential employees. It is built on the following four pillars:



Employee engagement

Challenger is committed to creating a great place to work for all employees. An employee engagement survey was conducted in March 2016 and administered by a new external provider – Willis Towers Watson. Participation was high with 89% of employees providing feedback.

The overall sustainable employee engagement score was 88%, placing us well above the Australian National norm, Global Financial Services norm and Global High Performing Companies norm.

All 17 survey categories scored above the Australian and Financial Services benchmark and 85% of scores were above the Global High Performing Companies benchmark.

Areas where we achieved strongest results when compared to Australian National norms include:

- communication and change management (+25 points);
- leadership (+24 points);
- innovation and agility (+19 points);
- collaboration (+16 points);
- employment brand (+12 points); and
- diversity and flexibility (+11 points).

In addition, 87% of employees responded favourably to questions relating to Challenger delivering on the promises it makes to employees.

Leadership and succession

Challenger continues to invest in leadership capability. Key initiatives during 2016 included:

- Our fifth group of leaders attended Challenger's customised Leadership Foundations Program, developed with and delivered by the Australian Graduate School of Management.
- We completed a comprehensive review of succession planning throughout the organisation. This review included lower level managers and gave them the opportunity to provide insight into the process.
- The Leadership Team conducted a further review of future leadership needs and new roles required to successfully deliver Challenger's business strategy.
- Sponsoring a Diversity Scholarship program enabling high-potential women to participate in accelerated development programs.

In our 2016 employee engagement survey, 87% of employees indicated confidence in and respect for the Leadership team and there was strong acknowledgement of the team being visible and accessible.

When compared to 2015, there has been a 10 point increase in our overall leadership score. This result was well ahead of both Australian National and Global Financial Services norms.

6. Sustainable business practices (continued)

Our employee recognition program

Our employee recognition program, Making a Difference, recognises individuals and teams who demonstrate the Challenger Principles and our employment brand qualities. The program has been largely successful in encouraging peer-to-peer recognition, with on average more than 300 instances of recognition per month.

Health and safety at work

Challenger is committed to maintaining a safe place to work for our employees and visitors.

Our Work Health and Safety (WHS) Committee meets bi-monthly and provides regular updates to the Board via the Executive Risk Management Committee regarding both hazards and risks and actions taken to eliminate or control them. During 2016, the committee reviewed and updated our WHS policy and played an important role in ensuring the health and safety of employees was a priority in our office relocation to 5 Martin Place, Sydney.

In our 2016 employee engagement survey, 95% of employees responded favourably to the question 'Challenger cares about the health and safety of its employees at work,' positioning Challenger significantly above Australian benchmarks.

During 2016, Challenger maintained its strong work, health and safety record, as detailed below.

Employment status	2014	2015	2016
Lost Time Injury Frequency Rate (days)	5.0	1.8	2.4
Workers Compensation claims	4	2	6
Absenteeism days (per FTE)	2.8	3.4	3.1
Fatalities	Nil	Nil	Nil

Mental health initiatives

During 2016, Challenger continued to partner with our employee assistance provider, *Assure Programs*, and community partner, *beyondblue*, to increase awareness and understanding of mental health issues.

In September, we held an R U OK Day employee event. Along with fundraising for our community partner *beyondblue*, this event provided the opportunity for Challenger employees to hear stories from *beyondblue* volunteers about their personal experiences with mental illness; helping to raise awareness and understanding amongst employees.

We also offer confidential and free counselling services through *Assure Programs*. This service is available to employees and their immediate family members. *Assure Programs* also provides support and advice to leaders in managing people-related issues.

As a result of our continued focus on mental health, use of this service has remained strong. This demonstrates our focus resonates with employees and encourages them to seek support when needed.

Discrimination, harassment and bullying

Discrimination, harassment and bullying are not acceptable at Challenger. Everyone has an obligation to behave in accordance with our Discrimination and Harassment and Bullying policies which set out expected standards of behaviour. No substantiated incidents of discrimination or harassment have occurred during the reporting period.

These standards are well established in our culture, with the Diversity and Flexibility category ranking highest in our employee engagement survey at 92% favourable. 97% of respondents also agreed that sex-based harassment is not tolerated at Challenger.

Diversity

Challenger seeks to provide an inclusive workforce and values the capability and experience diversity brings to the organisation. We recognise that an inclusive work environment increases our ability to attract and retain the best talent from the widest pool of candidates, enabling us to build upon our high performing team. We also recognise that successfully harnessing diverse thought and working styles contributes to innovative and long-term sustainable outcomes.

Our Diversity Policy emphasises Challenger's commitment to employees being treated fairly, equally and with respect when employment and career decisions are made; and sets measurable objectives to ensure that the policy is effective.

We have four principles that guide our approach to workplace diversity:

We recognise and embrace the contribution of people with different backgrounds, experiences and perspectives.

We support equality of opportunity regardless of gender, age, ethnicity, sexual orientation, disability or career status.

We contribute to a culture where everyone's contribution is recognised and people feel valued and included.

We believe diversity is a strength for effective teams and will drive value for Challenger, its customers and employees.

6. Sustainable business practices (continued)

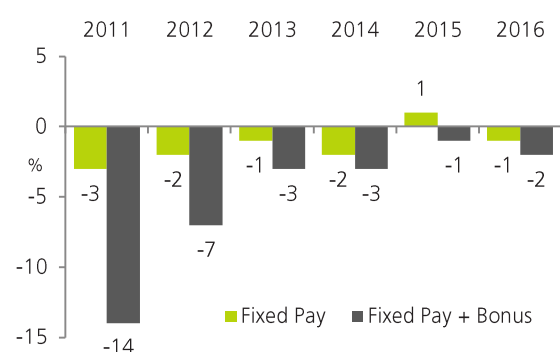
Diversity governance

The Board has oversight of diversity, and the Leadership Team is accountable for promoting and fostering an environment with equal access to opportunities and growth. Gender diversity targets are monitored by both groups on a monthly basis and on a quarterly basis by all managers using our diversity scorecard.

Remuneration equity by gender

Challenger reviews gender remuneration equity annually, with a particular focus on remuneration equity for like roles. Since 2011, adjustments have been made to remuneration to eliminate gaps and ensure equity for like roles.

Remuneration positioning for women compared to men against the market



Female compared to male fixed remuneration

In addition to comparing gender remuneration equity for like roles, Challenger also reports on the categories below:

Category	Female % of average male salary
Non-management	98%
Other management	85%
Senior management	75%

Our analysis of organisation-wide and by level gaps indicate these gaps are caused by females being generally under-represented in management and business line roles. Our gender diversity initiatives aim to redress this imbalance and we expect to see these gaps reduce over time.

Supporting employees with families and other personal commitments

We offer flexible work to support employees to balance work and personal commitments. Our employee engagement survey indicated 89% of respondents believe they have the flexibility they need

to manage their work and personal responsibilities (including caring).

Our Personal and Compassionate Leave Guidelines now include additional personal leave entitlements for victims of domestic violence.

Employees who are new parents, both male and female, are supported through our parental leave policy, with primary care givers receiving 12 weeks' paid leave and secondary care givers receiving two weeks' paid leave.

In 2016 Challenger had an 89% parental leave return rate as detailed below.

Employment status	Female	Male
Commenced leave ¹	21	3
Returned from leave ²	8	n/a
Employed after 12 months ³	15	n/a
Return rate (%)	89%	n/a

¹ Commenced leave between 1 July 2015 and 30 June 2016.

² Commenced leave between 1 July 2014 and 30 June 2015 and returned from leave between 1 July 2015 and 30 June 2016.

³ Employees due to return from leave between 1 July 2014 and 30 June 2015 still employed 12 months after their return.

In addition, Superannuation Guarantee Payments are now paid for both men and women whilst on parental leave, further supporting our vision to provide Australians with financial security for retirement.

Board diversity

The Board has a policy on Board renewal as detailed in the Corporate Governance Report. Age and gender diversity outcomes for the Challenger Board at the conclusion of 2016 are detailed below:

	Female	Male
Under 30 years	-	-
30 – 50 years	-	-
Over 50 years	2	6
Total	2	6

Gender diversity outcomes

Challenger's gender diversity outcomes are detailed below:

% of women	2014	2015	2016
All Challenger	38.2%	40.1%	41.7%
Non-management	43.1%	44.0%	45.6%
Other management	26.2%	27.0%	37.3%
Senior management	21.6%	22.5%	27.0%

6. Sustainable business practices (continued)

Diversity measurable objectives for 2016

Each year, the Board commits to measurable diversity objectives against which progress is reviewed at the end of the year. Challenger's measurable diversity objectives and performance for 2016 are detailed below:

Objective	Performance												
Strategy and business case Incorporate workplace diversity in our organisational strategy	<ul style="list-style-type: none">Challenger’s Vision, Strategy and Execution framework incorporates diversity as a key strategic priority and our diversity strategy is communicated and actively promoted within the organisation.												
Stakeholder engagement Continue to build awareness of our priority on, and the benefits of, workplace diversity	<ul style="list-style-type: none">We evaluate employee perceptions on diversity and flexibility as part of our employee engagement survey. In 2016, questions required by the Workplace Gender Equality Agency Employer of Choice for Gender Equality citation were included as part of the survey. Responses to Diversity and Flexibility category questions ranked highest, with 92% responding positively.We support employee participation in relevant external groups focused on workplace diversity and inclusion, to contribute to and learn from practices in other organisations. This is supported through our membership of the Diversity Council Australia and Women in Banking and Finance.We celebrated our cultural diversity on Harmony Day and raised awareness of the diverse cultures that make up our employee population.												
Gender composition Increase the representation of women in senior leadership	<ul style="list-style-type: none">We promote the development of talented women by sponsoring a diversity scholarship program for high-potential women, with four scholarships awarded in 2016.We ensure the Nomination Committee and the Board have an appropriate diversity of membership. At the end of 2016, female representation on the Challenger Board and the Nomination Committee was 25% and 29% respectively.Our current focus is on gender equality and we have set and communicated gender targets to employees. Progress made towards to our interim target set for 30 June 2017 is as follows: <table><tr><td></td><td>Dec 15</td><td>Jun 16</td><td>FY17 target</td></tr><tr><td>Women in all roles</td><td>39.5%</td><td>41.7%</td><td>42%</td></tr><tr><td>Women in management</td><td>27.4%</td><td>29.3%</td><td>32%</td></tr></table>		Dec 15	Jun 16	FY17 target	Women in all roles	39.5%	41.7%	42%	Women in management	27.4%	29.3%	32%
	Dec 15	Jun 16	FY17 target										
Women in all roles	39.5%	41.7%	42%										
Women in management	27.4%	29.3%	32%										
Gender pay equity Continue to drive gender pay equity	<ul style="list-style-type: none">The CEO is a Workplace Gender Equality Agency Equal Pay AmbassadorWe analyse pay equity for like roles against market and across levels in the organisation and make adjustments to individual remuneration outcomes to ensure equity for men and women.Superannuation Guarantee Payments are now paid for both men and women whilst on parental leave, which further supports our vision to provide our customers with financial security for retirement.												
Flexibility Expand flexible working to make our business more agile and enable employees to better balance work / life	<ul style="list-style-type: none">To support employees with families, Challenger offers 12 weeks’ paid parental leave to primary carers and two weeks’ paid parental leave to secondary carers.Return from parental leave statistics for 2016 were 89%.We also updated Personal and Compassionate Leave Guidelines to include additional sick leave entitlements for victims of domestic violence.												
Talent pipeline Focus on recruitment and retention practices to ensure a diverse talent pool	<ul style="list-style-type: none">We ensure gender diversity on interview panels for senior leadership positions (at least one woman required for interview panels).We analyse promotions and secondments by gender and identify and address any inequities in development and advancement opportunities. We complete a talent management process annually.We ensure recruitment agencies on Challenger’s panel provide 50/50 gender representation for all candidate shortlists.												

7. Sustainable business impacts

Environmental management

Challenger is committed to reducing our impact on the environment by raising employee awareness; using technologies that minimise our use of resources; and occupying sustainable places of work.

Premises

In January 2016, we relocated our Sydney head office workspace to 5 Martin Place (representing 90% of our workforce), a 5 star NABERS and Green Star rated building.

In addition to improvements in energy efficiency, enhanced waste management, recycling processes and improved printer ratios have been implemented. This move reinforces our commitment to energy efficiency and reducing our carbon footprint.

Challenger is carbon neutral for our business operations

Challenger commenced a partnership with Climate Friendly and introduced a program of offsetting our greenhouse gas emissions in 2013.

The following year we extended this commitment to include our waste (Sydney head office), taxi trips, paper disposal, and 20% of air travel.

In 2015, Challenger offset all relevant greenhouse gas emissions for all offices making our business operations carbon neutral. This will be continued in 2016.

The projects selected to offset these emissions are the Tasmanian Native Forest Protection Project in Australia and the Yuxian Baiyantuo Wind Project in China, which are issued under the Verified Carbon Standard and compliant with the Australian National Carbon Offset Standard.

Our carbon impact

We are continuing to monitor our environmental impact. Our greenhouse gas emissions intensity and energy intensity ratios per employee remain at similar levels to 2015.

While we have seen an increase in total greenhouse gas emissions when compared to 2015, this can largely be attributed to an increase in the number of employees across the organisation. We anticipate improvement in the years ahead as we benefit from the efficiency of our new Sydney head office workspace.

2016 emissions

Challenger's greenhouse gas emissions for 2016 were:

Emissions ¹	tCO ₂ -e	Source data	Units
Scope 1			
Direct emissions	-	-	-
Total scope 1	-	-	-
Scope 2			
Electricity ²	994.3	1,133	MWh
Total scope 2	994.3	1,133	MWh
Scope 3			
Air travel	4,187.0	6,777	('000) km
Waste to landfill	30.9	22.1	tonnes
Paper consumption	19.4	12.8	tonnes
Taxis	68.2	292	\$ ('000)
Car allowances	239.0	660	\$ ('000)
Major events ³	167.1		
Total scope 3	4,711.6		
Total scope 1 + 2 + 3	5,705.9		

¹ Challenger references a financial control boundary for emissions.

² Energy emissions were calculated based on the Department of Environment National Greenhouse Accounts Factors published in Aug 2015.

³ Includes AGM, Staff Update briefings and annual Christmas Party.

Greenhouse gas emissions intensity

Challenger's greenhouse gas emissions intensity ratios with reference to FTE are detailed below:

Scope	Avg tCO ₂ -e per FTE for FY16
Scope 1	-
Scope 2	1.6
Scope 3	7.4
Total	9.0

Energy intensity

Challenger's energy intensity ratios (attributable to electricity consumption within the organisation) with reference to FTE are detailed below:

	Avg tCO ₂ -e per FTE for electricity consumption		
Office	2014	2015	2016
Sydney	1.8	1.5	1.5
All offices ¹	N/A	1.6	1.6

¹ Data not recorded until 2015.

7. Sustainable business impacts (continued)

Community engagement and investment

Challenger aims to contribute to the growth and sustainability of the communities in which we operate.

Community partnerships and giving

We partner, and have long-standing relationships with, a range of charitable and not-for-profit organisations supporting a broad demographic of Australians.

Our community partnerships include Alzheimer's Australia; Barnardos; Bear Cottage; beyondblue; Meals on Wheels; and the National Seniors Foundation Trust.

Through Challenger's Community Giving Program, employees can make regular pre-tax donations directly from their salary to one of our community partners. Employee contributions are matched by Challenger up to \$500 per employee per year.

Volunteering

Challenger believes volunteering is a significant way in which employees can contribute to the community. Employees are provided with one paid day of volunteering leave each year to offer voluntary services to a not-for-profit organisation, or environmental, community or charitable project.

Dividend donation program

Challenger's shareholders are also invited to support our community partners, by donating some or all of their dividends through our Dividend Donation Program.

Total community contributions

Taking into account all donations made to our community partners and other charitable organisations, together with volunteering costs, Challenger donated an average of \$119 per employee during 2016.



Content Index – General standard disclosures

Indicator	Description	Details or location of information	Omissions	Page
Strategy and analysis				
G4-1	Statement from the most senior decision maker of the organisation	<i>From the Chairman</i>	-	1
Organisational profile				
G4-3	Name of the organisation	Challenger Limited	-	-
G4-4	Report primary brands, products and services	http://www.challenger.com.au/about/index.htm	-	-
G4-5	Location of organisations headquarters	5 Martin Place Sydney NSW 2000	-	-
G4-6	Name and number of countries of operation	http://www.challenger.com.au/about/OtherOffices.asp	-	-
G4-7	Nature of ownership and legal form	http://www.challenger.com.au/about/index.htm	-	-
G4-8	Markets served	http://www.challenger.com.au/about/index.htm	-	-
G4-9	Total number of employees	6. Sustainable business practices	-	7
	Total number of operations	http://www.challenger.com.au/about/OtherOffices.asp	-	-
	Net revenue	2016 Annual Report: note 3 to the Financial Statement	-	-
	Products and services provided	http://www.challenger.com.au/products/index.htm	-	-
G4-10	Employee numbers:	6. Sustainable business practices	-	7
	• By employment contract and gender	6. Sustainable business practices	-	7
	• Permanent employees by employment type and gender	6. Sustainable business practices	-	7
	• Total workforce by employees and supervised employees and by gender	6. Sustainable business practices	-	7
	• Are a substantial portion of the organisations workers self-employed?	< 1% of Challenger's workers are self-employed	-	-
G4-11	Percentage of total employees covered by collective bargaining agreements	Challenger does not have any employees covered by collective bargaining agreements	-	-
G4-12	Description of supply chain	2016 Annual Report: part 3.1 to the Director's report Information included in section on 'Operating segments and principle activities'	-	-
G4-13	Significant changes during the period	No significant changes during the reporting period	-	-
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	2016 Corporate Governance Statement: Principle 7- Recognise and manage risk	Challenger does not use the terms precautionary approach or precautionary principle. However, our risk management approach is detailed in our Corporate Governance Statement.	-

Indicator	Description	Details or location of information	Omissions	Page
Organisational profile				
G4-15	External economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	<ul style="list-style-type: none"> • FTSE4GOOD • Carbon Disclosure Project • United Nations Principles of Responsible Investment 	-	-
G4-16	Memberships of associations	Asia Pacific Loan Markets Association Limited Asia Pacific Real Estate Association Limited Association of Certified Anti-Money Laundering Specialists Association of Corporate Counsel GC100 Australia - Israel Chamber of Commerce Australia Japan Business Co-Op Committee Australia Korea Business Council Australian Compliance Institute Inc. Australian Human Resources Institute Australian Payroll Association Pty Ltd Australian Services Roundtable Commonwealth Scientific and Industrial Research Organisation Corporate Executive Board Diversity Council Australia Ltd Financial Institutions Remuneration Group Inc Financial Services Council Financial Services Institute of Australasia Governance Risk Compliance Institute Group of 100 Investment Innovation Institute Institute of Actuaries of Australia Law Council of Australia National Seniors Australia Ltd Principles for Responsible Investment Association Property Council of Australia Risk Management Association Australia SMSF Professionals Association of Australia Tasmanian Chamber of Commerce & Industry Ltd The Association of Superannuation Funds of Australia Women in Banking and Finance	-	-
Identified material aspects and boundaries				
G4-17	Entities included in the organisations consolidated financial statements or equivalent documents	2016 Annual Report: note 21 to the Financial Statement	-	-
G4-18	Process for defining report content and aspect boundaries	<i>3. Material sustainability impacts</i>	-	3
G4-19	All material aspects identified in the process of defining report content	<i>3. Material sustainability impacts</i>	-	3
G4-20	Aspect boundary for each material aspect identified within the organisation	See separate table following	-	-
G4-21	Aspect boundary for each material aspect identified outside the organisation	See separate table following	-	-

Indicator	Description	Details or location of information	Omissions	Page
Identified material aspects and boundaries				
G4-22	Effect of any restatement of information in previous reports	There has been no restatement of information	-	-
G4-23	Report significant changes from previous reporting periods	There have been no significant changes	-	-
Stakeholder engagement				
G4-24	List of stakeholder groups engaged	<i>2. Our stakeholders</i>	-	2
G4-25	Basis for identification and selection of stakeholders	<i>2. Our stakeholders</i>	-	2
G4-26	Approach to stakeholder engagement	<i>2. Our stakeholders</i>	-	2
G4-27	Key stakeholder topics and concerns	<i>3. Material sustainability impacts</i>	-	3
Report profile				
G4-28	Reporting period	1 July 2015 — 30 June 2016	-	-
G4-29	Date of most recent report	18 August 2015	-	-
G4-30	Reporting cycle	Annually	-	-
G4-31	Contact point	Kylie Lauc	-	-
G4-32	GRI option chosen	Core	-	-
G4-33	Approach to external assurance	This report has not been assured. Challenger will consider external assurance in future reporting periods.	-	-
Governance				
G4-34	Governance structure and committees of the highest governance body	<i>4. Governance at Challenger</i>	-	3
Ethics and integrity				
G4-56	Organisations values, principles, standards and norms of behaviour	<i>6. Sustainable business practices</i>	-	8
Disclosures on management approach				
G4-DMA	Why aspect is material, management approach to reducing impact and mechanism for evaluating effectiveness of approach	Refer to relevant section in report	-	-
Energy				
G4-EN3	Energy consumption within the organisation	<i>7. Sustainable business impacts</i>	-	12
G4-EN5	Energy intensity	<i>7. Sustainable business impacts</i>	-	12
G4-EN6	Reduction of energy consumption	<i>7. Sustainable business impacts</i>	-	12

Indicator	Description	Details or location of information	Omissions	Page
Emissions				
G4-EN16	Energy indirect GHG emissions (Scope 2)	7. Sustainable business impacts	-	12
G4-EN17	Other indirect GHG emissions (Scope 3)	7. Sustainable business impacts	-	12
G4-EN18	GHG emissions intensity	7. Sustainable business impacts	-	12
Effluents and waste				
G4-EN23	Total weight of waste by type and disposal method	7. Sustainable business impacts	-	12
Employment				
G4-LA1	Total number and rates of new employee hires and employee turnover by age, gender and region	6. Sustainable business practices	-	7
G4-LA3	Return to work and retention rates after parental leave	7. Sustainable business impacts	-	10
Occupational Health and Safety				
G4-LA6	Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	6. Sustainable business practices	-	9
Diversity and equal opportunity				
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group and other indicators of diversity	6. Sustainable business practices	-	7, 10
Equal remuneration for women and men				
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	6. Sustainable business practices	-	10
Non-discrimination				
G4-HR3	Total number of incidents of discrimination and corrective action taken	6. Sustainable business practices	-	9
Public policy				
G4-SO6	Total value of political contributions by country and recipient/beneficiary	6. Sustainable business practices	-	5
Compliance				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or non-monetary sanctions were applicable to Challenger during the reporting period	-	-
Marketing communications				
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	6. Sustainable business practices	-	5
Customer privacy				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	6. Sustainable business practices	-	5

Aspect boundary mapping

Aspect	Impact within Challenger	Impact outside Challenger	Where impacted
Energy	✓	✓	Communities
Emissions	✓	✓	Communities
Effluents and waste	✓	✓	Communities
Employment	✓	✓	Prospective employees
Occupational Health and Safety	✓	Not material	-
Diversity and equal opportunity	✓	✓	Prospective employees
Equal remuneration for men and women	✓	✓	Prospective employees
Non-discrimination	✓	✓	Prospective employees
Public policy	✓	✓	Government
Compliance	✓	✓	Customers Regulators
Marketing communications	✓	✓	Customers Regulators
Customer privacy	✓	✓	Customers Regulators

