challenger

Annual Report 2024

About this report

The 2024 Annual Report brings together key information on our consolidated financial, operational and sustainability performance for the financial year ended 30 June 2024.

Reflecting continued commitment to sustainability, Challenger's Annual Report incorporates the Sustainability Report in addition to the Operating and Financial Review, Directors' Report and Financial Statements. The report provides our stakeholders with a holistic overview of Challenger's governance and performance for the year.

In this report, unless otherwise stated, references to 'Challenger', 'the Group', 'CGF', 'we', 'us' and 'our' refer to Challenger comprising the ASX-listed entity and the Life and Funds Management businesses.

Challenger acknowledges the Traditional Owners of Country throughout Australia and we pay our respects to Elders past and present. We recognise the continuing connection that Aboriginal and Torres Strait Islander peoples have to this land and acknowledge their unique and rich contribution to society.

ANNUAL GENERAL MEETING

DATE
24 October 2024

TIME
9.30am (Sydney time)

LOCATION
The 2024 AGM will be held as a 'hybrid' meeting which will enable shareholders to attend either physically or virtually.

Venue: Wesley Conference Centre, 220 Pitt Street, Sydney NSW.

Full details of the meeting will be included in your Notice of Annual General Meeting, which will be sent to shareholders in September 2024.

Dates may be subject to change. Any change in dates will be advised to the Australian Securities Exchange.

ABOUT OUR COVER IMAGE

Connecting with our customers on their shared passions

In 2024, Challenger established successful partnerships with the Professional Golfers Association (PGA) of Australia and the Melbourne International Flower and Garden Show. These partnerships provide us with the invaluable opportunity to connect directly with our customers on their shared passions.

KEY DATES

18 SEPTEMBER 2024
Final dividend payment date

24 OCTOBER 2024
2024 Annual General Meeting

18 FEBRUARY 2025
2025 half year financial results

18 MARCH 2025
Interim dividend payment date

19 AUGUST 2025
2025 full year financial results

17 SEPTEMBER 2025
Final dividend payment date

30 OCTOBER 2025
2025 Annual General Meeting

FULL LISTING OF KEY DATES AVAILABLE AT
challenger.com.au/shareholder/shareholder-information/key-dates

BOARD NOMINATIONS

The closing date for receipt of nominations for the Challenger Limited Board is 22 August 2024.

IN THIS REPORT

OUR REPORTING SUITE

Our full reporting suite, which includes this 2024 Annual Report, can be viewed online at the following links:

2024 ANNUAL REPORT
challenger.com.au/shareholder

2024 CORPORATE GOVERNANCE STATEMENT
challenger.com.au/corporategovernance2024

2024 SUSTAINABILITY REPORT
challenger.com.au/sustainabilityreport2024

2023 MODERN SLAVERY STATEMENT
challenger.com.au/modernslaverystatement2023

Challenger Limited
ACN 106 842 371

1.1 Message from the Chair

Challenger is a strong, well capitalised business, with a clear path to driving long-term sustainable growth and shareholder returns, while delivering strong outcomes for our customers.

2024 has seen further progress in the development of a retirement income system with the potential to deliver social and economic benefits on par with our superannuation accumulation system. We have seen meaningful policy discussion and consultation around the purpose of superannuation, affordable financial advice and retirement income design. The need to continue with this program of reform and deliver coordinated policy has never been greater and we look forward with optimism.

Challenger is Australia's leading retirement income brand, with a clear purpose to provide customers with financial security for a better retirement. We see a significant opportunity to play our part in providing financial security to more Australians as they save for, enter and enjoy retirement.

STRONGER SHAREHOLDER OUTCOMES

Your Board remains very focused on driving shareholder value over the long term. We are therefore pleased to see that Challenger delivered a strong financial performance this year, with normalised net profit before tax increasing 17% to $608 million, and above our guidance range. This reflects our focus on growing longer dated, more valuable business, that in turn supported our normalised return on equity (ROE) to increase by 290 basis points to 15.6%. Challenger has made significant progress towards achieving its ROE target and is on track to achieve this in the 2025 financial year.

Given Challenger's strong financial outcomes and confidence in the business' growth strategy, the Board determined a full-year dividend of 26.5 cents per share, up 10% on last year.

CORPORATE GOVERNANCE

Maintaining strong corporate governance, including having the right people and practices in place, in a dynamic and rapidly changing environment is key.

We have continued to benefit from the expertise and capability of our two strategic partners, MS&AD and Apollo.

Our Directors bring a compelling and diverse skillset to ensure effective oversight of our business and we were delighted to have Lisa Gray and Matthew Michelini join the Board in late 2023. We continue to evaluate the skills and expertise necessary to guide our strategy at Board level.

We recognise the many benefits of building a high-performing, diverse and inclusive workforce. This year, Challenger achieved its gender diversity targets across the business, including on the Board, Leadership Team and in management.

The Board has maintained its focus on closely aligning shareholder interests with our reward framework and delivering appropriate performance-based outcomes. Short-term incentives this year reflect our business' strong performance and progress in executing our strategy. Long-term incentives granted in 2020 will also likely vest this year for the first time since 2018, demonstrating strong alignment of shareholder outcomes and an executive's realised reward over the performance period. As at 30 June 2024, indicative total shareholder return (TSR) outcomes for the LTIs granted in 2020 is 65%.

This year, we also updated our reward framework to reflect regulatory changes and ensure we continue to effectively motivate and incentivise our executives to drive growth and build a growth-focused, risk-aware culture.

SUSTAINABILITY

Our purpose highlights the important role that Challenger plays in creating a sustainable future for our customers, people, shareholders and wider stakeholders.

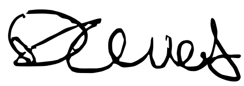
Challenger's 2024 Sustainability Report outlines our progress in addressing our most significant environment, social and governance risks and opportunities, as well as our key priorities for the coming year. This includes our operational emissions reduction strategy to address and minimise the environmental impact of our operations, with a target to be net zero across our Scope 1 and 2 emissions from the 2025 financial year.

We play a vital role in supporting retirees and communities, advocating for retirement income reform, as well as working with a range of organisations that make a positive impact on local communities.

Challenger is a strong, well-capitalised business, with a clear path to driving long-term sustainable growth and shareholder returns, while delivering superior outcomes for our customers.

On behalf of the Challenger Board, thank you to our customers and shareholders for your ongoing support in 2024.

I would also like to thank our CEO, Nick Hamilton, his Leadership Team and all Challenger employees for working so hard for our business, customers and shareholders with the trademark skill and professionalism for which our business is known.



DUNCAN WEST
Independent Non-Executive Director and Chair

1.2 Message from the CEO

Challenger has a unique opportunity to leverage our purpose, capabilities, brand and expertise to be Australia's trusted partner in retirement.

This past year has been very successful for Challenger as we start to see the benefits of our refreshed strategy in our financial results. We have the right business model to capture significant future growth. Challenger has an incredible opportunity to provide even more Australians with financial security so they can confidently live their best retirement.

Challenger delivered a strong performance this year, as we continued to execute our strategy to build long-term sustainable growth and orientate the business around the customer – making it easier to do business with us, broadening our reach and delivering retirement income to meet more customer needs.

MEETING MORE CUSTOMER NEEDS

In our Life business, we have broadened our customer sales channels and strengthened the role we play in the retirement phase of superannuation. We see an opportunity to support superannuation funds to meet their members' needs into and through retirement. This year we formed a retirement partnership with Commonwealth Super Corporation (CSC) and our retirement partner TelstraSuper launched its lifetime pension, which was designed in partnership with Challenger.

To strengthen our brand as a retirement leader and engage more directly with those preparing for and in retirement, we unveiled a new brand sponsorship strategy with the Professional Golfers Association (PGA) of Australia and Melbourne International Flower and Garden Show.

Our Funds Management business performed well in a challenging market. We've continued to innovate, adding new alternative investment strategies to meet growing client demand. And our fixed income platform, Challenger Investment Management, expanded its offering as private credit and lending grows in Australia and overseas.

CREATING LONG-TERM SUSTAINABLE GROWTH

To support our strategy and deliver long-term sustainable growth, we have also focused on simplifying the business, whilst diversifying the balance sheet and leveraging our strategic partners.

We made strategic decisions to focus on our core capabilities in retirement and investment management, including the completion of the sale of the Bank. We have also broadened our investment capability in private credit origination and diversified our balance sheet while remaining strongly capitalised.

This year, we formed a long-term technology partnership with Accenture, under which we will implement a new customer experience uplift program. This will facilitate easier integration of our capabilities with advisers, platforms and superannuation funds, as well as making it easier for customers to do business with us.

Our strategic partnerships are progressing well, as we leverage their scale and capabilities. We're delighted to have extended our reinsurance agreement with Mitsui Sumitomo Primary for another five years and our relationship with Apollo has also expanded, with several asset origination transactions completed.

LOOKING AHEAD

In the 2025 financial year, we'll maintain momentum in our Life business and grow Funds Management. Across the business, we'll deliver a great customer experience and simplify how advisers and institutions engage with us, which will in turn drive growth.

Challenger has a unique opportunity to leverage our purpose, capabilities, brand and expertise to be Australia's trusted partner in retirement. This will see us meet the growing demand for a broader range of retirement income solutions across all of our distribution channels.

Thank you to the committed and capable team at Challenger – the driving force of our success.

I look forward to executing on the exciting growth opportunity ahead that will drive long-term sustainable growth and shareholder returns.

NICK HAMILTON
Managing Director &
Chief Executive Officer

1.3 About Challenger

Challenger was founded in 1985 and is Australia's largest annuity provider[1] as well as one of its largest active fund managers.[2]

Our purpose

To provide our customers with financial security for a better retirement.

Our values

I
Act with integrity
We do things the right way

A
Aim high
We deliver outstanding results

C
Collaborate
We work together to achieve shared goal

T
Think customer
We make decisions with our end customers front of mind

ESTABLISHED
1985

APRA
REGULATED LIFE COMPANY

676
FULL-TIME EMPLOYEES[3]

S&P/ASX 100
LISTED[4]

Challenger has offices in Australia, London and Tokyo.

Challenger is regulated by the Australian Prudential Regulation Authority (APRA), the Australian banking, superannuation and insurance regulator. Challenger's activities are also subject to supervision by other regulatory agencies both in Australia and the offshore markets in which it operates.

1. Plan for Life - March 2024 - based on annuities under administration.
2. Calculated from Rainmaker Roundup, March 2024 data.
3. Number of people employed on a full-time equivalent (FTE) basis at 30 June 2024. 694 FTE when including employees on extended unpaid leave.
4. Australian Securities Exchange (ASX) and trades under code CGF.

Our strategic pillars

Challenger has three strategic pillars to ensure that it achieves its purpose of providing customers with financial security for a better retirement.

Retirement leader

Broaden customer access across multiple channels

- Delivering better outcomes for our customers
- Trusted and well-known brands
- Leading voice on all things related to retirement income
- Expanding our products and partners to meet more customer needs

Investment excellence

Superior outcomes and financial resilience

- Strongly capitalised so we can always deliver on our promises
- Superior risk-adjusted investment performance for our customers and shareholders
- Enabled by a scalable operating and investment platform

Talented team and capability

Outstanding skills and ways of working

- Invest in our people to maximise their potential
- Building a growth-focused and inclusive culture
- Leverage technology to make it easy to do business with us
- We make good risk-aware commercial decisions

Our business

Life

#1 Australian retirement income business[1]

challenger

- Guaranteed[2] retirement income products
- Japanese reinsurance partner
- Longevity risk transfer business

Funds Management

One of Australia's largest fund managers[3]

fidante

Affiliate investment managers

Challenger Investment Management

Originates and manages assets for Life and third-party clients

1. Plan for Life - March 2024 - based on annuities under administration.
2. The word 'guaranteed' means payments are guaranteed by Challenger Life Company (CLC); from assets of its relevant statutory fund.
3. Calculated from Rainmaker Roundup, March 2024 data.

1.4 Highlights

OVERVIEW

Challenger delivered a strong financial performance this year with normalised earnings surpassing our guidance range.

Our growth strategy is driving momentum and we made strategic investments around the customer that will make it much easier for them to do business with Challenger and enable long-term sustainable growth.

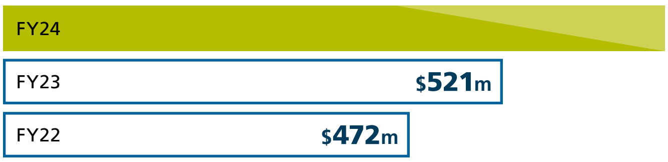
Financial

STATUTORY NET PROFIT AFTER TAX

$130m

NORMALISED NET PROFIT BEFORE TAX

$608m



GROUP ASSETS UNDER MANAGEMENT

$127bn

TOTAL LIFE SALES

▼6% on FY23

$9.1bn

NORMALISED GROUP ROE (PRE-TAX)

▲290bps

15.6%

FULL YEAR DIVIDEND

▲10% on FY23

26.5cps

CAPITAL POSITION

1.67x

CLC PCA RATIO[1]
FY23 1.59x

1. Challenger Life Company (CLC) PCA ratio represents CLC total Tier 1 and Tier 2 regulatory capital base divided by the Prescribed Capital Amount (PCA).

Strategic

Delivering on our strategy

Retirement leader

Developed

Innovative retirement income partnerships

Launched

Brand sponsorship strategy

>230

Adviser roadshows, workshops and webinars on how Challenger can help their clients in retirement

95%

Of advisers consider Challenger as a leader in retirement incomes[1]

Extended

MS Primary reinsurance partnership

Investment excellence

Expanded

Private market and alternatives offerings

Investing

Into credit origination platforms to expand asset origination

Formed

Apollo asset origination partnership

Award winning

Affiliates

Established

High net wealth and family office distribution team to expand addressable market

Talented team and capability

>120

Employee learning and development sessions

Transitioned

Technology services to Accenture

Customer experience

Uplift strategy underway

Simplified business

Bank sale completed

Achieved

Gender diversity across the business – Board Leadership Team and management

1. Marketing Pulse Adviser Study June 2024 based on (% agree / strongly agree).

2.1 Life business

LIFE EBIT
▲17% on FY23

$634.2m

LIFETIME SALES
▲110% on FY23

$1.5bn

LIFE ASSET ALLOCATION

74% Fixed income and cash (net)
11% Property
13% Alternatives
2% Equity and Infrastructure

Life focuses on the retirement phase of superannuation, with products helping customers convert retirement savings into safe, secure and reliable retirement income.

Life is Australia's largest provider of annuities. Its products appeal to retirees as they provide security and certainty of guaranteed[1] income that ensures customers have more confidence to spend in retirement.

Lifetime annuities also protect retirees from the risk of outliving their savings as they pay an income for life. Depending on the payment option selected, payments can be either fixed, indexed to inflation, linked to changes in the RBA cash rate or indexed to investment markets.

The retirement incomes Life pays to its customers are backed by a high-quality investment portfolio, predominantly invested in investment-grade fixed income. These investments generate reliable investment income, which is used to fund the retirement incomes paid to customers.

Challenger is Australia's leading retirement income brand[2] and has won the Association of Financial Advisers 'Annuity Provider of the Year' for the last 15 years, and won Plan for Life's 'Overall Longevity Cover Excellence Award' in 2023 for a fifth consecutive year.

Life is expected to continue to benefit from long-term growth in Australia's superannuation system and regulatory reforms designed to enhance the retirement phase of superannuation.

As Australia's superannuation system matures, the retirement phase of superannuation is expected to increase significantly, with an estimated 2.5 million Australians set to retire over the next 10 years[3]. Reflecting these demographic changes, and growth in the superannuation system, the annual transfer from the savings phase (or accumulation) of superannuation to the retirement phase was estimated to be approximately $87 billion[4] in 2022.

The objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way[5]. As the superannuation system matures and individual superannuation savings increase, retirees are transitioning from Government-funded age pensions to private superannuation-funded pensions.

1. The word 'guaranteed' means payments are guaranteed by Challenger Life Company Limited (CLC) from assets of either its relevant statutory fund or shareholder fund.
2. Plan For Life – March 2024 – based on annuities under administration.
3. Treasury modelling, Retirement phase of superannuation Discussion Paper December 2023.
4. Based on Taxation Statistics 2020–21 from Australian Taxation Office.
5. Australian Government, The Treasury, Legislating the objective of superannuation, Consultation Paper 20 February 2023.

Retirees need retirement income products that convert their superannuation savings into safe, secure and reliable income, helping provide financial security and confidence to spend throughout retirement.

The Australian Government is progressing a range of retirement income regulatory reforms, including the Retirement Income Covenant, which are designed to enhance the retirement phase and better align it with the objective of the superannuation system.

The Australian Government is also consulting on how to best enhance the retirement phase of superannuation. The Government is gathering views on how Australians can make the most out of their superannuation in retirement, including through better availability of assistance, information and well-rounded retirement products.

These reforms provide an opportunity to increase the proportion of savings invested in products that are specifically designed to support retirees through delivering stable, regular and reliable retirement income. Annuities deliver these benefits yet currently only represent a very small part of the retirement phase of superannuation.

Life's products are distributed in Australia via independent financial advisers, financial adviser administrative platforms, superannuation funds and directly. Life's products are included on all major financial advice hubs' Approved Product Lists (APLs) and are available on leading independent investment and administration platforms.

Life is making progress building new institutional partnerships with superannuation funds, as they focus on supporting their members' needs through more comprehensive retirement income solutions. In addition, a number of funds and trustees have defined benefit pension liabilities and are looking to de-risk these liabilities. This provides a significant growth opportunity for Challenger as trustees and funds seek trusted partners to deliver a range of de-risking solutions.

Challenger has a long-term technology partnership with Accenture that will deliver Challenger's customer experience uplift program, including the modernisation of Life's customer technology. This will improve how Challenger integrates its capabilities with advisers, wealth platforms, superannuation funds and make it much easier for customers to do business with Challenger.

In Japan, Life has an annuity relationship with Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) to reinsure Australian dollar, US dollar denominated and Japanese yen denominated annuities.

PERFORMANCE

Life's normalised EBIT was $634.2 million in FY24 and increased by $93.7 million (17.3%) on FY23. The increase in EBIT reflects a $97.4 million (14.9%) increase in Normalised Cash Operating Earnings (COE), partially offset by a $3.7 million (3.3%) increase in expenses.

Life's Normalised ROE (pre-tax) was 18.5% in FY24 and increased by 340 bps on FY23, driven by an increase in Normalised COE.

FY24 Normalised COE was $750.4 million and increased by $97.4 million (14.9%) on FY23. Normalised COE increased as a result of:

– higher COE margin, which increased by 30 bps on FY23 to 3.12%; and
– higher average investment assets, which increased by 4.1% on FY23.

Challenger is diversifying its sales across a range of retail and institutional products and clients. The Life business achieved total book growth of 3.6% and annuity book growth of 5.5%, with total Life sales of $9.1 billion and Challenger Index Plus sales of $3.9 billion.

Annuity sales were $5.2 billion supported by record sales of longer duration lifetime annuities of $1.5 billion (up 110%), which included a group lifetime annuity policy to the value of $0.6 billion to Aware Super Pty Ltd (Aware Super).

> **"We are driving growth across a range of customer channels and see a significant opportunity to support superannuation funds to meet their members' needs into and through retirement."**
>
> **ANTON KAPEL**
> Chief Executive, Life and Solutions

Retail lifetime annuity sales were $0.9 billion (up 27%) and included CarePlus sales of $496 million (up 52%). CarePlus achieved its highest volume of sales in FY24 since launching in 2015. Reflecting the growing opportunity in aged care, CarePlus continues to experience strong momentum.

Fixed-term annuity sales decreased 27% to $3.0 billion as Challenger maintained its disciplined approach to pricing shorter duration business.

Challenger's focus on driving higher quality, longer duration sales is increasing new business tenor. The tenor of new business sales has increased to 8.5 years, up from 5.8 years in FY23.

Challenger Index Plus sales represent products offered to institutional clients, providing guaranteed excess return above a chosen index. The tenor on new business sales increased to 4.3 years from 1.6 years in FY23. Challenger Index Plus sales for the year were $3.9 billion, down 6.6% compared to FY23.

LIFE NORMALISED RESULTS	2024 ($m)	2023 ($m)	CHANGE ($m)	CHANGE (%)
Normalised COE	750.4	653.0	97.4	14.9
Cash earnings	738.2	627.0	111.2	17.7
Normalised capital growth	12.2	26.0	(13.8)	(53.1)
Operating expenses	(116.2)	(112.5)	(3.7)	(3.3)
Normalised EBIT	**634.2**	**540.5**	**93.7**	**17.3**

LIFE SALES	2024 ($m)	2023 ($m)	CHANGE ($m)	CHANGE (%)
Fixed-term annuities	3,665.2	4,794.6	(1,129.4)	(23.6)
Lifetime annuities	1,520.3	722.7	797.6	large
Total Life annuity sales	5,185.5	5,517.3	(331.8)	(6.0)
Challenger Index Plus sales	3,949.1	4,229.3	(280.2)	(6.6)
Total Life sales	**9,134.6**	**9,746.6**	**(612.0)**	**(6.3)**
Annuity net flows	778.9	385.1	393.8	large
Challenger Index Plus sales net flows	(72.4)	550.7	(623.1)	(large)
Total Life net flows	**706.5**	**935.8**	**(229.3)**	**(24.5)**

2.2 Funds Management business

FUNDS UNDER MANAGEMENT
▲19.2% on FY23

$117.4bn

Funds Management focuses on wealth accumulation, predominantly in the pre-retirement phase of superannuation, through supporting customers to build savings by providing contemporary investment products and strategies that seek to deliver superior investment returns.

Funds Management is one of Australia's largest active fund managers[1] with funds under management (FUM) of $117 billion, which has more than doubled over the last 8 years (up from $57 billion in 2016).

Growth in FUM is supported by Challenger's award-winning retail and institutional distribution teams and business model, which is focused on high-quality managers with strong long-term investment performance and alignment with clients.

Funds Management comprises Fidante and Challenger Investment Management (CIM), with operations in Australia, the United Kingdom, Europe and Japan.

Funds Management, through its Fidante affiliates and CIM, invests across a broad range of asset classes, including fixed income, Australian and global equities, and alternative investments.

Funds Management has extensive client relationships. For example, around 70% of Australia's top 50 superannuation funds are clients.

Fidante's business model typically involves taking minority equity interests in separately branded affiliate funds management firms, with Challenger providing distribution services, business support and investment administration services, leaving investment managers to focus entirely on managing investment portfolios.

Fidante has been successful in attracting and building active equity, active fixed income and alternative investment managers, while also maintaining strong investment performance.

Fidante is focused on broadening its product and investment offering, which includes partnering with best-in-class managers, and accessing new distribution channels.

Challenger Investment Management (CIM) is one of Australia's largest fixed income originators specialising in public and private credit markets. CIM manages investments on behalf of Challenger Life and other like-minded investors across a range of strategies focused on generating consistent income while managing capital volatility.

1. Calculated from Rainmaker Roundup, March 2024 data.

Challenger Kabushiki Kaisha (CKK) manages Japanese real estate for Challenger Life, MS Primary and other institutional investors.

Funds Management is well positioned to benefit from ongoing growth in both Australia's superannuation system and global pension markets.

FINANCIAL RESULTS

Funds Management EBIT was $55 million and decreased by $7 million (11%) on FY23. The decrease was due to lower FUM-based fee income (down $6 million or 4%, lower transaction fee income (down $1 million) and higher expenses (up $2 million or 2%), partially offset by higher performance fees (up $2 million).

Fidante's net income includes: FUM-based distribution and administration fees; performance fees; transaction fees that includes placement fees and dividend income; and a share in the equity-accounted profits of affiliate investment managers.

Fidante's net income was $130 million in FY24 and increased by $15 million (13%) on FY23. Fidante's net income comprised:

- FUM-based income of $119 million, up $9 million (8%) on FY23 as a result of a 20% increase in average FUM, partially offset by a decrease in FUM-based income margin;
- performance fees of $7 million, which increased by $2 million (45%) on FY23, mainly driven by outperformance in equity strategies; and
- transaction fees of $5 million, which increased by $4 million on FY23, includes placement fees from Fidante's successful capital raises for Elanor during the year and dividends from the equity stake in Elanor.

CIM's FY24 net income was $44 million and decreased by $19 million (31%) on FY23.

CIM's net income included:

- FUM-based income of $43 million down $15 million (26%) on FY23 primarily due to the sale of Challenger Real Estate (CRE); and
- transaction fees of $1 million down $5 million (82%) on FY23 due to the sale of CRE and lower fixed income upfront fees.

Funds Management ROE was 17.8% and decreased from 21.7% in FY23. ROE was impacted by the 11% decrease in EBIT and an 7.9% increase in average net assets.

Funds Management FUM increased by $18.9 billion (or 19.2%) compared to PCP. During the year, net inflows were $10.1 billion compared to net outflows of $0.5 billion in the pcp.

"The Funds Management business delivered another solid performance notwithstanding tougher industry conditions. We have consistently outperformed peers over many years and are widely recognised for our investment capability."

VICTOR RODRIGUEZ
Chief Executive, Funds Management

FM NORMALISED RESULTS	2024 ($m)	2023 ($m)	CHANGE ($m)	CHANGE (%)
Net income	173.9	178.8	(4.9)	(2.7)
Fidante	130.2	115.7	14.5	12.5
CIM	43.7	63.1	(19.4)	(30.7)
Operating expenses	(119.3)	(117.2)	(2.1)	(1.8)
Normalised EBIT	**54.6**	**61.6**	**(7.0)**	**(11.4)**

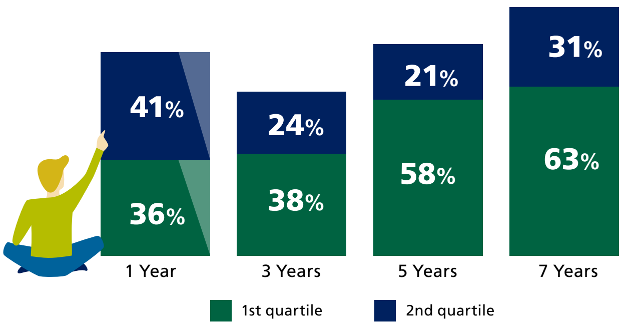
FM FUM AND FLOWS	2024 ($bn)	2023 ($bn)	CHANGE ($bn)	CHANGE (%)
Total FUM	117.4	98.5	18.9	19.2
Fidante	100.1	78.1	22.0	28.2
CIM	17.3	20.4	(3.1)	(15.2)
Net flows	10.1	(0.5)	10.6	large
Fidante	13.4	0.4	13.0	(large)
CIM	(3.3)	(0.9)	(2.4)	(large)

FUNDS MANAGEMENT INVESTMENT PERFORMANCE

Investment performance represents the percentage of FUM meeting or exceeding performance benchmarks, with performance weighted by FUM. Long-term performance for Fidante's affiliates remains strong with 93% and 87% of investments outperforming benchmark over five years and since inception respectively[1].

% OF FUM OUTPERFORMING BENCHMARK	Since Inception	5 Years	3 Years	1 Years
%	**87%**	**93%**	**87%**	**67%**

For Fidante affiliates, 79% of funds achieved first or second quartile performance over five years and 94% of funds achieved either first or second quartile investment performance over seven years[2].



1. As at 30 June 2024. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.
2. Mercer as at June 2024.

2.3 Corporate segment and other information

CORPORATE SEGMENT

The Corporate division comprises central functions such as Group executives, finance, treasury, tax, legal, human resources, risk management and commercial.

Corporate normalised EBIT was a loss of $76 million in FY24, up $7 million (10%) from FY23. The increase in EBIT loss was a result of higher personnel and other expenses (up $5 million) and higher LTI expenses (up $2.5 million), partially offset by higher other income (up $1 million).

Operating expenses include:

- personnel costs of $46 million, increased by $2 million (5%) primarily as a result of increased salaries;
- other expenses of $18 million, increased by $3 million (22%) primarily due to project-related costs associated with strategic initiatives; and
- long-term incentive costs of $15 million, increased by $3 million (20%) following the granting of Hurdled Performance Share Rights in FY24.

Interest and borrowing costs relate to debt facility fees on the Group's $400 million banking facility.

FY24 interest and borrowing costs were $5 million, reflecting line fees on the Group debt facility.

The $400 million facility remained undrawn throughout FY24. In July 2024, this has been refinanced to smaller facility of $250 million.

GUIDANCE FOR THE 2025 FINANCIAL YEAR

From FY25, Challenger will primarily reference key metrics, including earnings, on a post-tax basis. Challenger's FY25 normalised net profit after tax guidance is a range of between $440 million and $480 million.

The mid-point of the FY25 normalised net profit after tax guidance ($460 million) is 10% above FY24 normalised net profit after tax of $417 million and is consistent with achieving Challenger's Normalised ROE target.

Based on Challenger's assumed FY25 effective tax rate of ~31.3% this equates to a normalised net profit before tax guidance range of between $640 million and $700 million.

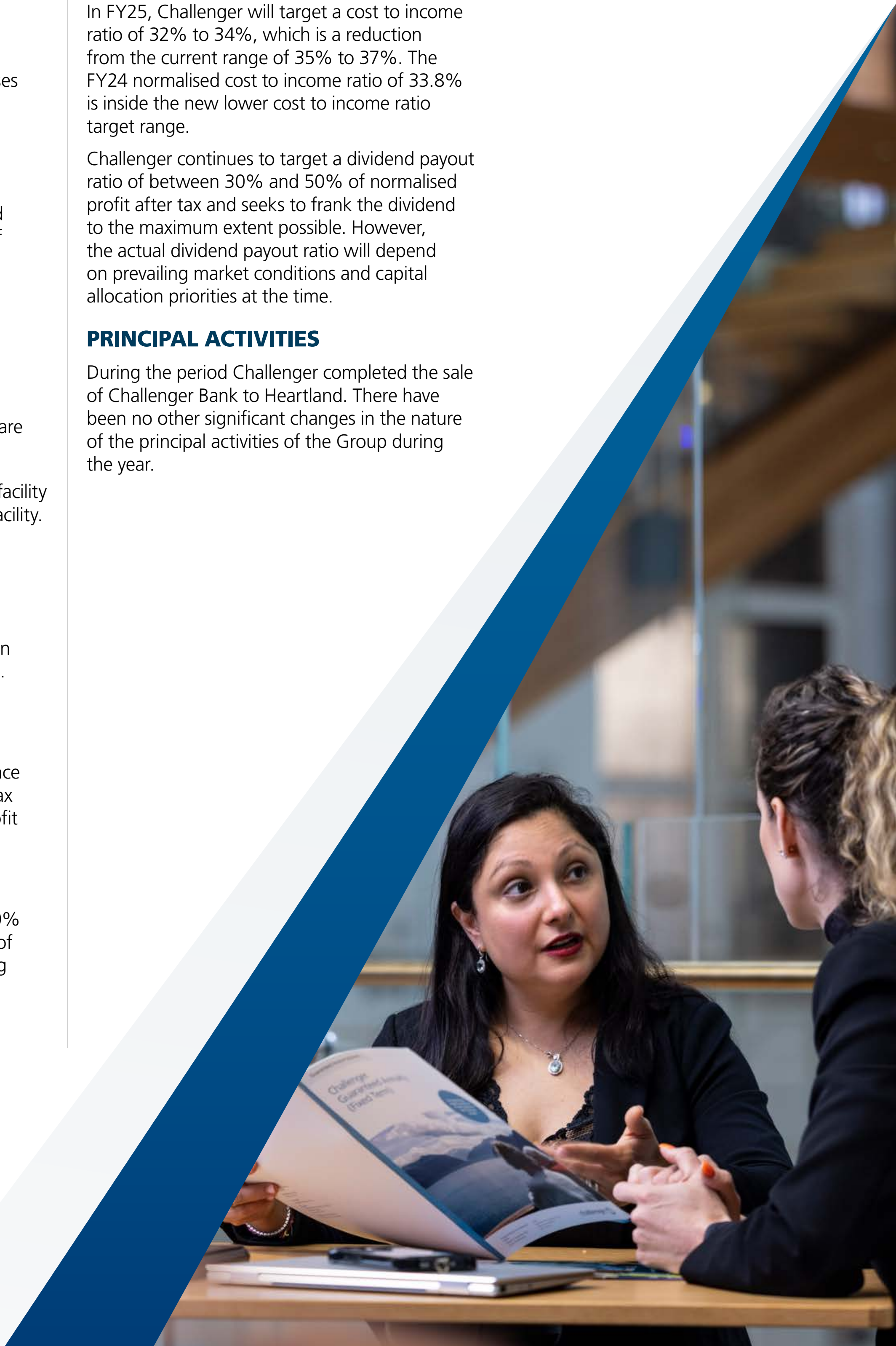
CORPORATE AND OTHER NORMALISED RESULTS	2024 ($m)	2023 ($m)	CHANGE ($m)	CHANGE (%)
Other income	2.3	1.6	0.7	(43.8)
Operating expenses	(78.0)	(70.2)	(7.8)	(11.1)
Normalised EBIT	**(75.7)**	**(68.6)**	(7.1)	(10.3)
Interest and borrowing costs	(5.0)	(4.0)	(1.0)	(25.0)
Normalised loss before tax	**(80.7)**	**(72.6)**	**(8.1)**	**(11.2)**

In FY25, Challenger will target a cost to income ratio of 32% to 34%, which is a reduction from the current range of 35% to 37%. The FY24 normalised cost to income ratio of 33.8% is inside the new lower cost to income ratio target range.

Challenger continues to target a dividend payout ratio of between 30% and 50% of normalised profit after tax and seeks to frank the dividend to the maximum extent possible. However, the actual dividend payout ratio will depend on prevailing market conditions and capital allocation priorities at the time.

PRINCIPAL ACTIVITIES

During the period Challenger completed the sale of Challenger Bank to Heartland. There have been no other significant changes in the nature of the principal activities of the Group during the year.



2.4 Challenger's 2024 strategic progress

Progress over 2024 has been measured against Challenger's three strategic pillars.

1. Retirement leader

FY24 PROGRESS

Market leader in Australian retirement

Challenger is the market leader in Australian retirement incomes according to 95% of financial advisers – 40 percentage points ahead of its closest peer[1]. In December 2023, Challenger won:

- Plan For Life's 'Best Overall Longevity Cover' award for a fifth consecutive year, which recognised Australian life companies and fund managers that have products designed to assist retirees in meeting the challenges of longevity;
- Plan For Life's 'Best Longevity Product' award for its Liquid Lifetime annuity product suite;
- Money Magazine's 'Longevity Product of Year' award in their 2023 Consumer Finance Awards; and
- 'Best of the Best 2024' award for 'Innovation – Leadership in Retirement Strategies' that recognised Challenger's innovative approaches to helping build resilient retirement income portfolios.

Delivering higher quality Life sales

Challenger is executing a range of strategic initiatives to improve the quality of the Life book by increasing longer duration and more valuable annuity business.

In FY24, sales across Life's retirement income products remained strong, supported by rising demand for guaranteed lifetime income and a growing number of Australians entering retirement and aged care.

The Life business achieved total Life book growth of 3.6% and annuity book growth of 5.5%, with total Life sales of $9.1 billion, including Challenger Index Plus sales of $3.9 billion.

Annuity sales were $5.2 billion supported by record sales of longer duration lifetime annuities of $1.5 billion (up 110%), which included a group lifetime annuity policy to the value of $0.6 billion from Aware Super Pty Ltd (Aware Super).

The Aware Super win highlights the depth of Challenger's capability and strength of Challenger's investment and longevity risk solutions (refer below for more information).

Retail lifetime annuity sales were $0.9 billion (up 27%) and included CarePlus sales of $496 million (up 52%). CarePlus achieved its highest volume of sales in FY24 since launching in 2015. Reflecting the growing opportunity in aged care, CarePlus continues to experience strong momentum.

Fixed-term annuity sales decreased 27% to $3.0 billion as Challenger maintained its disciplined approach to pricing shorter duration business.

Challenger's focus on driving higher quality, longer duration sales is driving an increase in new business tenor that is leading to a significant reduction in maturities and will further support future book growth. In FY24, 88% of new business annuity sales were for tenors of 2 years or more[2] compared with 74% in FY23. The tenor on new business sales also increased to 8.5 years, up from 5.8 years in FY23, and the maturity rate has reduced from 33% in FY23 to 26% in FY24 and is expected to be 24% in FY25.

Challenger Index Plus is an institutional product providing guaranteed excess return above a chosen index. Reflecting the focus on growing longer duration business, Challenger has been successful in extending the tenor of Index Plus business being written, with the tenor on new business sales increasing to 4.3 years compared to 1.6 years in FY23. In October 2023, Challenger secured a five-year Index Plus mandate to the value of $500 million from an insurance client. This investment demonstrates Challenger's ability to attract longer-term investments from institutional clients.

1. Marketing Pulse Adviser Study June 2024 based on (% agree / strongly agree).
2. FY24 new business annuity sales exclude reinvestments and Japanese sales.

2.4 **Challenger's 2024 strategic progress** continued

1. Retirement leader continued

Delivering retirement partnerships

Challenger is making progress in establishing retirement partnerships with superannuation funds.

There are opportunities for Challenger to engage and support funds to develop their retirement income propositions, a requirement under the Retirement Income Covenant.

Challenger's clients include Australia's top superannuation funds, who are in various stages of implementing their retirement offer for members.

In October 2023, profit-for-member fund TelstraSuper announced the launch of its RetireAccess Lifetime Pension, a retirement income product designed in partnership with Challenger which is indexed for inflation or market-linked, and able to be blended with a member's existing account-based pension. The RetireAccess Lifetime Pension is designed to give retirees confidence to spend their income in retirement and is the first profit-for-member guaranteed lifetime income stream launched since the Retirement Income Covenant came into force.

In November 2023, Challenger announced a strategic partnership with Commonwealth Superannuation Corporation (CSC) to provide a longevity solution to help meet its customers' needs in retirement. Challenger's lifetime income solution will form part of CSC's broader Retirement Income Strategy and will be blended with its existing account-based pension, providing its members confidence to draw down their savings. The CSC partnership is expected to commence in 1H25 and generate lifetime annuity sales for Challenger.

As Australia's leading provider of longevity protection with decades of experience, Challenger is well placed to lead the pension risk transfer opportunity in Australia, helping retirement plans de-risk their defined benefit liabilities. In July 2023, Challenger was selected as Aware Super's defined benefit fund partner to provide a group lifetime annuity policy to the value of $619 million covering approximately 3,000 members. This partnership is the largest defined benefit buy-in in Australia and underscores the strength of Challenger's investment and longevity risk solutions.

Improving access to Challenger annuities in platform

In September 2023, Challenger launched fixed-term annuities 'in' the Netwealth platform, which provides advisers and their clients a seamless and contemporary experience to access Challenger fixed-term annuities directly and to invest both superannuation and non-superannuation monies.

Building financial confidence among Australian retirees

Challenger undertakes research and works closely with the government, industry and wider community to help drive public discussion on how best to provide Australians with financial security for a better retirement.

In FY24, Challenger partnered with National Seniors Australia (NSA), Capital Preferences and Macquarie University to gain deeper insights on the needs of Australians pre- and post-retirement. These partnerships aim to offer practical guidance that fosters confidence in spending and enjoying retirement.

Challenger's Retirement Income Research team published a series of research papers this year, addressing crucial topics such as inflation protection for retirement income, building financial confidence among Australians, and exploring the significant challenges facing retirees in 2024.

Enhancing Challenger's brand

In FY24, Challenger launched its new sponsorship strategy designed to enhance Challenger's brand, showcase Challenger's retirement credentials and ensure Challenger is the 'go to' brand for retirement income.

In October 2023, Challenger announced its first partnership in Australian sport with the Professional Golfers Association (PGA) of Australia, including Golf Australia, the Women's PGA, PGA Legends Tour and Golf Management Australia. As part of the three-year partnership with the PGA, Challenger will be the exclusive naming rights partner. With over 7 million viewers across the year, and a sport of choice for those aged 45 and over, which is Challenger's target market, the partnership represents an exciting opportunity to showcase Challenger's brand and retirement credentials as it focuses on taking a broader stance in retirement.

Committed to further enhancing the brand, in March 2024 Challenger sponsored the Melbourne International Flower and Garden Show. This sponsorships allows Challenger to reach new customers and educate and support them on retirement income matters.

Extended MS&AD relationship

MS&AD and Challenger have developed a collaborative and mutually beneficial relationship, which began as an annuity relationship with MS Primary, a subsidiary of MS&AD.

Since November 2016, Challenger Life has partnered with MS Primary to reinsure Australian dollar annuities. The arrangement subsequently expanded to include US dollar denominated annuities from 2019 and Japanese yen denominated annuities from November 2023.

In May 2024, the reinsurance partnership between Challenger and MS Primary was extended. Under the renewed agreement commencing 1 July 2024, MS Primary will provide Challenger Life an annual amount of reinsurance of at least ¥50 billion per year (equivalent to ~A$490 million)[1] for the next five years[2] and Challenger Life will also support MS Primary with any new reinsurance requirements MS Primary may require assistance with.

1. Based on 3-month average exchange rate at 30 June 2024.
2. Subject to review in the event of a material adverse change for either MS Primary or Challenger Life.

2. Investment excellence

FY24 PROGRESS

Award-winning investment strategies and products

Fidante's investment managers continue to be externally recognised. Fidante is the leading Australian funds management distributor and won Zenith Investment Partners' 'Distributor of the Year' award in October 2023 for a fourth consecutive year. The award recognises the quality of Fidante's affiliate managers and their ratings across the product suite, including excellent adviser support and transparency of key information.

In FY24, the following affiliates won investment manager awards:

- WaveStone – Dynamic Australian Equity Fund – 2023 SQM & Financial Newswire Awards – Fund Manager of the Year in the Long/Short Equities category;
- Eiger Capital – 2023 Zenith Fund Awards – Australian Equities – Small Cap;
- Ardea Real Outcome Fund – Money Magazine Best of the Best 2024 – Best Australian Fixed Interest Fund (Diversified);
- Ardea Investment Management – Insurance Asset Management Awards 2023 – Fixed Income Manager of the Year (up to €100bn AUM); and
- Greencape Capital – 2024 Morningstar Awards for Investment Excellence – Fund Manager of the Year Domestic Equities – Large Cap.

The long-term performance of Fidante's Australian affiliates remains strong with 93% of investments outperforming their respective benchmarks over the last five years[1]. Fidante's products are also continually recognised externally as high quality, with 87% of strategies (59 out of the 68) rated either Recommended or Highly Recommended by research houses[2].

Expanding Apollo strategic relationship

Apollo Global Management Inc. (Apollo) (NYSE:APO) and its subsidiary Athene are Challenger strategic partners and hold a minority interest of approximately 20% of issued share capital.

Challenger and Athene, Apollo's retirement services insurance business, share a common purpose, with strong complementary skills and capabilities.

Both parties are working together on a range of opportunities, including distribution of Apollo's AAA strategy to the Australian market.

In November 2023, Challenger announced it had expanded its strategic relationship with Apollo. Challenger and Apollo have formed an origination partnership, which provides Challenger Life with access to Apollo's high-quality, privately originated global credit and alternative opportunities, which will help support both customer annuity rates and returns for Challenger shareholders.

In FY24, Challenger Life invested into Apollo's Asset-Backed Finance (ABF) strategy that provides exposure to asset-backed finance assets focusing on large, diversified pools of physical assets with underlying contracted cash flows across the full spectrum of ABF capabilities on Apollo's investment platform.

Challenger Life and Apollo are also well advanced on a funding arrangement for an Australian non-bank lender, providing both Challenger Life and Apollo access to high-quality residential mortgage investments.

Innovative income solutions

Challenger is continuously focused on improving the way it delivers its retirement income solutions and investment capability to customers and partners.

In November 2023, Challenger Investment Management (CIM) launched its fourth fund in the CIM range, the Global Asset Backed Securities (GABS) Fund, a long-only fund focusing predominantly on investment-grade publicly rated assets across developed markets. The fund builds on CIM's existing range of products, track record and experience in global securitisation markets and managing credit investment strategies. The Fund's income-based strategy is designed to provide incremental returns without speculating on interest rates or currencies, and targets a return between 3% and 4% above the Euro Short Term Rate per annum through the cycle[3].

1. As at 30 June 2024. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.
2. As at 30 June 2024.
3. Gross return before fees.

2.4 **Challenger's 2024 strategic progress** continued

2. Investment excellence continued

Expanding Fidante's offering

Fidante has a strategy to grow its alternatives products and distribution capability to respond to increasing demand from investors for high-quality alternative investment capabilities.

In July 2023, Challenger formed a strategic real estate partnership with Elanor Investors Group (ASX:ENN) (Elanor), which included an exclusive distribution arrangement whereby Fidante would distribute Elanor's existing and new funds and Elanor became a new Fidante affiliate manager. The partnership also involved the formation of a Capital Markets desk to service capital raisings which will further bolster Fidante's market-leading distribution capability.

Fidante successfully completed capital raises for Elanor throughout the year, including the acquisition of 55 Elizabeth Street, Brisbane, for $109 million in December 2023.

In July 2023, Fidante acquired an equity stake in Resonance Asset Management (Resonance) and now has 35% ownership of the UK-based specialist infrastructure company. Fidante has been a partner to Resonance since its formation in 2015.

In September 2023, Fidante commenced distributing the AAA strategy to the Australian market. AAA is positioned as an equity replacement product and will provide clients with access to a diversified portfolio of private market opportunities, investing side-by-side with more than US$10 billion of Apollo's own balance sheet capital.

In October 2023, UK-based Impax Asset Management (Impax), a specialist asset manager focused on the transition to a more sustainable economy, launched its Global Opportunities Fund in Australia. The launch follows rising demand from Australian investors for global sustainable investment options. The Fund seeks to achieve long-term capital growth by investing in companies with competitive advantages and strong alignment with a more sustainable global economy.

In June 2023, Fidante expanded its existing distribution arrangement with Proterra Investment Partners Asia (Proterra Asia), a leading private equity investor focused on the Asian food and agribusiness sectors. Under an expanded relationship, Fidante has a 12.5% revenue share in Proterra Asia. Concurrently, Fidante signed an exclusive distribution agreement and will commence raising capital for Proterra Asia's next vintage fund, Food Fund 4, in FY25.

Whole loan and mortgage servicing platform launched

Whole loans include mortgages, personal loans and asset finance. The whole loans asset class is a large and significant asset class both in Australia and globally.

Challenger has established a platform that will help originate large scalable pools of domestic whole loans for Challenger Life and institutional investors. CIM has also established a servicing business that will service pools of existing mortgages that will enhance its private loan investment capabilities.

1. As at 30 June 2024. Percentage of Fidante affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.
2. As at 30 June 2024.

3. Talented team and capability

FY24 PROGRESS

Accenture technology partnership

Challenger has formed a technology partnership with professional services firm Accenture. The partnership supports Challenger's growth strategy through making it easier for customers to do business with Challenger, broadening its customer base and delivering a more innovative offering.

Accenture has a track record in delivering technological transformation programs for international insurance companies, and under the agreement has become Challenger's long-term technology partner.

The agreement commenced at the end of FY24 for a seven-year period. Under the arrangement, Accenture will run Challenger's technology platform, modernise Life's customer technology and enhance the customer experience. Challenger's technology operations were fully transitioned to Accenture in June 2024.

As a result of Life's customer experience uplift, customers, advisers and institutional clients will receive a seamless digital experience. Customers will be able to fully originate services online, advisers will be able to write new business more efficiently, and the business' interfaces and touchpoints with institutional clients will be upgraded.

The transformation program will also enable Challenger to improve how it integrates its offering with superannuation funds and wealth platforms, helping to position the business as the retirement partner of choice.

With an improved service, the speed with which Challenger can bring its innovative offering to market will be significantly improved. By leveraging automation, the program will also generate productivity gains and operating efficiencies.

The technology partnership is expected to deliver $90 million of operating savings over seven years commencing FY25. Challenger expects to invest $25 million across FY24 and FY25 which will be treated as a one-off significant item, with approximately $20 million incurred in FY24.

Diversity and inclusion

Challenger believes that a diverse and inclusive workplace delivers better outcomes for employees, the business and the community.

Challenger continues to make progress implementing its diversity and inclusion strategy and achieved a diversity and inclusion score of 83% in its latest employee engagement survey (conducted May 2024). Results of the survey included:

- 95% of employees believe that gender-based harassment and sexual harassment is not tolerated; and
- 86% of employees believe Challenger values diversity.

In FY24, Challenger continued to be recognised as an employer of choice for women and was ranked 6th in Australia and 16th among global public companies in the world by Equileap, a leading data and insights provider for gender equality, diversity and inclusion in the corporate sector, as part of their 2024 Gender Equality Report.

Challenger was also included as an Employer of Choice for Gender Equality by the Workplace Gender Equity Agency (WGEA) for the seventh year in a row.

Challenger is making great progress towards a zero gender pay gap, with our median Gender Pay Gap (GPG) at 9.3%, compared to an industry median of 23.2%. There was no disparity in pay for individuals in like-for-like roles.

Learning and development

Challenger is committed to investing in its people to maximise their potential. In FY24, Challenger has held over 120 Learning and Development sessions, including leadership development, presentation skills, mentoring and development planning.

2.4 **Challenger's 2024 strategic progress** continued

3. Talented team and capability continued

Embedding environmental, social and governance (ESG) practices across the business

Challenger recognises that sustainability is important to the long-term success of its business and reflects the responsibility we have to all stakeholders, including shareholders, customers and the community.

Challenger integrates ESG risks into the investment decision-making and ownership practices, portfolio construction and appointment of managers acting on its behalf. Challenger has been a signatory to the Principles for Responsible Investment (PRI) since 2015.

Managers that offer sustainability products include:

- Alphinity Investment Management – offers two sustainable products that focus on companies that have a net positive alignment to the United Nations Sustainable Development Goals;
- Cultiv8 Funds Management – a fund focused on investments in agricultural and food technologies with a sustainability objective;
- Proterra Asia – a private equity fund manager focused on the Asian food and agribusiness sectors; and
- Resonance Asset Management – an alternative asset management firm investing in sustainable water, energy, and waste management infrastructure.

In March 2024, the Australian Government introduced the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 to Parliament which includes updated legislation setting out the Government's proposed climate-related financial disclosure (CRFD) regime. This aims to help Australian companies and investors mitigate the risks and maximise the opportunities arising from climate change. Meeting these obligations forms a core part of Challenger's ESG program, which focuses on climate risk.

In FY24, Challenger continued to make progress in addressing the business' most significant environment, social and governance (ESG) risks and opportunities. This included expanding measurement of Scope 3 emissions across the investment portfolio to now include direct Australian real estate, in addition to corporate bonds and listed equities, enabling a stronger understanding of climate-related risks and opportunities across the portfolio.

Through its community engagement program, Challenger supports a number of organisations that make a significant contribution to local communities, including our partnerships with Women Up North and FoodLab Sydney.

Sale of Challenger Bank

In April 2024, Challenger announced it had completed the sale of Challenger Bank Limited (Bank) to Heartland Group Holdings Limited's (NZX/ASX:HGH) (Heartland) New Zealand subsidiary Heartland Bank Limited.

The sale of the Bank generated a pre-tax net gain on sale of approximately $11 million, which has been reported as a significant item in FY24, and approximately $65 million of capital has been injected back into Challenger Life.

The sale of the Bank simplifies Challenger's business and enables it to focus on driving performance in its core Life and Funds Management businesses while continuing to execute its growth strategy.

2.5 **Key performance indicators (KPIs)**

NORMALISED NPBT ($M)
▲ **16.8**% on FY23

FY24	$608.1m
FY23	$520.7m

NORMALISED NPAT ($M)
▲ **14.5**% on FY23

FY24	$416.6m
FY23	$364.0m

NORMALISED ROE PRE-TAX (%)
▲ **2.9**% on FY23

FY24	15.6%
FY23	12.7%

KPIs for the year ended 30 June 2024 include:

	30 JUN 2024	30 JUN 2023	CHANGE (%)
Profitability			
Statutory profit attributable to equity holders ($m)[1]	129.9	171.4	(24.2)
Normalised NPBT ($m)[2]	608.1	520.7	16.8
Normalised NPAT ($m)[2]	416.6	364.0	14.5
Statutory EPS (cents)[1]	19.0	25.0	(24.0)
Normalised EPS (cents)[1]	60.9	53.3	14.3
Total dividend (cents)	26.5	24.0	10.4
Total dividend franking	100%	100%	–
Normalised cost to income ratio	33.8%	37.7%	3.9
Statutory ROE after tax[1]	3.3%	4.2%	(0.9)
Normalised ROE pre-tax[2]	15.6%	12.7%	2.9
Normalised ROE after tax[2]	10.7%	8.9%	1.8
Sales, Flows, AUM			
Total Life sales ($m)	9,134.6	9,746.6	(6.3)
Total Life net flows ($m)	706.5	935.8	(24.5)
Total Life net book growth (%)	3.6%	5.2%	(1.6)
Total FM net flows ($bn)	10.1	(0.5)	large
Total AUM ($bn)[2]	127.1	105.0	21.0

1. Prior period FY23 Statutory profit, Statutory EPS and Statutory ROE after tax are restated for the application impact of AASB 17.
2. Normalised metrics exclude Discontinued Operations (Bank) in FY24, including Normalised profit before tax, Normalised profit after tax, Normalised EPS, Normalised cost to income ratio, Normalised tax rate, Normalised ROE and Total Group AUM. Prior periods are not restated to exclude Discontinued Operations (Bank).

PROFITABILITY AND GROWTH

Certain financial measures detailed in this report are not accounting measures within the scope of International Financial Reporting Standards (IFRS). Management use these financial metrics to measure the Group's overall financial performance and position and believe the presentation of the financial measure provide useful information to analysts and investors regarding the results of the Group's operations.

Challenger's statutory profit attributable to equity holders for the year ended 30 June 2024 was lower than the statutory profit reported in the previous year. This is mainly due to the negative asset and liability experience offset by a higher normalised NPAT.

Normalised NPAT increased by 14.5%, and normalised EPS increased by 14.3% compared to 2023. This was primarily due to higher Life Normalised Cash Operating Earnings from stronger performance in Life's investment portfolio, partly offset by lower Funds Management net fee income due to a change in product mix offset by an increase in average FUM. In addition, expenses across the Group are lower, driven by the sale of the Bank and CRE offset by increased spend on brand and marketing initiatives as well as increased personnel and datafeed costs.

Asset and liability experience after tax was a loss of $283.6 million, compared to a loss of $183.9 million in the pcp (includes the application impact of AASB17). The loss this year is primarily driven by a reduction in commercial property valuations, Life Risk mortality assumption changes, as well as new business strain partially offset by gains in fixed income investments.

A final dividend of 13.5 cents was determined, franked at 100%. The total dividend for 2024 was 26.5 cents, which is 2.5 cents higher (10.4%) than the prior year.

Challenger's normalised cost to income ratio of 33.8% was lower than 2023 (37.7%). Higher Normalised Cash Operating Earnings for Life and lower expenses were the main drivers of the lower cost to income ratio.

The normalised pre-tax return on equity (ROE) was 15.6% in 2024 compared to 12.7% in the prior year.

2.5 **Key performance indicators (KPIs)** continued

Statutory ROE after tax of 3.3% decreased compared to the prior year (2023: 4.2%), which is primarily as a result of lower statutory NPAT. Normalised ROE after tax increased from 8.9% in the prior period to 10.7%, primarily reflecting higher normalised NPAT.

CAPITAL MANAGEMENT

Challenger holds capital in order to ensure that, under a range of adverse scenarios, it can continue to meet its regulatory requirements and obligations to its customers.

Challenger's Australian-based companies are regulated by APRA and/or the Australian Securities and Investments Commission (ASIC). Challenger's Funds Management business also has international operations which are subject to regulation in each jurisdiction.

The minimum level of regulatory capital is specified under APRA life insurance prudential capital standards.

Challenger's capital position is managed with the objective of maintaining the financial stability of the Group and CLC while ensuring that shareholders earn an appropriate risk-adjusted return.

Challenger reports a consolidated (or level 3 equivalent) capital position across the entire business. At 30 June 2024, the Challenger Group was holding $1.9 billion in excess regulatory capital, which equates to a Group Minimum Regulatory Requirement ratio (times) of 1.70 times (31 December 2023:1.52 times). This ratio represents Challenger holding 70.0% more regulatory capital than required by its regulators.

The following table highlights the key capital metrics for CLC and the Group.

CLC regulatory capital base

CLC maintains a target level of capital representing APRA's PCA plus a target surplus. The target surplus is a management guide to the level of excess capital that CLC seeks to hold over and above APRA's minimum requirements. CLC's target surplus is set to ensure that it provides a buffer against adverse market conditions and having regard to CLC's credit rating. CLC uses internal capital models to determine its target surplus, which are risk based and are responsive to changes in CLC's asset allocation and market conditions.

CLC's internal capital models result in a target PCA ratio range under current circumstances of 1.3 to 1.7 times. This range can change over time and is dependent on numerous factors.

CAPITAL AS AT 30 JUNE 2024	CLC ($m)	OTHER ($m)	GROUP ($m)
Regulatory capital base			
Common Equity Tier 1 (CET1) regulatory capital	3,297.4	–	3,297.4
Additional Tier 1 capital	735.0	–	735.0
Total Tier 1 regulatory capital	**4,032.4**	**–**	**4,032.4**
Tier 2 capital[1]	426.3	–	426.3
Other non-regulatory capital[2]	**–**	**139.7**	**72.8**
Total capital base	**4,458.7**	**139.7**	**4,458.7**
Minimum Regulatory Requirement[3]	2,674.0	35.4	2,709.4
Excess over Minimum Regulatory Requirement	**1,784.7**	**104.3**	**1,889.0**
CET1 capital ratio (times)[4]	1.23	–	–
Tier 1 capital ratio (times)[5]	1.51	–	–
Minimum Regulatory Requirement ratio (times)[6]	1.67	3.95	1.70

1. CLC represents subordinated debt.
2. Includes CLC, Funds Management, Corporate and other Life entities. Refer to Note 13 for detailed split.
3. Minimum Regulatory Requirement is equivalent to PCA for CLC.
4. CET1 capital ratio is Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
5. Tier 1 capital ratio is Total Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
6. Minimum Regulatory Requirement ratio is total capital base divided by Minimum Regulatory Requirement.

The PCA ratio at 30 June 2024 was 1.67 times (30 June 2023: 1.59 times), within this range of 1.3 to 1.7 times. The CET1 ratio was 1.23 times at 30 June 2024, an increase from 1.16 times at 30 June 2023.

Funds Management and Other

In addition to CLC's excess over minimum regulatory capital, Challenger maintains cash and tangible assets within entities outside CLC. These assets can be used to meet regulatory capital requirements.

DIVIDENDS AND DIVIDEND REINVESTMENT PLAN

The Board targets a dividend payout ratio of 30% to 50% of normalised earnings per share. The dividend payout ratio for the year ended 30 June 2024 was 43.5% (30 June 2023: 45.0%) and is within Challenger's targeted range.

The final dividend of 13.5 cents will be fully franked.

Challenger will continue to seek to frank the dividend to the maximum extent possible and expects future dividends over the medium term to be also fully franked. However, the actual dividend payout ratio and franking will depend on prevailing market conditions and capital allocation priorities at the time.

Challenger continued to operate its Dividend Reinvestment Plan (DRP) during the year. The participation rate for the 2024 interim dividend was 2.0% and 258,310 ordinary shares were issued to satisfy DRP requirements on 19 March 2024.

The DRP will continue in operation for the 2024 final dividend, and the Board has determined that new shares will be issued to fulfil DRP requirements in respect of the final dividend. The new shares will not be issued at a discount to the prevailing Challenger share price.

CREDIT RATINGS

Challenger Limited and CLC are rated by Standard & Poor's (S&P). In December 2023, S&P reaffirmed both CLC and Challenger Limited's credit ratings.

Ratings were confirmed as:

CLC

A with a stable outlook

Challenger Limited

BBB+ with a stable outlook

DIVIDENDS	30 JUN 2024	30 JUN 2023	CHANGE
Interim dividend (cents)[1]	13.0	12.0	1.0
Final dividend (cents)[2]	13.5	12.0	1.5
Total dividend (cents)	26.5	24.0	2.5
Interim dividend franking	100%	100%	–
Final dividend franking	100%	100%	–

1. Interim dividend announced on 13 February 2024 and paid on 19 March 2024 in respect of the half year ended 31 December 2023.
2. Final dividend announced on 13 August 2024 and payable on 18 September 2024 in respect of the half year ended 30 June 2024.

2.6 Normalised profit

NORMALISED FRAMEWORK (NON-IFRS)

CLC and its consolidated entities value their assets and liabilities at fair value where permitted by AASB 9 *Financial Instruments* and AASB 17 *Insurance Contracts*.

This gives rise to fluctuating valuation movements on assets and liabilities being recognised in the profit and loss in CLC and on consolidation in Challenger Limited. CLC is generally a long-term holder of assets, due to holding assets to match the term of life contract liabilities. As a result, Challenger takes a long-term view of the expected capital growth of the portfolio rather than focusing on short-term movements.

A reconciliation between statutory revenue and the management view of revenue and net income is included in the financial report as part of Note 4 Segment information.

This note also includes a reconciliation of statutory NPAT and normalised NPAT (management's preferred view of post-tax profit). The application of the normalised profit framework has been reviewed by Challenger's independent auditor to ensure that the reported results are consistently applied in accordance with the methodology described in Note 4 Segment information in the financial report.

MANAGEMENT ANALYSIS – NORMALISED RESULTS

Life normalised COE and EBIT increased as a result of higher Life average investment assets with an increase in margin.

Life's average AUM increased by 4.1% as a result of net book growth in annuities, partially offset by unfavourable valuation movements on Property.

Funds Management net income decreased by $4.9 million primarily due to lower FUM-based revenue. Funds Management average FUM increased by $11.1 billion. However, FUM-based income margin decreased to 15.2 bps (FY23: 17.7 bps) due to a change in business mix with higher institutional FUM and lower retail FUM.

	2024 ($m)	2023 ($m)	CHANGE ($m)	CHANGE (%)
Net income[1]	926.6	842.2	84.4	10.0
Comprising:				
Life normalised COE	750.4	653.0	97.4	14.9
FM net income	173.9	178.8	(4.9)	(2.7)
Bank net income	–	8.8	(8.8)	n/a
Corporate and other income	2.3	1.6	0.7	43.8
Operating expenses[1]	(313.5)	(317.5)	4.0	1.3
Normalised EBIT	**613.1**	**524.7**	**88.4**	**16.8**
Comprising:				
Life normalised EBIT	634.2	540.5	93.7	17.3
FM normalised EBIT	54.6	61.6	(7.0)	(11.4)
Bank normalised EBIT	–	(8.8)	8.8	large
Corporate and other normalised EBIT	(75.7)	(68.6)	(7.1)	(10.3)
Interest and borrowing costs	(5.0)	(4.0)	(1.0)	(25.0)
Normalised NPBT	**608.1**	**520.7**	**87.4**	**16.8**
Tax on normalised profit	(191.5)	(156.7)	(34.8)	(22.2)
Normalised NPAT	**416.6**	**364.0**	**52.6**	**14.5**
Group asset experience after tax	(89.2)	(90.1)	(0.9)	1.0
Group liability experience after tax	(194.4)	22.3	(216.7)	n/a
Application impact of AASB 17 after tax	–	(116.1)	116.1	n/a
Bank impairments after tax	–	(1.4)	1.4	n/a
Significant items after tax	0.5	(7.3)	7.8	n/a
Bank NPAT (Discontinued Operation)	(3.6)	–	(3.6)	n/a
Statutory net profit after tax attributable to equity holders	**129.9**	**171.4**	**(41.5)**	**(24.2)**

1. 'Net income' and 'Operating expenses' are internal classifications and are defined in Note 4 Segment information in the financial report. These differ from the statutory revenue and expenses classifications, as certain costs (including distribution expenses, property expenses, management fees, Special Purpose Vehicle expenses and finance costs) are netted off against gross revenues. These classifications have been made in the Directors' Report and in Note 4 Segment information to reflect how management measures business performance. While the allocation of amounts to the above items and asset and liability experience differ to the statutory view, both approaches result in the same total net profit after tax attributable to equity holders.

Operating expenses decreased by $4.0 million (or 1.3%) for the year, reflecting the sale of the Bank and Challenger's Australian Real Estate business (CRE) offset by increased costs in brand and marketing initiatives, higher personnel and Artega datafeed costs.

Challenger's full-time equivalent employee numbers reduced by 141 to 676. The decrease was driven by the sale of the Bank and CRE as well as the transfer of technology services to Accenture.

The normalised effective tax rate in FY24 was 31.5%, up from 30.1% in FY23. The effective tax rate is above Australia's statutory rate of 30% for FY24, predominantly as a result of interest payments on Challenger Capital Notes that are non-deductible ($12.9 million tax effected).

FY24 significant items were $0.5 million (after-tax) and represent:

- net gain from the sale of CRE to Elanor of $12 million;
- net gain from the sale of the Bank of $11 million; partially offset by
- one-off project costs relating to the Accenture Technology Partnership, including restructuring costs ($20 million); and
- implementation of new accounting standard AASB 17 *Insurance Contracts*[1] and Funds Management affiliate impairments ($2 million).

MANAGEMENT ANALYSIS – LIFE ASSET AND LIABILITY EXPERIENCE

The Group is required by Australian Accounting Standards to value assets supporting the Life business at fair value, while liabilities are valued in accordance with relevant accounting standards. This gives rise to fluctuating valuation movements on assets and policy liabilities being recognised in the statutory profit and loss, particularly during periods of increased market volatility.

Challenger is generally a long-term holder of assets due to them being held to match the term of life contract liabilities. As a result, Challenger takes a long-term view of the expected capital growth of the portfolio rather than focusing on short-term movements.

Asset and liability experience is calculated as the difference between actual investment gains/losses (both realised and unrealised) and the normalised capital growth in relation to assets plus any economic and actuarial assumption changes in relation to policy liabilities for the period.

Changes in macroeconomic variables and actuarial assumptions impact the value of Life's assets and liabilities, with valuation movements on assets included as asset experience and movements in policy liabilities reflected in liability experience.

Liability experience also includes new business strain, being the requirement to apply the risk-free discount rate plus an illiquidity premium to value annuity liabilities, rather than the actual interest rate paid on annuity liabilities.

The FY24 asset experience loss before tax of $119.2 million was primarily driven by a reduction in commercial property valuations and valuation losses on alternatives, partially offset by gains on the fixed income portfolio driven by the tightening of credit spreads.

The FY24 liability experience loss before tax of $275.8 million was driven by changes in the valuation of Life Risk liabilities that are expected to unwind over time as a result of applying AASB 17 and new business strain resulting from longer duration annuity sales and net book growth over the period.

	2024 ($m)	2023 ($m)
Actual capital growth[2]		
Fixed income	227.3	171.6
Equity and infrastructure	8.9	(13.8)
Property	(312.9)	(158.4)
Alternatives	(30.4)	(105.5)
Actual capital growth	**(107.1)**	**(106.1)**
Normalised capital growth[3]		
Fixed income	62.3	60.7
Equity and infrastructure	(14.1)	(22.5)
Property	(60.3)	(64.2)
Total normalised capital growth	**(12.1)**	**(26.0)**
Total asset experience	**(119.2)**	**(132.1)**
Policy liabilities	(20.8)	119.6
New business strain	(105.0)	(86.9)
Impact of AASB 17 on Life Risk business	(150.0)	–
Total liability experience	**(275.8)**	**32.7**
Application impact of AASB 17[4]	**–**	**(165.9)**

1. AASB 17 *Insurance Contracts* is an accounting standard that replaces AASB 4 *Insurance Contracts*, AASB 1038 Life *Insurance Contracts* and AASB 1023 *General Insurance Contracts*, and is effective for Challenger from 1 July 2023.
2. Actual capital growth represents net realised and unrealised capital gains or losses and includes the attribution of interest rate, inflation and foreign exchange derivatives that are used to hedge exposures.
3. Normalised capital growth is determined by multiplying the normalised capital growth rate for each asset class by the average investment assets for the period. The normalised capital growth rates represent Challenger's expectations for each asset class over the investment cycle. The annual normalised growth rate is +4.0% for equity and infrastructure, +2.0% for property, 0.0% for alternatives, and -0.35% for cash and fixed income in order to allow for credit defaults. The rates have been set with reference to medium to long-term market growth rates and are reviewed to ensure consistency with prevailing market experience.
4. For comparability, the prior year has been restated to include the application impact of AASB 17.

2.7 Five-year history

	2024	2023	2022	2021	2020
Earnings ($m)					
Normalised Cash Operating Earnings (COE)	750.4	653.0	582.8	512.8	638.9
Net fee income	173.9	178.8	191.8	169.3	158.1
Bank net interest income	–	8.8	2.3	–	–
Other income	2.3	1.6	–	–	0.4
Total net income	**926.6**	**842.2**	**776.9**	**682.1**	**797.4**
Personnel expenses	(182.7)	(201.9)	(204.5)	(179.9)	(174.0)
Other expenses	(130.8)	(115.6)	(96.0)	(101.4)	(110.4)
Total expenses	**(313.5)**	**(317.5)**	**(300.5)**	**(281.3)**	**(284.4)**
Normalised EBIT	**613.1**	**524.7**	**476.4**	**400.8**	**513.0**
Interest and borrowing costs	(5.0)	(4.0)	(4.1)	(5.0)	(6.5)
Normalised profit before tax	**608.1**	**520.7**	**472.3**	**395.8**	**506.5**
Normalised tax	(191.5)	(156.7)	(150.8)	(117.3)	(162.8)
Normalised profit after tax	**416.6**	**364.0**	**321.5**	**278.5**	**343.7**
Asset experience (after tax)	(89.2)	(90.1)	(183.5)	379.5	(832.7)
Liability experience (after tax)	(194.4)	22.3	102.3	(60.9)	82.4
Application impact of AASB 17	–	(116.1)	–	–	–
Bank impairments after tax	–	(1.4)	(0.9)	–	–
Significant items after tax	0.5	(7.3)	14.3	(4.8)	(9.4)
Discontinued Operations (Bank)	(3.6)	–	–	–	–
Profit/(loss) attributable to equity holders	**129.9**	**171.4**	**253.7**	**592.3**	**(416.0)**
Normalised cost to income ratio (%)	33.8%	37.7%	38.7%	41.2%	35.7%
Normalised effective tax rate (%)	31.5%	30.1%	31.9%	29.6%	32.1%
Statutory effective tax rate (%)	29.2%	25.9%	29.0%	28.7%	28.9%
Earnings per share (EPS) (cents)					
Basic EPS – normalised profit	60.9	53.3	47.6	41.5	56.5
Basic EPS – statutory profit	19.0	25.0	37.5	88.2	(68.4)
Diluted EPS – normalised profit	56.0	46.3	40.9	33.8	46.9
Diluted EPS – statutory profit	18.5	24.6	33.1	68.0	(68.4)
Capital management (%)					
Normalised return on equity – pre-tax	15.6%	12.7%	11.9%	11.2%	14.8%
Normalised return on equity – post-tax	10.7%	8.9%	8.1%	7.9%	10.0%
Statutory return on equity – post-tax	3.3%	4.2%	6.4%	16.8%	(12.1%)

	2024	2023	2022	2021	2020
Statement of financial position ($m)					
Total assets	33,406.9	31,046.8	29,725.2	29,917.9	28,461.6
Total liabilities	(29,521.7)	(27,135.9)	(25,736.9)	(26,092.1)	(25,212.0)
Net assets[1]	3,885.2	3,910.9	3,988.3	3,825.8	3,249.6
Net assets[2]	3,881.4	3,906.9	3,988.3	3,825.8	3,249.6
Net assets[2] – average[3]	3,960.0	3,902.6	3,970.0	3,518.9	3,424.4
Net tangible assets[4]	3,280.6	3,299.5	3,372.1	3,202.0	2,619.2
Net assets per basic share ($)	5.69	5.72	5.86	5.69	4.90
Net tangible assets per basic share ($)	4.80	4.83	4.96	4.76	3.95
Normalised operating cash flow[5]	398.7	323.7	145.3	291.8	408.5
Dividends per share (cents)					
Interim dividend (cents)	13.0	12.0	11.5	9.5	17.5
Final dividend (cents)	13.5	12.0	11.5	10.5	–
Total dividend (cents)	**26.5**	**24.0**	**23.0**	**20.0**	**17.5**
Normalised dividend payout ratio (%)	43.5%	45.0%	48.3%	48.2%	31.0%
Statutory dividend payout ratio (%)	139.5%	96.0%	61.3%	22.7%	N/A
Sales and annuity net book flows ($m)					
Annuity sales ($m)	5,185.5	5,517.3	5,122.7	4,566.0	3,127.4
Challenger Index Plus sales ($m)	3,949.1	4,229.3	4,583.4	2,362.1	2,024.0
Total Life sales	**9,134.6**	**9,746.6**	**9,706.1**	**6,928.1**	**5,151.4**
Life annuity net flows ($m)	778.9	385.1	1,074.2	1,079.8	(251.1)
Life annuity book ($m)	15,278.5	13,930.0	13,595.0	13,669.9	12,581.2
Life annuity net book growth (%)	5.5%	2.8%	7.9%	8.6%	(2.0%)
Total Life flows ($m)	706.5	935.8	2,471.9	2,163.8	315.8
Total Life book ($m)	20,634.8	19,198.8	17,981.8	17,302.1	14,997.0
Total Life net book growth (%)	3.6%	5.2%	14.3%	14.4%	2.1%
Funds Management – net flows ($m)	10,079.8	(472.3)	(8,524.8)	16,111.5	2,540.9
Assets under management ($m)					
Life	24,711	23,538	22,224	21,563	18,303
Funds Management	117,408	98,467	93,448	105,824	81,435
Bank	–	225	391	—	–
Elimination of cross-holdings[6]	(14,997)	(17,278)	(17,493)	(17,427)	(14,501)
Total assets under management	**127,122**	**104,966**	**98,570**	**109,960**	**85,237**
Other					
Headcount – closing FTE	676	817	770	738	735
Weighted average number of ASX-listed basic shares on issue (m)	684.6	682.1	675.7	671.6	608.3
Number of shares on issue – closing (m)	683.3	683.8	680.0	672.6	663.1
Share price – closing ($)	7.01	6.48	6.84	5.41	4.41
Market capitalisation ($m)[7]	4,789.9	4,431.0	4,651.2	3,638.8	2,924.3

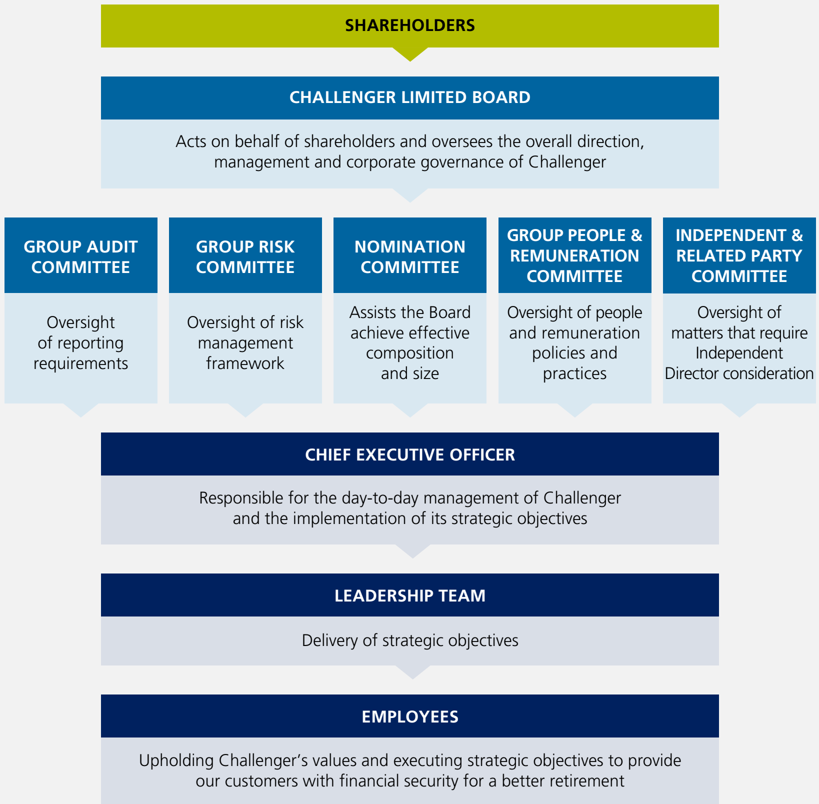
1. Including non-controlling interests.
2. Excluding non-controlling interests.
3. Calculated on a monthly basis.
4. Excludes right-of-use lease asset, goodwill and other intangible assets.
5. Current and prior periods have been restated and prepared whereby Challenger Index Plus distributions are reported in 'non-operating cash flow'.
6. Life assets managed by Funds Management.
7. Calculated as share price multiplied by ordinary share capital.

3.1 Corporate governance

At Challenger, we have a strong governance and risk management framework.

We believe that corporate governance enhances stakeholder confidence and business outcomes.

The way we work is informed by our strong corporate governance and risk culture, which is embedded throughout our business. At Challenger, good corporate governance comes from the top. The Board has oversight of the risks and opportunities for the business and acts on behalf of all of Challenger's stakeholders. Our Board guides our strategic direction and establishes key policies and frameworks to assist management in delivering results for our stakeholders. The Board ensures appropriate governance and oversight in the management of our business. The Chief Executive Officer (CEO) has delegated authority from the Board to, together with the Leadership Team, implement key strategies and policies, have oversight of the risks and opportunities for the business and act on behalf of our stakeholders.



ROLES AND RESPONSIBILITIES OF BOARD AND MANAGEMENT

The role of the Board and delegations

The Board is accountable to shareholders for the activities and performance of Challenger by overseeing the creation of sustainable shareholder value within an appropriate risk framework and having regard for stakeholder interests and community expectations.

The Board is responsible for setting, approving and regularly monitoring Challenger's corporate strategy and strategic priorities and holding management accountable for progress. Challenger's purpose is to provide our customers with financial security for a better retirement. This is a long-term purpose and the Board sets strategic priorities each year to work towards fulfilling this purpose. This includes annual Board strategy offsites, regular Board reporting and meetings, and discussion and review with management. Similarly, the Board ensures rigorous governance processes operate effectively to guide decision-making across the business.

The Board's responsibilities are set out in the Board Charter, which is available at:

challenger.com.au

In addition to setting strategy as described on page 26, the Board's role and responsibilities include:

- approving business plans, budgets and financial policies;
- considering management recommendations on strategic business matters;
- establishing, promoting and maintaining proper processes and controls to maintain the integrity of accounting, financial records and reporting;
- fairly and responsibly rewarding executives, having regard to the performance of the executives, Challenger's risk management framework and culture, the interests of shareholders, market conditions and Challenger's overall performance;
- adopting and overseeing implementation of corporate governance practices;
- overseeing the establishment, promotion and maintenance of effective risk management policies and processes;
- determining and adopting Challenger's dividend policy;
- reviewing Board composition and performance;
- appointing, evaluating and remunerating the CEO and approving the appointment of the Chief Financial Officer (CFO), Chief Risk Officer (CRO), General Counsel and Company Secretary; and
- determining the CEO's delegated authority.

The Board has established committees to assist in carrying out its responsibilities and to consider certain issues and functions in detail. The Board committees are discussed on page 28.

MANAGEMENT RESPONSIBILITY

The Board has delegated to the CEO the authority and powers necessary to implement the strategies approved by the Board and to manage the business affairs of Challenger within the policies and delegation limits specified by the Board from time to time. The CEO may delegate authority to management, but remains accountable for all authorities delegated to management.

BOARD SKILLS MATRIX

The Board has determined that its members have an appropriate collective mix of skills, experience and expertise to:

- exercise independent judgement;
- have a proper understanding of, and competence to deal with, current and emerging issues of the business;
- encourage enhanced Challenger performance; and
- effectively review and challenge the performance of management.

The Board's competencies are assessed annually and the results of the most recent assessment are shown below.

The Board skills matrix shows that the Board has a high level of competency across the areas of expertise relevant to Challenger's business.

Board skills matrix 2024

LEADERSHIP

Leadership, effective communication and influencing skills.

▶ 89% Expert ▶ 11% Advanced

STRATEGY

Strategic thinking capability and transactional expertise.

▶ 78% Expert ▶ 22% Advanced

INDUSTRY EXPERIENCE

Experience in life insurance, funds management or financial sector and management of complex investment portfolios.

▶ 33% Expert ▶ 56% Advanced ▶ 11% Capable

PEOPLE AND CULTURE

Experience in building capable and highly engaged teams, managing effective workplace culture and understanding remuneration structures.

▶ 44% Expert ▶ 56% Advanced

RISK, LEGAL AND GOVERNANCE

Financial services and fiduciary regulatory awareness.
Relevant compliance and risk experience, including legal and tax risk management.
Public company corporate governance.

▶ 44% Expert ▶ 56% Advanced

FINANCE AND ACCOUNTING

Financial reporting literacy, including exposure to Accounting Standards.

▶ 67% Expert ▶ 22% Advanced ▶ 11% Capable

IT AND DIGITAL

Understanding of IT strategy, the application of technology in large organisations, IT and digital innovation and cyber risks.

▶ 11% Expert ▶ 56% Advanced ▶ 33% Capable

STAKEHOLDERS

Experience in understanding key stakeholders' needs, relevant regulatory relationships and shareholder engagement.

▶ 44% Expert ▶ 56% Advanced

SUSTAINABILITY

Understanding community expectations, relevant regulatory developments and disclosure requirements on sustainability issues.

▶ 11% Expert ▶ 56% Advanced ▶ 33% Capable

3.1 **Corporate governance** continued

BOARD COMMITTEES

To assist it in undertaking its duties, the Board has established the following standing committees:

- Group Risk Committee – Oversight of Challenger's risk management framework;
- Group Audit Committee – Oversight of regulatory reporting requirements;
- Group People and Remuneration Committee – Oversight of people and remuneration policies and practices;
- Nomination Committee – Assists the Board to ensure it maintains an effective composition and size; and
- Independent and Related Party Committee – Oversight of matters that require independent director consideration.

Challenger's Tax Risk Management Committee was disbanded in March 2024, with its responsibilities assumed by the Group Audit Committee.

Each committee has its own charter, copies of which are available at

challenger.com.au

The charters specify the composition, responsibilities, duties, reporting obligations, meeting arrangements, authority and resources available to the committees and the provisions for review of the charter.

Details of Directors' membership of each committee and those eligible members' attendance at meetings throughout the year from 1 July 2023 to 30 June 2024 are set out below.

Management committees and groups that are responsible for progressing our strategic agenda include:

- Executive Risk Management Committee;
- Group Environmental, Social and Governance Steering Committee (ESG Committee);
- Work Health and Safety Committee;
- Diversity and Inclusion Committee; and
- Our Community Committee.

Our ESG Committee provides a quarterly sustainability update to the Group Risk Committee.

Directors' meetings

	BOARD		GROUP RISK COMMITTEE		GROUP AUDIT COMMITTEE		GROUP PEOPLE AND REMUNERATION COMMITTEE		NOMINATION COMMITTEE		INDEPENDENT AND RELATED PARTY COMMITTEE	
DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
D West	10	10	4	4	4	4	5	5	4	4	1	1
N Hamilton[1]	10	10										
L Gray[2]	6	6	3	3	3	3			3	3	1	1
J M Green	10	10	4	4	4	4	5	5	4	4	1	1
M Michelini[3]	6	3							3	0		
M Kobayashi[4]	10	10							4	4		
H Smith[1]	10	9	4	4	4	4	1	1	4	4	1	1
J Stephenson	10	9	4	3	4	3	5	4	4	3	1	1
M Willis	10	8	4	4	4	4			4	4	1	1
S Gregg[5]	4	4	1	1	1	1	2	2	1	1		

1. The Tax Risk Management Committee met once during the year with each of its members, Mr Hamilton and Ms Smith, in attendance before it was disbanded in March 2024 as discussed above.
2. Ms Gray was appointed as an Independent Non-Executive Director on 9 November 2023.
3. Mr Michelini was appointed as a Non-Executive Director on 9 November 2023.
4. Mr Hiroyuki Iioka, an alternate director for Mr Kobayashi, attended two meetings for Mr Kobayashi.
5. Mr Gregg resigned as an Independent Non-Executive Director with effect from the close of the 2023 AGM on 26 October 2023.

3.2 Tax transparency

Challenger is committed to paying our fair share of taxes and we take our obligation to comply with prevailing taxation laws, practices and reporting requirements seriously.

We maintain an open relationship with key regulators, including the Australian Prudential Regulation Authority (APRA), the Australian Securities and Investments Commission (ASIC) and the Australian Taxation Office (ATO).

Challenger's tax disclosures meet the requirements of the Australian Board of Taxation's voluntary Tax Transparency Code (TTC) of which Challenger is a signatory. The tax transparency disclosures in this report and in the tax note conform with the TTC. Challenger's total tax contribution (paid and collected) to and on behalf of the Australian Government (state and federal) for FY24 was $131.8 million (FY23: $234.8 million).

OUR TAX STRATEGY AND GOVERNANCE FRAMEWORK

Since 2007, Challenger's tax charter governs how tax is managed within the organisation. Our charter states that Challenger will manage its tax obligations in a sustainable way, considering the commercial and social imperatives of the business and our stakeholders. It determines that Challenger will comply with prevailing laws while maintaining professional relationships with the regulatory and tax authorities where we operate. We maintain transparent and collaborative relationships with key regulators, including APRA, ASIC and the ATO.

Challenger's tax charter and tax risk governance is embedded in the broader Challenger risk governance frameworks and is reviewed and approved by the Challenger Board on a bi-annual basis. 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.

Most of the tax paid by the Group is to the ATO. The Group seeks to maintain a 'high assurance Justified Trust' over income tax and GST with the ATO. Under the ATO Justified Trust framework, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive manner.

OFFSHORE OPERATIONS

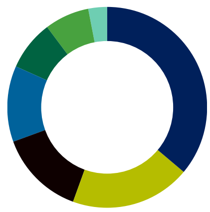
We invest offshore to secure a diversified balanced portfolio and to match our policy liabilities. As at 30 June 2024, 39% of Challenger Life Company Limited's (CLC) investment assets were offshore. CLC is also a party to a number of global reinsurance agreements.

Our Funds Management business originates and manages offshore assets on behalf of CLC and third-party institutional investors, such as profit-for-member superannuation funds.

Due to offshore investments and operations, a number of overseas foreign structures are used to provide certainty over commercial, legal and tax aspects of the various transactions we enter into. Using entities in jurisdictions with similar laws to Australia or those that have substantially complied with the Organisation for Economic Co-operation and Development (OECD) guidelines on tax transparency, including information exchange with global tax authorities, enhances certainty.

The investment returns Challenger makes are taxable in the source country of the investment and are also taxed in Australia. This results in an effective tax rate for the group of 29.2% (2023: 25.9%) with no material tax rate difference recognised between the Australian and offshore operations.

2024 TOTAL TAX CONTRIBUTION



36%	Employee payroll taxes
19%	Corporate income tax
14%	Stamp duty and other local council taxes
12%	GST
8%	Customer withholding taxes
8%	Employer payroll taxes
3%	Levies

3.3 Risk Management

The management of risk is fundamental to Challenger's business and to building long-term shareholder value.

The Board's Risk Appetite Statement outlines the level of risk that is acceptable and is combined with an effective risk management framework which monitors, mitigates and manages the risks to which Challenger is exposed.

The Board recognises the broad range of risks that Challenger faces as a participant in the financial services industry. These include:

- funding and liquidity risk;
- investment and pricing risk;
- counterparty risk;
- strategic, business and reputation risk;
- operational risk including cyber security;
- climate change risk;
- conduct risk; and
- licence and regulatory risk.

An integral part of risk management for Challenger is the maintenance of a strong risk culture among its employees. Challenger's expectations of its employees are encapsulated in its Code of Conduct and the 'Challenger I ACT' values of:

- Act with integrity;
- Aim high;
- Collaborate; and
- Think customer.

All employees are assessed against the Challenger I ACT values as part of the annual performance review process, and this outcome contributes to their overall performance rating and individual remuneration outcomes.

RISK MANAGEMENT FRAMEWORK

Challenger's Board is responsible, in conjunction with senior management, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Group Risk Committee (GRC) and the Group Audit Committee (GAC) to assist in discharging its risk management responsibilities. In particular, these committees assist the Board in setting the appropriate risk appetite and for ensuring that there is an effective risk management framework that is able to manage, monitor and control the various risks to which the business is exposed.

The Executive Risk Management Committee (ERMC) is an executive committee chaired by the Chief Risk Officer which assists the GRC, GAC and Board in discharging their risk management obligations by implementing the Board-approved risk management framework. On a day-to-day basis, the Risk division, which is separate from the operating segments of the business, has the responsibility for monitoring the implementation of the risk framework, including the monitoring, reporting and analysis of the various risks faced by the business, and providing effective challenge to activities and decisions that may materially affect Challenger's risk profile.

Challenger has a robust risk management framework which supports its operating segments, and its risk appetite distinguishes risks from which Challenger will seek to make an economic return from those which it seeks to minimise and which it does not consider will provide a return. The management of these risks is fundamental to Challenger's business, customers and to building long-term shareholder value. Challenger is also prudentially supervised by APRA, which prescribes certain prudential standards that must be met by Challenger and its life insurance subsidiary CLC.

Challenger regularly assesses its risk culture through internal staff surveys and other metrics to ensure that the management of risk and day-to-day compliance remains entrenched within the way in which Challenger operates. Challenger's risk appetite statement provides that, subject to earning acceptable economic returns, it can retain exposure to credit risk, property risk, equity risk and life insurance risk.

- credit risk – is the risk of loss due to a counterparty failing to discharge its contractual obligations when they fall due, a change in credit rating, movements in credit spreads, or movements in the basis between different valuation discount curves;
- property risk – is the potential impact of movements in the market value of property investments on Challenger's income and includes leasing and tenant default risk which may impact the cash flows from these investments;
- equity risk – is the potential impact of movements in the market value of listed equity investments, unlisted equity investments and investments in alternative and relative value strategies. Alternative and absolute return strategies are generally uncorrelated to listed equity market returns. Challenger holds equities as part of its investment portfolio in order to provide diversification across the investment portfolio;
- life insurance risk – represents both longevity risk and mortality risk. Through selling lifetime annuities and assuming wholesale reinsurance agreements, CLC takes longevity risk, which is the risk that customers live longer, in aggregate, than expected. This is in contrast to mortality risk, which is the risk that people die earlier than expected. CLC is exposed to mortality risk on its wholesale mortality reinsurance business.

Challenger seeks to minimise the risks for which it does not consider an appropriate return can be generated. These risks include:

- foreign exchange risk – is the risk of a change in asset values as a result of movements in foreign exchange rates. Challenger may take foreign exchange risk as part of an overlay strategy to reduce risk given the procyclicality of the AUD;
- interest rate risk – is the risk of fluctuations in Challenger's earnings arising from movements in interest rates;
- inflation risk – is the risk of fluctuations in Challenger's earnings from movements in inflation rates;
- operational risk – is the risk of loss resulting from inadequate or failed internal or external processes, systems or people or from external events including cyber security events; and
- regulatory and compliance risk – is the risk of legal or regulatory sanctions or loss as a result of Challenger's failure to comply with laws, regulations or regulatory policy applying to its business.

Further details on Challenger's approach to risk management are included in Section 5 of this report.

4.1 Sustainability

Key highlights

Expanded measurement of Scope 3 emissions
across our investment portfolio

Developed operational emissions reduction plan
including intention to be net zero across our Scope 1 and 2 emissions from FY25

Commitment to continue to strengthen our ESG capability and practices
in line with stakeholder expectations

Met gender diversity targets across business

Developed our community partnerships

Providing customers with financial security for a better retirement is at the heart of what we do. To help deliver on this, we seek to invest responsibly, support the financial resilience of our customers and communities, do the right thing by our customers, people, shareholders and environment and advocate for the financial security of retirees.

Our unique business model ensures we can support customers throughout their working lives and retirement, helping to provide them with financial security for a better retirement.

Challenger Life is the country's leading guaranteed retirement income business. We provide customers with reliable and secure income streams, for either a fixed term or for life, ensuring they have financial peace of mind throughout their retirement.

Our Funds Management business is one of Australia's largest active managers and helps clients save for retirement through a range of growth and income strategies. Fidante, our multi-affiliate platform and Challenger Investment Management provide customers with high-quality and superior returning investment products.

Our sustainability strategy

Challenger's sustainability strategy reflects our most material social, environmental and governance opportunities.

Progressing our ESG journey

In FY24, Challenger continued to make progress in addressing our most significant environment, social and governance (ESG) risks and opportunities across the four pillars of our sustainability strategy.

Climate risk work program

We developed a climate risk work program that will be implemented in FY25 and informs our longer-term ESG priorities and strategy, and ensures we continue to meet client and community expectations. It also reflects our commitment to transparent reporting and strengthening our sustainability disclosures as we prepare for the proposed climate-related financial disclosure regime in Australia.

Scope 3 financed emissions

We expanded measurement of Scope 3 financed emissions across our portfolio to now include direct Australian real estate, in addition to corporate bonds and listed equities, enabling a stronger understanding of climate-related risks and opportunities across our investment portfolio.

Operational emissions reduction plan

We recognise our operational impact on the environment and developed a carbon emissions reduction plan, which includes plans to be net zero across our Scope 1 and 2 emissions from FY25.

Policy advocacy

We are strong advocates of retirement income reforms and policy settings that contribute to a stronger retirement income system. This year, we participated in a range of activities advocating for reforms to deliver Australians with the income they need for a dignified retirement.

In FY25, we will continue to build on the progress we've made this year as we play our role in creating a sustainable future for our customers, people, shareholders and wider stakeholders.

Building a high-performing, diverse and inclusive team

Our people are at the core of our business and key to our long-term success. Our employee value proposition (EVP) reflects this commitment, including our focus on helping them fulfil their potential. We know the benefits that a diverse team can deliver and in FY24, we met our gender diversity targets across the business, including in management, the Leadership Team and Board.

Supporting our communities

We recognise our role in contributing to a more sustainable and equitable future for all Australians and were pleased to continue to support a range of organisations that make a positive impact on local communities, including through our community partnerships with Women Up North and FoodLab Sydney.

4.2 **Sustainability governance**

Challenger has continued to strengthen its governance structure to manage sustainability and ESG risks and opportunities, and ensure we have appropriate policies, systems and processes in place to deliver on our commitments.

CHALLENGER LIMITED BOARD AND GROUP RISK COMMITTEE

Challenger's Board has oversight and responsibility for Challenger's sustainability and ESG risks and opportunities. The Board skills matrix shows Board members have a high level of competency across areas of expertise relevant to ESG and Challenger's business, including customer, corporate governance, public policy, risk, strategy and people.

Both the Challenger Limited Board and Group Risk Committee oversee specific ESG matters, including cyber security, diversity and inclusion, and human rights. ESG issues are considered at each Group Risk Committee, at a minimum, including presentations and reports from the Chair of the ESG Steering Committee which in FY24 included:

- ESG governance;
- legislative and regulatory updates;
- approval of Challenger's upcoming climate risk work program;
- approval of the operational emissions reduction plan; and
- modern slavery workplan progress reports.

LEADERSHIP TEAM

The Leadership Team reviews and approves Challenger's sustainability strategy and workplan, ensuring that focus aligns with the overall business strategy and stakeholder expectations. It is supported by the ESG Steering Committee, who provide ESG recommendations for approval when required and keeps the Leadership Team abreast of regulatory and legislative updates that require their endorsement as well as risks and opportunities. In FY24, there was a particular focus on how Challenger addresses climate risks and opportunities across our business, including endorsement of our climate risk work program and operational emissions reduction plan.

ESG STEERING COMMITTEE

The ESG Steering Committee is responsible for the development of Challenger's ESG strategy. It identifies ESG risks and opportunities, associated controls and policies relating to the implementation of the strategy, as well as overseeing Challenger's ESG reporting and disclosures. The Committee includes senior executives from across the business, including Challenger's Chief Risk Officer, Challenger Life's Chief Investment Officer, representatives from Funds Management, Finance and the ESG team, and is chaired by the Chief of Staff.

4.3 **Challenger's materiality assessment**

Challenger assesses its material sustainability issues on an annual basis to help us identify the ESG topics with the most potential impact to our business and stakeholders, including our customers and clients, advisers, people, regulators and shareholders.

IDENTIFYING WHAT'S IMPORTANT

In FY24, we undertook a comprehensive materiality assessment to identify the issues of most significance to our business, priorities of our stakeholders and the evolving operating environment. This will also help us prepare for imminent ESG reporting frameworks and requirements, and focus on our most material matters.

WHAT'S CHANGED

Our FY24 material topics take account of Challenger's business priorities, evolving operating environment, and create stronger alignment to international standards.

This year's assessment includes three new material topics, a streamlining of two topics into one, and removal of one topic:

- Customer experience reflects Challenger's focus on building a customer-centric business;
- Talent development demonstrates Challenger's commitment to developing its people to realise their full potential;
- Digital technology and innovation highlights Challenger's work in building a seamless digital experience and improving our processes and systems;
- Business ethics and good corporate governance and compliance have been streamlined into accountable and transparent business; and
- Partnerships and collaboration has been removed as this was assessed as overlapping with a number of other topics.

These outcomes will help inform Challenger's sustainability priorities and workplan in FY25.

OUR MATERIALITY ASSESSMENT PROCESS

IDENTIFICATION

- Review of relevant sustainability frameworks and standards including the Global Reporting Initiative (GRI), MSCI asset management framework and the Sustainable Development Goals (SDGs)
- Evaluation of FY23 material topics to assess which remain relevant to our business and stakeholders
- Analysis of global trends, industry and peer activity and media
- Examination of consumer and customer insights including Challenger's Voice of the Customer (VOCA) findings
- Development of initial material topics list with input from leaders and subject matter experts

ENGAGEMENT

- Surveyed a wide range of stakeholders, including Challenger employees and Non-Executive Directors, affiliates, clients, industry associations and community partners where respondents were asked to assess each material topic from two perspectives:
  - How important do you think this issue is for Challenger to achieve its purpose and strategy?
  - How could Challenger have the most impact on society?

PRIORITISATION AND VALIDATION

- Survey results, qualitative and quantitative information assessed to create shortlist of material topics
- Validation of shortlisted topics with guidance from subject matter experts and ESG Steering Committee
- Discussed and approved by the Leadership Team and Challenger's Group Risk Committee

4.3 **Challenger's materiality assessment** continued

BETTER UNDERSTANDING OUR ESG RISKS

In FY24, we assessed the associated risks for our most material sustainability topics, including risks at our annual Board strategy day and individual risks within our risk register, and then considered mitigating actions.

This was a particularly relevant exercise in relation to climate change, which will become an increasing focus as Challenger implements its climate risk work program in FY25.

SUSTAINABLE DEVELOPMENT GOALS

We recognise the role that organisations like Challenger can play in aligning and contributing to the delivery of the Sustainable Development Goals (SDGs), 17 goals that create a blueprint for achieving a more sustainable future by 2030.

In FY24, Challenger undertook an assessment to identify the goals where we believe we can have greatest impact. This included assessment of the goals against our material topics and the policies, processes and initiatives that we have in place, as well as how our strategy, products and customer focus align to the fulfilment of the SDGs.

Challenger believes that we have the greatest impact through our business activities on the five goals below, which we have aligned to the four pillars of our sustainability strategy:

Gender equality

Decent work and economic growth

Reduce inequalities

Climate Action

Partnerships for the goals

OUR FY24 MATERIAL TOPICS

MATERIAL TOPICS

Sustainable retirement income system and adequacy
- Designing products with the wellbeing of individuals in mind and contributing to discussions that improve the sustainability of Australia's retirement income system.

Customer experience
- How we're building a customer-centric business.
- Delivering a high-quality service to customers, improving processes and responding to customer feedback.

Representation of products and investment strategies
- Acting in customers' best interests, including transparency, accuracy, and clarity of marketing statements, advertising, and labelling of products and investment strategies.

Digital technology and innovation
- Using digital technology and innovation to make it easier to do business with us.

Data privacy and cyber security
- Strengthening our cyber security capabilities to protect our business and customers and minimise the risk of evolving threats.

Employee wellbeing, diversity and inclusion
- Promoting a diverse and inclusive workplace, in a psychologically safe and fair environment.
- Expectation that our people act in line with our IACT values.

Talent development
- Attracting and retaining leading talent and supporting our people to realise their full potential, which is key to how we can create value for customers and shareholders.

Accountable and transparent business
- Maintaining high standards of corporate governance, conduct and compliance, as well as how we manage risks surrounding ethical conduct of business.

Investing responsibly
- Incorporating ESG considerations into our investment process to drive long-term value and engaging with companies to improve their ESG performance where we can make a difference.

Climate change
- How Challenger identifies and manages climate-related risks and opportunities through its investment decisions and own operations.

LINKING MATERIAL ESG TOPICS TO OUR RISKS AND MITIGANTS

RISKS	MITIGATING ACTIONS	
– Failure to understand customers and their needs – Poor recognition and accommodation of vulnerable customer needs	– Product Lifecycle Policy – Customer strategy review – Market intelligence and analysis – Product Governance Committee	– Review of Financial Abuse of Elders and Vulnerable Customers Framework – Customer Experience Uplift
– Product misaligned to customer needs – Systems and processes inadequate in servicing customers	– Review and simplification improvement of customer journeys – Target market determination review, monitoring and reporting – Product Governance Committee	– Complaints management process – Customer feedback quarterly forums – Customer Experience Uplift
– False or misleading information or marketing – Incorrect or misleading corporate messaging	– All marketing material subject to approval process – Product disclosure review and approvals	– Compliance reporting for distribution activities – Marketing Compliance Policy and training
– Unsustainable or insufficient execution capability	– Accenture Technology Partnership – Customer Experience Uplift	– AI governing principles
– Unauthorised access, disclosure or use of data and personal information – Risk of a cyber security incident	– Information security controls (including access management and third-party due diligence) to monitor and maintain a secure technology platform – Phishing and education campaigns to mitigate social engineering	– Information Security Policy – Information Retention and Storage Policy – IT Acceptable Use Policy – Privacy Policy
– Inadequate support for employee health, safety and wellbeing	– Employee Value Proposition review – Remuneration practices approved by management and Challenger's Board – Ongoing analysis of employee engagement and feedback to action and improve employee experience	– Gender targets at group, management, leadership and Board level reported in Annual Report – Employee-led Diversity and Inclusion networks – Range of employee events to support diversity – Employee Assistance Program
– Inability to attract and retain talented people – Unsustainable or insufficient execution capability	– Employee Value Proposition review – Learning & Development strategy – Succession planning	– Ongoing analysis of employee engagement and feedback to action and improve employee experience
– Conduct misaligned to community expectations and regulatory environment – Fraudulent activities by third-party-managed investments – Fraudulent activities within key operational or financial teams – Fraud, bribery or corruption with respect to major transactions – Conflicts of interest – Insider trading on confidential information	– Conflicts of Interest Policy – Information Barriers Policy – Related Party Transactions Policy – Staff Trading Policy – Delegated Authorities Policy – Conduct Risk and Consequence Management Framework	– Risk culture assessments and action planning – Ongoing review of Conflicts of Interest Register – Ongoing review of Gifts and Entertainment Register – Regulatory and compliance training – Consequence Management Committee
– Sub-optimal investment decisions due to lack of ESG considerations – Reputational damage or regulatory intervention due to insufficient ESG considerations in investment decisions	– Responsible Investment Policy – ESG Implementation Statement – Challenger Life Company	– ESG Implementation Statement – CIM Fixed Income

4.4 Responsible investment

8 DECENT WORK AND ECONOMIC GROWTH

13 CLIMATE ACTION

17 PARTNERSHIPS FOR THE GOALS

Challenger manages

~$127 billion

in FUM across a range of asset classes, including fixed income, equities and alternatives

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We actively consider ESG factors

in our investment processes

We're committed to continuously improving ESG integration

across our investment activities

The retirement landscape in Australia is rapidly evolving and we recognise the role that our investments and stewardship can play in shaping a better future. We believe that integrating ESG considerations into investment decisions will support the long-term success of investment markets, company performance and improve risk-adjusted returns over time.

OUR APPROACH TO ESG INTEGRATION

Challenger considers ESG risks throughout its investment process – from how we make investment decisions and construct investment portfolios to engaging in responsible ownership practices and appointing managers to act on our behalf.

This helps us deliver on our purpose of providing customers with financial security for a better retirement and support our customers to achieve their financial objectives.

We undertake investment activity across Challenger Life Company (CLC) and Funds Management. Within Funds Management, Challenger Investment Management's (CIM) fixed income and Japanese real estate teams and Fidante affiliates manage money on behalf of CLC and third-party clients.

ESG GOVERNANCE

CHALLENGER'S RESPONSIBLE INVESTMENT POLICY

Challenger's Responsible Investment Policy is the overarching policy that governs ESG at Challenger and is reviewed annually.

Responsible Investment Statements for CLC and CIM Fixed Income provide asset-class-specific guidance to the respective investment teams. Fidante affiliates are governed by their own ESG policies and frameworks.

The Board approves Challenger's approach to ESG integration and the ESG Steering Committee assists the Leadership Team in setting the business' ESG strategy. The investment teams are responsible for integrating ESG considerations into the investment process and senior investment leaders have key performance indicators that are linked to responsible investment and ESG integration.

CHALLENGER INVESTMENT MANAGEMENT FIXED INCOME

CIM adopts a thorough and robust approach to incorporating ESG considerations in its investment process.

It believes that integrating ESG factors into decision-making can improve financial outcomes for investors, reduce risk and promote more sustainable business practices.

CIM operates as both a lender and an investor in the credit markets. As an investor, CIM applies a relative value approach, integrating ESG risk factors into its pricing and valuation considerations. As a lender, it prioritises direct engagement with borrowers to mitigate ESG risks.

CIM determines materiality by considering which ESG risks and opportunities the industry is most exposed to, as well as any ESG risks and opportunities specific to the issuer itself. A material ESG risk is one which, if not well managed, can have a significant impact on the ability of the borrower to repay the loan.

CIM's proprietary framework assigns a rating for ESG risk factors on each potential investment and this assessment forms a key part of the investment process.

4.4 **Responsible investment** continued

CHALLENGER LIFE COMPANY

CLC manages a diverse investment portfolio across fixed income, real estate, alternatives, equities and infrastructure, utilising both internal and external managers.

Where CLC makes a direct investment and is exposed to a company directly, it identifies material ESG factors relevant to the opportunity and will engage with the company to discuss and gain further insight into their risk management policies, strategies, disclosures and capabilities. This approach aims to reduce the risk of the underlying investment and ultimately improve client outcomes.

CLC may not proceed with an investment where ESG risks are deemed to be high and will divest from investments that fall outside its risk appetite. CLC does not undertake any ESG screening, analysis or engagement on passive (index) exposures.

ESG due diligence

CLC conducts a thorough ESG due diligence process for potential third-party investment managers and considers:

- ESG policy, governance and capabilities
- Responsible Investment and Stewardship policies
- Confirmation that the Manager is, or intends, to become a signatory to the Principles for Responsible Investment (PRI)

Third-party investment managers are also expected to demonstrate an acceptable level of commitment to managing ESG risks and opportunities, including adherence to the PRI principles, consideration of climate-related risks and opportunities, and management of modern slavery risks.

COLLABORATING FOR CHANGE

Challenger engages collaboratively across the industry to effect change and advocate for our Investment Managers through our ESG, Sustainability and Distribution teams.

The ESG team actively engages with the PRI, Financial Services Council (FSC) ESG Working Group, Responsible Investment Association of Australasia (RIAA) and the Investors Against Slavery and Trafficking Initiative (IAST).

NATIONAL COMPENSATION SCHEME FOR VICTIM-SURVIVORS OF MODERN SLAVERY

IAST APAC advocates for the establishment of a national compensation scheme for victim-survivors of modern slavery in Australia.

In 2024, with 45 investors, Challenger collaborated with the IAST APAC, Anti-Slavery Australia and Walk Free to advocate for legislative change that would support the establishment of a compensation scheme, as well as direct company engagement to ensure that modern slavery is addressed within supply chains and operations. This included advocating for the scheme in a letter to Australia's Attorney-General.

FIDANTE

Fidante is one of Australia's largest active investors, with a multi-affiliate platform that offers strategies across equities, fixed income and alternative investments.

Fidante seeks to partner with investment managers who align with its ESG philosophy and are committed to continuous progress in ESG integration practices. All affiliates are expected to align to Challenger's ESG values and principles, as detailed in our Responsible Investment Policy. Every affiliate is a signatory of the PRI and implements their own ESG framework.

When selecting investment managers, Fidante undertakes a detailed selection process that includes an assessment of their ESG commitment and capability such as the manager's ESG process, policies and integration in investment decisions.

Fidante sustainable offering

alphinity INVESTMENT MANAGEMENT	**Alphinity Investment Management** Has two sustainable funds with a focus on investments with a net positive alignment to the UN Sustainable Development Goals.
IMPAX Asset Management	**Impax Asset Management** Invests in opportunities arising from the transition to a sustainable economy.
cultiv8	**Cultiv8 Funds Management** Invests in early-stage sustainable agricultural and food technologies.
RESONANCE ASSET MANAGEMENT	**Resonance Asset Management** Invests in sustainable, circular and industrial infrastructure that produces renewable energy, cleans contaminated water and recovers valuable resources.
PROTERRA ASIA	**Proterra Investment Partners Asia** Has a strategy focused on food technologies that contribute to safe, high-quality and sustainable food products.

PARTICIPATION IN AUSTRALIA'S FIRST GREEN BOND

In FY24, CLC invested in Australia's inaugural Green Bond program, which funds projects aimed at supporting climate change mitigation, adaption and environmental outcomes including green hydrogen hubs, clean transport infrastructure and biodiversity conservation programs. The opportunity to participate in this program has enabled CLC to contribute to and support Australia's transition to a net zero economy.

ALPHINITY TEAM UP WITH CSIRO FOR RESPONSIBLE AI

In 2024, Alphinity Investment Management and the CSIRO Data61 published a framework to help investors evaluate, manage and report on the responsible use of artificial intelligence (AI) within investee companies.

The research program involved direct engagement with more than 28 listed companies (Australia and global) and use of Data61's responsible AI question bank and metric catalogue. The output was the development of a three-part framework, 10 key company insights, and leading company case studies. This was published in a report and Excel toolkit that investors can download and adapt for their own processes.

Alphinity has integrated the framework, tools and templates into its ESG analysis processes and hopes this framework and toolkit will become a standard for the industry.

INVESTMENT IN SOCIAL HOUSING BONDS BY HOUSING AUSTRALIA

In FY24, CLC invested in social housing bonds issued by Housing Australia that provide funding for the development and management of affordable housing. As part of the due diligence process, the investment team worked with Housing Australia and conducted onsite visits to learn about the projects that benefit from the proceeds of its investments. This investment reflects CLC's belief in the importance of driving positive ESG outcomes through its investment portfolio while at the same time achieving relative returns.

SOLAR PANEL AND EV CHARGER INSTALLATION AT KARRATHA CITY SHOPPING CENTRE, WA

Karratha City Shopping Centre, Western Australia (managed by Elanor Investors on behalf of CLC), undertook a solar panel project in partnership with Solgen, Australia's largest retail solar program provider, Vicinity, the joint owners of the shopping centre and their Solar arm, Vesco.

The solar installation has offset 40% of the shopping centre's energy consumption, and by harnessing solar power, the shopping centre is less dependent on grid electricity, ensuring a more stable and sustainable energy supply.

To promote sustainable transportation and cater to the growing demand for electric vehicles, Karratha City Shopping Centre has also introduced EV chargers in partnership with Horizon Power. This supports the adoption of eco-friendly vehicles and by providing convenient charging facilities, demonstrates the shopping centre's commitment to reducing carbon emissions.

4.5 Financially resilient customers and communities

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

Challenger research found that

2 in 3

Australians over 60 said they would be much happier if they didn't have to worry about finances in retirement

>230

adviser roadshows, workshops and webinars on how we can help their clients in retirement in FY24

Every year we make

~$6 billion

in guaranteed income payments to customers

With cost-of-living concerns and economic uncertainty, protecting retiree income from the impact of inflation is a priority for those in or approaching retirement.

Research reinforces what we're hearing from customers, advisers and clients – demand for guaranteed income that allows Australians to enjoy their retirement has never been greater.

Challenger has an important role to play in strengthening the retirement phase of superannuation, helping to provide financial certainty and address the very real risks that Australians face in retirement.

We are also committed to contributing to a more sustainable and equitable future for all Australians and support a range of organisations that make a positive impact on local communities.

MAKING IT EASIER TO DO BUSINESS WITH US

This year, Challenger announced a technology partnership and customer experience uplift program that will make it much easier to do business with us.

Customers will be able to fully engage with us online, advisers will be able to write new business more efficiently and we'll be able to integrate our capabilities with advisers, investment platforms and superannuation funds. This will also support our focus on working with more superannuation funds to develop innovative retirement income solutions that meet more of their members' needs. With an improved service, the time to bring new solutions to market will also be significantly reduced.

MEETING A WIDER RANGE OF CUSTOMER NEEDS

Our unique business ensures we can support customers throughout their working lives and into retirement.

This year we addressed the needs of an even broader range of customers, which included working with institutions to build innovative retirement income solutions. TelstraSuper launched its retirement income product, designed with Challenger under our retirement income partnership. We also formed a new retirement income partnership with Commonwealth Superannuation Corporation (CSC), helping provide their members with the confidence to draw down their savings.

In Funds Management, we continued to innovate and expand our offering, adding new investment strategies, particularly in alternative assets, to meet growing client demand. This included the Apollo Aligned Alternatives strategy, providing clients with a complement to traditional stocks and bond investments. Challenger Investment Management launched its Global ABS fund, our first dedicated asset-backed securities with a global focus. And our new Capital Markets team, initially focused on real estate, successfully completed two major capital raises.

For further information on our affiliates' ESG capability, please see the 'Responsible investment' section of this Report.

ACTING ON CUSTOMER FEEDBACK

In FY24, we maintained a high customer service satisfaction rate of 96% and our Net Promoter Score was 76, reflecting our focus on delivering great outcomes for our customers and clients.

Our Voice of the Customer (VOCA) forum meets regularly to share customer feedback, help shape the way we deliver our service and products and, importantly, identify actions we can take to improve.

Throughout FY24, VOCA helped deliver a range of improvements for customers. We made it easier for people authorised under Powers of Attorney to deal with us, enhanced the usability of our website and shared regular progress updates with our customers.

We'll continue to improve the customer experience throughout 2025 as we implement our customer experience uplift program.

96%

CUSTOMER SERVICE SATISFACTION RATE

76

NET PROMOTER SCORE

4.5 **Financially resilient customers and communities** continued

EDUCATION

Challenger undertakes research and works closely with the government, industry and wider community to help drive public discussion on how best to provide Australians with financial security for a better retirement.

This year Challenger partnered with National Seniors Australia (NSA), Capital Preferences and Macquarie University to gain deeper insights on the needs of Australians pre- and post-retirement. These partnerships aim to offer practical guidance that fosters confidence in spending and enjoying retirement.

We also actively engage with the media and retirement-specific groups to help retirees plan for and achieve a more financially secure retirement. Challenger's Retirement Income Research team published a series of research papers this year, addressing crucial topics such as inflation protection for retirement income, building financial confidence among Australians, and exploring the significant challenges facing retirees in 2024.

ENGAGING WITH ADVISERS

Deepening our relationships with advisers, at the same time as supporting them through uncertain markets, has been a priority.

This year we hosted over 230 adviser roadshows, workshops and webinars across the country, attended by thousands of advisers, on how Challenger can help their clients in retirement. This included investment symposiums connecting advisers with the capabilities of Challenger and our affiliates.

STRATEGIC PARTNERSHIPS

Challenger has built a longstanding, successful relationship with the MS&AD Group, a leading provider of life insurance in Japan.

In FY24, we were very pleased to extend our reinsurance agreement with MS Primary, a subsidiary of MS&AD, for another five years, across Australian and US dollar, as well as Japanese yen denominated annuities. This reflects our shared commitment to providing customers with financial security in retirement.

We also expanded our strategic relationship with Apollo to include an asset origination partnership that provides greater access to Apollo's global investment management capability. Client feedback on the Apollo Aligned Alternatives strategy, brought to the Australian market during the year by Fidante, has also been very positive and appeals to a broad range of customers.

CHALLENGER RETIREMENT HAPPINESS INDEX

In 2024 Challenger launched our first Retirement Happiness Index.

In collaboration with independent research house YouGov, we surveyed over 1,000 Australians aged 60+ to understand their retirement happiness and key drivers. The results showed that a wide range of factors contribute to happiness in retirement, including health, social connections and a sense of purpose. While a better retirement is about much more than finances, more than two in three (66%) said they would be much happier if they didn't have to worry about finances in retirement.

Terry and Kerry are Challenger customers, being interviewed here about how the financial security of a guaranteed income has supported their happiness in retirement.

AMPLIFYING THE CHALLENGER BRAND

In FY24, we launched our new brand sponsorship strategy to help to position Challenger as the 'go to' for retirement.

Our partnership with the Professional Golfers Association (PGA) of Australia, Women's PGA and Golf Australia has provided access to Australia's 9 million golf fans, which is also a sport of choice for the over 45s.

We also engaged with new and existing audiences who have a passion for arts and culture through our partnerships with Melbourne International Flower and Garden Show (MIFGS), the largest horticultural event in the southern hemisphere.

VULNERABLE CUSTOMERS

Challenger recognises the implications that elder financial abuse can have on customers.

Our ability to effectively identify and manage the risk of financial abuse of elders and other vulnerable customers is central to our purpose. Challenger's Financial Abuse of Elders and Vulnerable Customers Framework sets out the internal measures in place to manage these risks and how customers can protect themselves during their retirement. Supporting information has also been published on Challenger's website.

CUSTOMER COMPLAINTS

Challenger is also committed to acting quickly to resolve issues when things don't go to plan.

Our Customer Resolution team is responsible for responding to and resolving complaints. Our policy is to acknowledge any complaint within 24 hours or as soon as practicable. We investigate, properly consider and decide how we intend to resolve a complaint and communicate our decision to customers within 30 days (45 days if customers invested with superannuation monies).

In many instances, we provide a resolution within 24 hours. In FY24, our number of customer complaints continued to decrease. We recorded 166 complaints, an improvement from 195 complaints in 2023 – approximately 14 complaints per month; less than one every working day, and approximately 45% of complaints are closed in one day.

166

CUSTOMER COMPLAINTS IN FY24

▼ from **195** in FY23

COMMUNITY GIVING

Challenger supports payroll giving through the Good2Give platform. Through this platform, employees can donate to their charity of choice and Challenger will match donations up to $500 per employee each year.

In FY24, total donations via the Good2Give platform were over $73,300 across 77 charities. Challenger also supports employees to volunteer, providing one day of leave for volunteering every year.

WOMEN UP NORTH (WUN)

WUN is a not-for-profit organisation that provides vital services for women, children and young people who have experienced domestic or family violence or abuse in Northern New South Wales.

In 2024, our support for WUN included hosting a fundraising gala that raised over $50,000. Funds will help refurbish their Bugalma Bihyn Aboriginal Women and Children's Refuge and support a variety of programs to support the complex needs of their clients, many of whom without our care will fall through the service gaps.

FOODLAB SYDNEY

Supporting marginalised communities and local culinary innovators

We are delighted to partner with FoodLab Sydney, a social enterprise that works with food entrepreneurs from high- barrier backgrounds to build their businesses.

Challenger provide FoodLab with a social value-based $1 per annum nominal rent, with a three-year lease term that commenced in June 2023. With the support of our dedicated employees, in FY24 we expanded our partnership to include marketing and strategic planning as well as holding a fundraising event with our commercial partners and clients.

4.6 Doing things right

OUR PEOPLE

Our people are the bedrock of our business and are key to our long-term success. Building a high-performing, collaborative and innovative culture underpins our 'Talented Team and Capability' strategic pillar.

120

employee L&D sessions conducted – over 5,300 hours of learning

Met our gender diversity targets

across the business

16th

global ranking for gender equality

16

Diversity & Inclusion network events in FY24

Our values

Act with integrity, aim high, collaborate and think customer – our values are at the core of what we do at Challenger. To help deliver against these values, we know our people need to feel valued, recognised and understand how their work contributes to our purpose.

Celebrating one year of our new EVP

In FY24, we celebrated the one-year anniversary of our new Employee Value Proposition 'Creating better futures together' – an important milestone that reflects our commitment to putting people first.

'Grow and realise your potential' outlines how we support our people to fulfil their potential. In FY24, we held over 120 Learning and Development sessions, including leadership and presentation training, mentoring and development planning – that's over 5,300 hours of learning, as well as over 90 matches in our mentoring program.

Engagement

In 2024, Challenger's overall engagement score was 65%, aligning with the global trend of a three percentage point decrease in scores. Feedback reflected the significant change program underway as we implement our technology partnership. This will make it easier to do business with us and address areas highlighted for improvement, including legacy processes and systems.

Our investment in Learning and Development was reflected in the results, with a significant improvement in questions regarding learning and development opportunities, and our collaborative, diverse and inclusive culture also remained strong.

In FY24, we included a question on our people's views on ESG and sustainability at Challenger, which we will be closely monitoring as we implement our climate risk work program in FY25.

Updating our ways of working

This year we updated our ways of working approach, to balance learning and development opportunities, collaboration and innovation, with maintaining flexibility in where and how our people work. Our group-wide approach is working well, with the Executive Management Team expected to be in the office four days a week and our wider team required to work from the office three days a week.

Gender equality progress

In FY24, Challenger met our targets for achieving gender diversity across the business, including management, the Leadership Team and Board.

Our Diversity, Equity and Inclusion Strategy has helped drive progress in increasing female representation at all levels of the business. Initiatives we implemented in FY24 include:

- Leadership and development training to support a pipeline of female leaders, including our Women in Leadership Development (WILD) training program
- Increasing female representation on succession and talent development plans
- 18 weeks paid parental leave for all genders

Challenger continues to be a Workplace Gender Equality Agency (WGEA) Employer of Choice citation holder. This recognises our work to improve gender equality across areas such as leadership and strategy; that is, developing a gender-balanced workforce, preventing gender-based harassment and discrimination, sexual harassment and bullying.

	FY24	FY24 TARGET	FY25 TARGET	FY30 TARGET
Women in all roles	45.4%	40–60%	40–60%	40–60%
Women in management	40.8%	40–60%	40–60%	40–60%
Women in Leadership Team	44.4%	37.5%	40–60%	40–60%
Board	44.4%	37.5%	40–60%	40–60%

4.6 **Doing things right** continued

OUR PEOPLE CONTINUED

Pay equity and gender pay gap

Challenger has long been an advocate for gender equality and we have no disparity in pay for individuals in like-for-like roles.

Gender pay gap (GPG) differs to pay equity, and refers to the overall average difference in earnings between males and females. In FY24, WGEA released GPG measures for over 5,000 Australian companies, including Challenger. Our total remuneration pay gap was 9.3%, compared to an industry median of 23.2%. Our GPG continues to improve every year as we work towards a zero gender pay gap.

This year, Equileap, a leading data and insights provider for gender equality and diversity and inclusion ranked Challenger 6th in Australia and 16th globally for gender equality in its 2024 Gender Equality Report.

Diversity and inclusion networks

Our five employee-led diversity and inclusion networks contribute to our diversity agenda and celebrate the different perspectives and backgrounds of people across the business. This year we held 16 diversity and inclusion initiatives and events.

In FY24, Challenger also held an information session on the Proposed Voice to Parliament. This was presented by a panel of external lawyers who provided information on the Constitution and on the proposed amendment, as well as facilitating a discussion around frequently asked questions.

Challenger has been a participant to the Australian Workplace Equality Index since 2019.

Code of Conduct

Challenger's Code of Conduct sets out the expectations for how we act, solve problems and make fair and balanced decisions, bringing together our IACT values and group policies and statements. The Code also highlights expectations of leaders and outlines how employees can speak up if they see something that isn't right. The Code applies globally to everyone who works for or represents Challenger. All employees are required to complete mandatory training annually.

Whistleblower Policy

Challenger's Whistleblower Policy applies to all employees (including contractors, former employees and their relatives) and service providers of Challenger and reinforces our commitment to an open culture, where concerns and issues are disclosed in a supportive environment. The Policy aims to encourage disclosure of reportable conduct, ensure that all matters are properly investigated and any wrongdoing is corrected. It also provides anonymity and protection to the person making the disclosure.

Financial Accountability Regime (FAR)

FAR is intended to increase the transparency and accountability of financial services organisations and improve risk culture and governance. We continue to prepare to ensure Challenger and our APRA-regulated entities meet our obligations by the effective date in March 2025.

Age inclusion	EngAGE
Gender inclusion	Equal aGender
Cultural inclusion	kaleidoscope
LGBTQ+ inclusion	together @Challenger
Disability inclusion	tessellate

TESSELLATE INVISIBLE DISABILITIES AWARENESS

Tessellate, our newest diversity and inclusion employee network, focuses on raising awareness, understanding and support for disabilities and chronic illness in the workplace. This year our program included an event to promote Neurodiversity Celebration Week, which included video interviews with some of our people who shared their experiences with neurodivergence. The event was introduced by our CEO and attended by members of the Leadership Team and employees from across the business, as we continue to promote a diverse and inclusive workplace.

tessellate

GROUP POLICIES

Challenger has a suite of policies that guide our business practices. These are reviewed regularly and enhanced to ensure regulatory changes, current issues and trends are captured and considered.

These include:

- Anti-Money Laundering and Counter-Terrorism Financial policy
- Code of Conduct
- Conflicts of Interest policy
- Continuous Disclosure policy
- Financial Abuse of Elders and Vulnerable Customers framework
- Fraud and Corruption policy
- Gifts, Benefits and Entertainment policy
- Group Compliance policy
- Group Information Security policy
- Human Rights statement
- Inside Information policy and Practice Note
- IT Acceptable Use policy
- Political Donations policy
- Privacy policy
- Regulated Persons policy
- Risk Appetite statement
- Social Media policy
- Staff Trading policy
- Whistleblower policy
- Work Health and Safety policy
- Workplace Discrimination, Bullying and Harassment policy

CEO AWARDS

Challenger's biannual CEO awards have become a highlight of the employee engagement program, recognising employees who continuously go above and beyond and exemplify our IACT values with colleagues, customers, clients and advisers. Since the awards launched 18 months ago, almost 80 individual and 50 team nominations have been submitted for the awards.

Julia Rinaldi, National Facilities Manager, was the CEO Award Individual winner at our June Awards. Julia was recognised for her collaborative, 'can do' approach across her significant remit, which includes working with Challenger's diversity networks, supporting ESG initiatives and community partnerships – in addition to the day-to-day running of facilities and supporting the wider business.

4.6 **Doing things right** continued

MODERN SLAVERY

Challenger recognises that no industry is immune to the risk of modern slavery, and we are committed to upholding the highest standards of ethics in all aspects of our business, as well as playing our part to prevent, detect and remediate instances of modern slavery.

This includes decisions about who we partner with in our supply chain or where we invest funds we manage on behalf of our clients.

In 2023, Challenger engaged an external human rights consultant to undertake a review of our initiatives to date, as well as provide recommendations for the future. In FY24, we focused on implementing these recommendations and strengthening our approach to identifying, assessing and mitigating risks relating to modern slavery across our business operations and supply chains.

Key improvements implemented include:

- strengthening our risk assessment methodology;
- launching a modern slavery training module for employees in key teams, with a completion rate of over 95%;
- providing modern slavery compliance training for our Fidante affiliates; average attendance rate of 89%;
- strengthening our contractual mechanisms regarding modern slavery, embedding a modern slavery clause in renewed and new supplier contracts;
- our headquarter offices were certified under the Cleaning Accountability Framework (CAF); and
- actively engaging with peers and industry groups including contributing to responses to the Commonwealth Modern Slavery Act review via the FSC and RIAA.

Challenger's Modern Slavery Working Group is leading a detailed program of work as we continue to enhance our modern slavery framework to assess associated risks and remediate any instances of modern slavery.

95%

MODERN SLAVERY TRAINING MODULE COMPLETION RATE

FRAUD AND CORRUPTION

Challenger is committed to the highest level of integrity and ethical standards in all our business practices.

We recognise that the management of fraud and corruption is integral to good governance and have implemented a robust Fraud and Corruption Framework. The Group Risk Committee oversees Challenger's Fraud and Corruption Policy, which prohibits employees from inducing, receiving, facilitating or making payments that may be constituted as a bribe.

Challenger has an extensive training and education program to maintain our high ethical standards:

- All employees are required to complete Risk & Compliance training every two years which covers key policies and requirements related to employee conduct, including staff trading, conflicts of interest management and fraud.
- Monthly, face-to-face induction training for all new employees that includes dedicated content on fraud and corruption.
- Specialised face-to-face training sessions for our Operations teams on fraud risk.

Statistics for completion of mandatory online training courses are reported to the Group Risk Committee on a quarterly basis, with senior managers accountable for ensuring completion by their teams.

INFORMATION AND CYBER SECURITY

In FY24, Challenger continued to invest to strengthen its cyber security capabilities to protect the security of our customer and corporate data against known and emerging threats.

Governance

Challenger's Board holds the ultimate responsibility and oversight of the business' information security, controls and processes. The Group Risk Committee formally discusses information security on a quarterly basis, where they assess the effectiveness of our security controls and program of continuous improvement to address emerging threats. The Board also approves the information security strategy and program of investment to continue to strengthen our capabilities.

A management-led security risk and governance committee, including Challenger's Chief Risk Officer, Chief Information Security Officer and senior risk and technology leaders, supports the Board, while cybersecurity experts manage daily operations. Independent assurance of our security related-processes is provided by Risk and Internal Audit functions.

Risk management

Governance processes and ongoing employee education and awareness is key to strengthening our cyber resilience and protecting our customer data. This includes preparing our employees for cyber attacks, monthly phishing simulations as well as regular testing of controls and processes.

In FY24, our average click rate on phishing simulations continued to decline to 3.8%. More broadly, we experienced no material security breaches and a 50% reduction in incidents.

Continuous improvement

In FY24, Challenger continued to strengthen its cyber resilience through a range of mechanisms including:

- a cyber security simulation exercise, attended by the Chair of the Board, Chair of the Group Risk Committee, Challenger's Leadership Team and subject matter experts across the business, with findings incorporated into improving people, processes and technology;
- conducting a Cyber Security Awareness Month to increase employee cyber knowledge and awareness, including lunch and learn sessions with a combined attendance of over 600 employees, online learning content, externally hosted interactive sessions, educational booths and multiple group-wide competitions focused on phishing awareness;
- updating data security controls across our business;
- updating key information security policies and procedures;
- implementing advanced network, endpoint and perimeter security tools to prevent widespread incidents;
- applying protection mechanisms which ensured almost 23 million emails containing malware, business email compromise and phishing threats were filtered out of Challenger's systems over a 90-day period alone; and
- our uplift program, which is well underway to align with the latest version of the National Institute of Standards and Technology (NIST) Cybersecurity Resilience Framework and the ISO27001:2022 international standard for information security.

TAX TRANSPARENCY

Challenger takes our obligation to comply with prevailing taxation laws, practices and reporting requirements seriously and is committed to paying our fair share of taxes.

Our tax charter governs how tax is managed and is embedded in Challenger's broader risk governance framework, which is reviewed and approved by the Board biannually.

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.

Most of the tax paid by the Group is to the Australian Taxation Office (ATO). The Group seeks to maintain a 'high assurance Justified Trust' over income tax and GST with the ATO. Under the ATO Justified Trust framework, the Group reports all significant transactions, risks and other issues to the ATO on a regular basis, and issues are resolved with the ATO in a constructive manner.

More detailed information is available in the 'Tax transparency' section of the 2024 Challenger Annual Report.

4.6 **Doing things right** continued

Measurement of Scope 3 financed emissions

across our corporate bonds, listed equities and direct Australian real estate portfolios

Carbon emissions reduction strategy developed

Plan to be net zero across Scope 1 and 2 emissions from FY25

Mandatory employee greenwashing training launched

CLIMATE

Climate change will affect every part of the economy. Understanding how environmental issues could impact our business, and how our business activities may impact the environment, will be a key focus of our ESG work program in FY25.

Australia's regulatory landscape for climate measurement and disclosures is also evolving rapidly. We are committed to transparent reporting and strengthening our sustainability disclosures, including alignment with the International Sustainability Standards Board (ISSB) and Australian Accounting Standards Board's (AASB) climate standard as we prepare for the implementation of the regulatory climate framework in Australia.

Governance

Challenger has implemented a governance structure to manage sustainability and ESG risks and opportunities, and ensure we have appropriate policies, systems and processes in place to deliver on our commitments.

Challenger's Board has oversight and responsibility for Challenger's sustainability and ESG risks and opportunities, and ESG topics are considered at each Group Risk Committee meeting at a minimum. The Leadership Team reviews and approves Challenger's sustainability strategy and workplan. The ESG Steering Committee provides regular progress reports to the Leadership Team and presents at each GRC meeting.

More detail is provided in the 'Sustainability governance' section of this report.

Executive remuneration

In FY24, the Board introduced Sustainability as a key performance indicator into Challenger's executive performance framework for the Leadership Team, including the CEO. The measure assesses the effectiveness of ESG integration across Challenger and our affiliates.

As the executive performance framework forms the basis of assessing short-term remuneration outcomes for the Leadership Team, the achievement of the Sustainability measure will be considered as part of this decision. In addition, the Challenger Board's Group People and Remuneration Committee reviews executives' individual and collective accountability for the management of risk across our business. The Board can decide to apply downward adjustments, malus or clawback to the CEO and/or an executive's variable remuneration and deferred awards, if they fail to meet risk management expectations. Variable remuneration for the Leadership Team includes short-term and long-term incentives.

ESG and climate training

This year, Challenger continued to expand its ESG training and awareness program, which included a focus on climate risk. Initiatives included presentations with external experts and lunch and learn sessions with our Investment, Customer, Risk and Legal teams. Challenger also launched mandatory online greenwashing training for approximately 250 key individuals across the business.

Strategy

Reducing our climate impact

In FY24, Challenger's Board and Leadership Team endorsed our operational emissions reduction strategy to address and minimise the environmental impact of our operations.

Our approach focuses on achieving net zero, which means reducing our greenhouse gas emissions by at least 90% over a specified timeframe from our baseline year through emissions reduction activities, with the residual 10% of emissions neutralised through the purchase of high-quality carbon offsets.

Using FY23 as a baseline carbon footprint, Challenger aims to be net zero across its Scope 1 and 2 emissions from FY25 through:

- procuring renewable electricity for tenancy power across our operations in Australia and overseas; and
- procuring carbon removal offsets for residual Scope 1 emissions.

From FY25 onwards, we will continue to reduce our Scope 3 operational emissions through a range of initiatives including:

- migration of our technology services to a third-party provider;
- engagement with vendors in our supply chain;
- better collection of data relating to business travel and accommodation; and
- reduced paper usage.

Challenger will continue to provide updates on progress against our operational emissions reduction targets in our annual Sustainability Report.

CHALLENGER'S OPERATIONAL EMISSIONS REDUCTIONS TARGET AND FORWARD VIEW

SCOPE 1

Offset Scope 1 emissions by FY25

Eliminate all Scope 1 emissions by FY30

SCOPE 2

Eliminate Scope 2 emissions by FY25

SCOPE 1 & 2

Achieve net zero in operations for Scope 1 and 2 by FY25

SCOPE 3

Reduce Scope 3 emissions by 20% by FY26

Reduce Scope 3 emissions by 50% by FY35

Reduce Scope 3 emissions by over 90% before FY50

Residual emissions from 2050 onwards neutralised using carbon removal credits

Emissions scopes defined

Scope 1	measures direct emissions from within our office tenancies (gas in kitchens and refrigerants used in air conditioning and fridges).
Scope 2	measures indirect emissions associated with our office tenancies' electricity consumption across our operations in Australia and overseas.
Scope 3	measures indirect emissions related to activities within our value chain. This includes utilities operated by the landlord in our offices, relevant products and services procured by Challenger such as IT services, printing, paper, food and beverages, postage, brand advertising, business travel (flights, taxi services and accommodation), employee commute and waste.

4.6 **Doing things right** continued

CLIMATE CONTINUED

Risk management

Challenger's Board is responsible, in conjunction with senior management, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks. The Board's Group Risk Committee and Group Audit Committee assist in discharging its risk management responsibilities. In particular, the Group Risk Committee assists the Board in setting the appropriate risk appetite and for ensuring that there is an effective risk management framework which informs and guides strategic and operational decisions that management make in service of delivering on our strategy and purpose.

We consider ESG risks throughout our investment process. Challenger's Responsible Investment Policy is the overarching policy that governs ESG at Challenger, while our Responsible Investment Statements for CLC and CIM Fixed Income provide asset-class-specific guidance to the respective investment teams. Our Fidante affiliates are governed by their own ESG policies and frameworks.

Metrics and targets

In FY24, we further developed our approach to greenhouse gas (GHG) emissions reporting for our operations and financed emissions across our investment portfolio.

Operational greenhouse gas emissions

This year, emissions sources were categorised in line with GHG protocol. A relevancy test was conducted for each emission category to identify which categories need to be included in Challenger's emissions boundary. The review concluded that processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets and franchises were not relevant.

Based on the relevancy test, a small number of new inclusions were added, including tenancy refrigerants in fridges and tenant supplementary air conditioning units (Scope 1 emissions), and upstream leased assets' diesel and refrigerants used in the base buildings. We also reallocated some emission sources to other emissions categories, still within Scope 3.

In this assessment, it was identified that some carbon offsets are being purchased within the supply chain, notably carbon removal and avoidance credits to offset the residual Scope 1 and 3 emissions for the building in which Challenger is headquartered, and achieve a certified carbon-neutral base building under Climate Active. Our footprint assessment deems a proportion of these offsets inherited through the supply chain and have been included for full transparency.

In FY24, Challenger's Scope 1 and 2 emissions reduced, as did emissions from flights, accommodation, taxi and car hire, food and catering, postage, paper and staff commute. The increase in our Scope 3 emissions was largely driven by a broadening of the scope of IT equipment to include software program licensing arrangements and software as a service subscriptions (reported as both purchased goods and services, and capital goods) that were not included in our emissions calculations in previous years.

Scope 3 financed emissions

Challenger recognises the importance of understanding and measuring carbon footprinting and exposure metrics to manage climate-related risks and opportunities in our investments and to meet our reporting obligations under the upcoming climate regulatory framework.

In FY24, we built on our work to understand the Scope 3 financed emissions across our portfolio, and expanded our focus to measurement of listed equities, corporate bonds as well as direct Australian real estate.

Corporate bonds and listed equities

Challenger's revenue-based carbon intensity for corporate bonds and listed equities covers Scope 1 and 2 emissions of those investments. In FY24, this has been calculated using MSCI's Climate Change Metrics, which follows guidance from the Taskforce of Climate-related Financial Disclosures (TCFD). MSCI's reporting solution calculates financed emissions and revenue-based intensities using reported and estimated emissions data. Investments which have insufficient data coverage are excluded from the calculation.

We have focused on data with a better Partnership for Carbon Accounting Financials (PCAF) quality rating to ensure our reporting reflects usable and accurate information. The overall PCAF rating this year for corporate bonds is 2.10 and listed equities is 2.14.

ASSET CLASS	PORTFOLIO WACI (tCO_2e/ A$m sales)	PORTFOLIO PCAF RATING	BENCHMARK WACI (tCO_2e/ A$m sales)
Corporate bonds	111.1	2.10	92.8 iBoxx $ Liquid Investment Grade Index
Listed equities	85.0	2.14	115.2 S&P/ ASX 300 Accumulation Index

1. Fidante holds a minority stake with most of its affiliates and serves as the Responsible Entity for most products. Investment management activities are delegated to the affiliates.
2. The calculations represent each investment portfolio's exposure to corporate bonds and listed equities across CLC and the Funds Management business. It excludes Funds Management mandates.
3. Portfolio and Benchmark WACI refers to the weighted average of each company's carbon intensity expressed in tCO_2e/A$m sales.
4. PCAF rating refers to weighted average PCAF Data Quality Score calculated using MSCI's climate change metrics.

Direct Australian real estate

	EMISSIONS INTENSITY ($kgCO_2e/m^2$)	PORTFOLIO PCAF RATING
Scope 1 and 2 (location-based)	34.37	2
Scope 1 and 2 (market-based)	34.00	

1. Scope 1 and Scope 2 emissions relate to the energy use of retail and commercial buildings in Challenger's direct Australian real estate portfolio that is within Elanor's operational control.
2. Scope 2 emissions (location-based) refers to indirect emissions from purchased energy, calculated based on the average emissions intensity of local grids where energy was consumed.
3. Scope 2 emissions (market-based) refers to indirect emissions from purchased energy, based on specific procurement choices or contracts.
4. PCAF rating refers to weighted average PCAF quality score as calculated by Energetics.

Energetics supported Elanor Investors (which manages Challenger's direct Australian real estate portfolio) in collecting and collating data to enable the reporting of associated Scope 1 and 2 emission. These emissions are reported as Scope 3 financed emissions in Challenger's direct Australian real estate portfolio.

Energy and emissions are calculated in accordance with the principles contained in the Australian National Greenhouse and Energy Reporting (NGER) Scheme.

Energy consumption data, derived from retailer invoices or estimated from historical usage patterns, alongside direct diesel top-ups, form the basis for calculating energy usage.

Scope 1 emissions, encompassing onsite consumption of natural gas and diesel, are computed using emission factors from the National Greenhouse Accounts (NGA) Factors and collated energy consumption data.

Scope 2 emissions are quantified through location-based and market-based approaches. Location-based emissions incorporate state-based emission factors from NGER and NGA workbooks, while market-based emissions are calculated in line with the GHG protocol as well as the Australian Climate Active Electricity Accounting method.

The overall PCAF rating this year for direct Australian real estate is 2.

We will continue to extend the coverage of our portfolio emissions measurement as data availability, methodologies and data quality continue to improve as we prepare for implementation of the regulatory climate framework in Australia.

4.7 Constructive public policy settings

8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
13 CLIMATE ACTION
17 PARTNERSHIPS FOR THE GOALS

POLICY ADVOCACY

Challenger actively engages in shaping public policy and reforms that align with the best interests of our customers, clients, investors and stakeholders. In FY24, we participated in a range of activities advocating for reforms that will significantly enhance the lives of retirees.

Through our policy advocacy work, we directly engage with members of Parliament, relevant Federal Government departments such as the Treasury, and regulatory agencies such as the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). We also engage on policy issues through our memberships of the Financial Services Council (FSC), Association of Superannuation Funds of Australia (ASFA), and the Council of Australian Life Insurers (CALI).

Strongly advocated for retirement income reforms to

improve financial security in retirement

Supported reforms to provide Australians with

high-quality, accessible and affordable financial advice

Contributed to consultations focused on

improving the quality of climate risk disclosures

RETIREMENT ADVOCACY

Retirement income reform

Challenger for many years has been a strong advocate of retirement income reforms and policy settings that contribute to a stronger retirement system which delivers Australians with the income they need for a dignified retirement.

We support the Federal Government and Treasury's work to enhance Australia's superannuation system and address the risks Australians face in retirement. We agreed with many of the concepts raised in the Government's recent consultation into the retirement phase of superannuation, including the need for Australians to have better access to information, advice and well-rounded retirement income products.

Financial advice policy

High-quality, affordable financial advice at scale will be critical to the financial security of Australia's ageing population. Challenger supported the Federal Government's Delivering Better Financial Outcomes reforms, which will simplify the financial advice regulatory framework and make financial advice more accessible to more Australians as they prepare for retirement.

CLIMATE DISCLOSURE POLICY

Climate-related financial disclosures regime

Challenger, through its membership of the FSC, has contributed to Treasury's consultations on Australia's proposed climate-related financial disclosure regime.

In March 2024, the Australian Government introduced the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 to Parliament, which includes updated legislation setting out the government's proposed climate-related financial disclosure regime.

Introduction of the mandatory climate-related financial disclosures regime will enhance the decision-making process for large companies and investors, who will be able to more effectively factor climate risks and opportunities into their investment decisions.

Challenger will be included in the first phase of mandatory reporting and is implementing a climate risk work program in FY25 to ensure we comply with the proposed regime.

Draft Australian Accounting Standards Board (AASB) Sustainability Reporting standards

The AASB has released Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. The draft standards are largely aligned to International Financial Reporting Standards (IFRS) Foundation S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures, and build on the global baseline for sustainability disclosures for investors and financial markets. Differences between the AASB and International Sustainability Standards Board standards reflect the context in Australia and Challenger has been involved in the consultation process through the FSC.

INDUSTRY GROUPS

Challenger participates in a range of finance and sustainability-focused industry groups. We are committed to working with these stakeholders through our membership, and participation in policy committees and consultations.

Signatory of: PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

IAST APAC

Sustainability Advantage Member

WGEA Employer of Choice for Gender Equality

CALI Council of Australian Life Insurers

AWEI Australian Workplace Equality Index

FSC Financial Services Council

asfa the voice of super

POLITICAL DONATIONS

Challenger engages with political parties and members of parliament in a bipartisan way to progress its advocacy efforts both directly and indirectly through industry associations.

We seek to strike the right balance between constructive involvement in Australia's policy-making agenda and protection of our employees' freedom of political communication.

Challenger does not make political donations to any political party, member of parliament, elected official or candidate for political office. Employees, directors and contractors are not permitted to attend political fundraising events as a representative of Challenger.

4.8 Metrics and targets

ENVIRONMENT

2024 greenhouse gas emissions†

		FY 23/24		FY 22/23	
EMISSIONS	UNITS	ACTIVITY DATA	tCO_2-e	ACTIVITY DATA	tCO_2-e
Scope 1					
Company facilities					
Natural gas[1]	GJ	42.7	2.6	676.7	34.9
Refrigerants[2]	kg	10.9	0.3		
Total Scope 1			**2.9**		**34.9**
Scope 2					
Purchased electricity, steam, heating & cooling for own use					
Purchased electricity[3]	MWh	944.2	624.9	948.8	670.9
Total Scope 2			**624.9**		**670.9**
Scope 3					
Purchased goods and services					
Food and catering[1]	AUD ('000)	31.4	12.2	407.9	81.1
Brand promotion	AUD ('000)	1,809.6	217.3	491.6	59.0
IT equipment and software[1,4]	AUD ('000)	15,531.9	2,163.0	12,259.5	1,700.6
Printing	AUD ('000)	349.6	90.2	337.4	87.0
Paper	tonnes	2.1	5.4	3.6	9.2
Capital goods					
PPE – IT equipment and software[1]	AUD ('000)	1,987.8	270.3		
Fuel and energy-related activities					
Indirect emissions from natural gas[1]	GJ	42.7	0.6	676.7	8.9
Indirect emissions from purchased electricity	MWh	944.2	46.7	948.8	56.4
Waste generated in operations					
Waste	tonnes	3.1	2.5	3.6	4.1
Base building wastewater[1,5]	ML	3.8	6.1		
Business travel					
Flights	('000) km	2,734.7	810.2	3,221.2	882.1
Taxis and car hire	AUD ('000)	200.3	20.6	291.9	25.1
Accommodation	Occupancy nights	925.3	49.5	1,218.0	40.2
Staff food and catering[1]	AUD ('000)	122.4	47.5		
Employee commuting					
Staff commute	('000) km	2,559.0	420.5	2,946.9	505.5
Working from home	tCO_2e	141.9	141.9	151.7	151.7
Upstream leased assets					
Base building electricity[6]	MWh	471.5	60.2	716.4	614.5
Base building natural gas[2]	GJ	427.1	5.6		
Base building diesel[2]	GJ	81.0	2.2		
Base building water supply[1,5]	ML	5.3	2.7	7.2	13.9
Base building refrigeration[2]	tCO_2e	1.3	1.3		
Downstream transportation and distribution					
Postage and couriers	AUD ('000)	198.5	28.4	223.4	52.9
Total Scope 3			**4,559.0**		**4,292.1**
TOTAL EMISSIONS			**5,027.9**		**4,997.9**
Inherited reduction offsets[7]	Credits	12.0	-12.0		
Inherited removal offsets[7]	Credits	4.4	-4.4		
Total offsets			**16.4**		**–**
TOTAL NET EMISSIONS			**5,011.5**		**4,997.9**

† See page 61 for footnotes.

PEOPLE

Employee profile

Number of employees

	TOTAL
FTE	693.84
Headcount	710

Employees by contract type and gender

CONTRACT TYPE	FEMALE	MALE	NOT SPECIFIED	TOTAL
Permanent				
Full-time	249	366	2	617
Part-time	48	6	0	54
Fixed term				
Full-time	11	21	0	32
Part-time	5	1	0	6
Casual	1	0	0	1
Total	**314**	**394**	**2**	**710**

Contingent workers by type

CONTRACT TYPE	TOTAL
Agency contractor	529
Independent contractor	16
Intern – contingent worker	1
Total	**546**

Parental leave return rate

	FEMALE	MALE
Employees who took parental leave during the period[1]	16	14
Employees who returned to work during the period after taking parental leave[2]	100%	100%
Parental leave attachment rate (%)[3]	**94%**	**89%**

1. Commenced leave between 1 Jul 23 to 30 Jun 24.
2. Commenced leave between 1 Jul 22 and 30 Jun 24, and returned from leave before 30 Jun 24.
3. Returned from leave between 1 Jul 22 and 30 Jun 24, and remained employed on 30 Jun 24.

FOOTNOTES FOR TABLE ON PAGE 60

1. Recategorised emissions sources (for better alignment with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard):
   - Scope 1 Natural gas corrected this year based on confirmation through submetering that only 6% consumed directly in Challenger kitchen facilities. The rest is reallocated as Scope 3 under Upstream leased assets (base build operations gas consumption for central heating systems).
   - Scope 3 Capital goods this year contains the capitalised proportion of IT equipment and software which in previous year was included under Opex.
   - Scope 3 Food and catering this year has a proportion of staff meals reallocated under Business travel.
   - Scope 3 Base building wastewater impacts have been split from base building water use and allocated to Waste generated in operations.
2. Newly-included emissions sources: based on latest relevance test, the following items have been included for FY2023–24:
   - Scope 1 Refrigerants used in tenant supplementary air-conditioning and refrigeration units.
   - Scope 3 Upstream leased assets refrigerants, natural gas and diesel reported by the base building.
3. Scope 2 Electricity emissions calculated using the location-based method.
4. In FY24, management broadened the scope of IT Equipment to include software program licensing arrangements and software as a service subscriptions that was reported as subscriptions in prior years, and outside the scope of reporting. The impact of this on FY23 is an increase from 1,700.6 tCO_2-e to 2,123.3 tCO_2-e.
5. The combined base building water supply and wastewater activity has increased by 1.9ML but the combined carbon emissions have decreased. This is a consequence of the separation of base building water supply and wastewater, because the water supply portion on its own inherits a significantly lower emission factor and results in lower emissions.
6. Base building electricity emissions reduced due to confirmed purchases of 100% renewable electricity by the landlord of the Sydney office.
7. Inherited offsets: certified contributions by supply-chain members linked to products and services purchased by Challenger, i.e. Sydney Office upstream leased asset is a Climate Active carbon-neutral certified base building.

4.8 **Metrics and targets** continued

Employees by region and gender

REGION	FEMALE	MALE	NOT SPECIFIED	TOTAL
Adelaide	0	2	0	2
Brisbane	11	11	0	22
Hobart	0	1	0	1
Melbourne	13	17	0	30
Perth	3	2	0	5
Sydney	281	335	2	618
London	4	15	0	19
Sweden	0	2	0	2
Tokyo	2	9	0	11
Total	**314**	**394**	**2**	**710**

Employees by age group

AGE GROUP	TOTAL
Under 30	112
30–39	226
40–49	244
50–59	104
60 and over	24
Total	**710**

New hires by age group

AGE GROUP	TOTAL
Under 30	48
30–39	31
40–49	24
50–59	12
60 and over	3
Total	**118**

New hires by region and gender

REGION	FEMALE	MALE	TOTAL
Adelaide	0	0	0
Brisbane	1	1	2
Hobart	0	0	0
Melbourne	3	4	7
Perth	0	0	0
Sydney	47	55	102
London	1	1	2
Sweden	0	1	1
Tokyo	0	4	4
Total	**52**	**66**	**118**

Voluntary turnover by age group

AGE GROUP	TOTAL
Under 30	19
30–39	28
40–49	20
50–59	3
60 and over	2
Total	**72**

Voluntary turnover by region and gender

REGION	FEMALE	MALE	TOTAL
Adelaide	0	0	0
Brisbane	0	0	0
Hobart	0	0	0
Melbourne	1	1	2
Perth	0	0	0
Sydney	32	34	66
London	0	1	1
Sweden	0	0	0
Tokyo	0	3	3
Total	**33**	**39**	**72**

Internal employee movement by gender

	FEMALE	MALE	TOTAL
Transfer	5	34	39
Secondment	9	10	19
Promotion	37	44	81
Total	**51**	**88**	**139**

Employee safety and wellbeing

WORK HEALTH AND SAFETY	2023	2024
Lost time injury frequency rate (days)	0	1.48
Workers compensation claims	1	2
Absenteeism days per FTE	3.23	2.47
Fatalities	0	0
Work health and safety training	487	415

5.1 Directors' report

The Directors of Challenger Limited (the Company or the parent entity) submit their report, together with the financial report of the Company and its controlled entities (the Group or Challenger), for the year ended 30 June 2024.

The information appearing on pages 1 to 92 forms part of the Directors' Report for the financial year ended 30 June 2024 and is to be read in conjunction with the following information.

DIRECTORS

The names and details of the Directors of the Company holding office during the financial year ended 30 June 2024 and as at the date of this report are listed below. Directors were in office for the entire period, unless otherwise stated.

Duncan West

Independent Chair

Appointed 10 September 2018

Chair of Nomination Committee.

Member of the Group Audit Committee, Group Risk Committee, Group People and Remuneration Committee and Independent and Related Party Committee.

Experience and qualifications:

Bachelor of Science in Economics (University of Hull, Hull, United Kingdom), Fellow of the Chartered Insurance Institute, member of the Australian Institute of Company Directors and a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance.

Mr West has over 30 years experience in financial services in the UK and Australia. He has held a series of senior executive positions including as CEO of Vero Insurance and CGU Insurance, and as EGM of Insurance at MLC.

Directorships of other listed companies:

Non-Executive Director of Helia Group Limited (appointed 1 September 2018) and Suncorp Group Limited (appointed 23 September 2021).

Nicolas Hamilton

Managing Director and Chief Executive Officer

Appointed 1 January 2022

Experience and qualifications:

Masters of Business Administration (Henley Business School, Reading, United Kingdom) and Bachelor of Economics (University of Sydney).

Mr Hamilton has previously held a number of senior executive roles at Challenger since joining in 2015, including Chief Executive, Funds Management.

Mr Hamilton has over 26 years financial services experience. Prior to joining Challenger, he held senior roles at Invesco in Europe and Colonial First State where his primary responsibilities included leading and expanding global fund teams and building out their global equities and multi-asset capability.

Directorships of other listed companies:

Not applicable.

Lisa Gray

Independent Non-Executive Director

Appointed 9 November 2023

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Town and Regional Planning Honours (University of Melbourne), Graduate Diploma in Management (RMIT), Master of Business Administration (University of Melbourne), Advanced Management Program (INSEAD, France).

Ms Gray has over 30 years experience across private and public sector businesses. Ms Gray's executive career included serving as Chief Executive Officer of VFMC, Group Executive, Personal Banking and Group Executive, Enterprise Services and Transformation at National Australia Bank, Chief Executive MLC Insurance and Managing Director Plum Financial Services. She is also a non-executive director of Bupa ANZ Group Companies, Bupa Aged Care Australia Pty Ltd, ING Bank (Australia) Limited and the Victorian Funds Management Corporation.

Directorships of other listed companies:

Not applicable.

John M Green

Independent Non-Executive Director

Appointed 6 December 2017

Member of the Group Audit Committee, Group Risk Committee, Group People and Remuneration Committee, Independent and Related Party Committee and Nomination Committee. Chair of Challenger Bank Limited until 30 April 2024.

Experience and qualifications:

Bachelor of Laws and Bachelor of Jurisprudence (UNSW), Fellow of the Australian Institute of Company Directors and Life Member and Senior Fellow of FINSIA.

Mr Green was previously an executive director at Macquarie Group, Deputy Chair of QBE Insurance Group and has also been a partner at two major law firms. He is the Independent Chair of PwC Australia Governance Board, a Director of Cyber Security Cooperative Research Centre and Chair of UOW Global Enterprises and also a novelist and co-founder of book publisher Pantera Press.

Directorships of other listed companies:

Not applicable.

5.1 **Directors' report** continued

Matthew Michelini

Non-Executive Director
Appointed 9 November 2023

Member of the Nomination Committee.

Experience and qualifications:

Bachelor of Mathematics and Certificate in Finance (Princeton University, Princeton, United States) and Masters of Business Administration (Columbia University, New York, United States).

Mr Michelini is a member of Apollo's Leadership Team and has played a pivotal role in the creation and success of many of Apollo's largest growth initiatives, including Athene, which is a leading retirement services company and the number one provider of fixed annuities in the United States in 2022. He previously served on the boards of Athene Holding Ltd, Venerable Holdings, MaxCap, Aleris Corporation, Metals USA, Noranda Aluminium, One Main Financial and Warrior Met Coal. Prior to joining Apollo, he was a member of the Mergers & Acquisitions group at Lazard Frères & Co.

Directorships of other listed companies:

Not applicable.

Masahiko Kobayashi

Non-Executive Director
Appointed 26 August 2019

Member of the Nomination Committee.

Experience and qualifications:

Master of Business Administration (Questrom School of Business, Boston University, Boston, United States), Bachelor of Law (Kyoto University, Kyoto, Japan) and is a Certified Internal Auditor.

Mr Kobayashi has over 30 years expertise in general and life insurance, including a number of senior executive roles with MS Primary, a subsidiary of MS&AD Insurance Group Holdings Inc., prior to his retirement from executive life in 2024. Prior to joining MS Primary, he held a number of executive and director roles within the MS&AD Group, including in Singapore and the United Kingdom.

Directorships of other listed companies:

Not applicable.

Heather Smith

Independent Non-Executive Director
Appointed 20 January 2021

Chair of the Group Audit Committee.

Member of Group Risk Committee, Group People and Remuneration Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Economics (Hons 1) (University of Queensland), PhD in Economics (Australian National University).

Dr Smith has over 20 years experience in government, including as Secretary of the Australian departments of Industry, Innovation and Science, and Communications and the Arts, and as Deputy Secretary of the Department of Prime Minister and Cabinet, and Foreign Affairs and Trade and is a recipient of the Public Service Medal.

She is a National President of the Australian Institute of International Affairs and an Independent Director of the Reef Restoration and Adaption Program.

Directorships of other listed companies:

Non-Executive Director of ASX Limited (appointed 29 June 2022) and Qantas Airways Limited (appointed 24 August 2023).

JoAnne Stephenson

Independent Non-Executive Director
Appointed 8 October 2012

Chair of the Group People and Remuneration Committee.

Member of the Group Audit Committee, Group Risk Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Commerce and Bachelor of Laws (Honours) (University of Queensland), member of Chartered Accountants Australia and New Zealand and member of the Australian Institute of Company Directors.

Ms Stephenson has extensive experience in financial services both in Australia and in the United Kingdom. Ms Stephenson was previously a partner with KPMG and has significant experience in internal audit, risk management and consulting. She is also a Non-Executive Director of Estia Investments Pty Ltd.

Directorships of other listed companies:

Non-Executive Director of Myer Holdings Limited (appointed 28 November 2016 and ceased on 9 November 2023), Qualitas Limited (appointed 4 November 2021), Lifestyle Communities Ltd (appointed 1 July 2024) and Helia Group Limited (appointed 15 July 2024).

Melanie Willis

Independent Non-Executive Director
Appointed 6 December 2017

Chair of the Group Risk Committee.

Member of the Group Audit Committee, Independent and Related Party Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Economics (University of Western Australia), Master of Law, Tax (University of Melbourne) and a Fellow of the Australian Institute of Company Directors.

Ms Willis has significant senior executive experience in corporate finance, strategy and innovation, and funds management. Ms Willis previously held the position of Chief Executive Officer of NRMA Investments and senior executive roles at Deutsche Bank and Bankers Trust. She is also a Non-Executive Director of PayPal Australia Pty Limited and Chair of QBE Australia Pacific Limited.

Directorships of other listed companies:

Non-Executive Director of PEXA Group Limited (appointed 11 June 2021).

Steven Gregg

Former Independent Non-Executive Director
Resigned on 26 October 2023

Former Member of the Group Audit Committee, Group Risk Committee, Group People and Remuneration Committee and Nomination Committee.

Experience and qualifications:

Bachelor of Commerce (University of New South Wales).

Mr Gregg has held a number of executive roles in management consulting and investment banking. His more recent senior executive roles included Partner and Senior Adviser at McKinsey & Company and Global Head of Investment Banking at ABN AMRO. His experience has spanned both domestic and international arenas, because of his work in both the US and the UK.

Directorships of other listed companies:

Non-Executive Director of Ampol Limited (formerly Caltex Australia Limited) (appointed 9 October 2015 and appointed Chair 18 August 2017) and The Lottery Corporation Limited (appointed Director and Chair 20 May 2022 and ceased on 31 March 2024) and Westpac Banking Corporation (appointed 16 October 2023).

Hiroyuki Iioka

Non-Executive Director (alternate for Masahiko Kobayashi)
Appointed 13 December 2019

Experience and qualifications:

Master of Business Administration (Duke University, Durham, United States) and Bachelor of Economics (Kobe University, Kobe, Japan).

Mr Iioka is currently General Manager (International Business Planning Department) at MS&AD Insurance Group Holdings, Inc. in Japan.

Directorships of other listed companies:

Non-Executive Director of Phoenix Group Holdings plc, listed on the London Stock Exchange (appointed 23 July 2020).

COMPANY SECRETARY

Linda Matthews (Bachelor of Laws, University of Technology, Sydney) is the Head of Company Secretariat. She is a qualified solicitor and was appointed as Company Secretary on 1 January 2021. Ms Matthews' responsibilities at Challenger involve the oversight of all company secretarial functions. Ms Matthews joined Challenger in 2013 as a Senior Legal Counsel in the Challenger Corporate and Investments Legal team from commercial law firm Norton Rose Fulbright, where she was a senior associate in the Banking and Finance practice. Ms Matthews has over 20 years experience as a solicitor and is admitted to practise in New South Wales and New York. Ms Matthews is an affiliated member of the Governance Institute of Australia.

5.2 Remuneration report

Letter from the Chair of the Group People and Remuneration Committee

Dear Shareholders

On behalf of the Challenger Limited Board of Directors, I am pleased to present Challenger's remuneration report for the 2024 financial year.

Challenger delivered a strong financial performance in FY24, with our full year normalised net profit before tax above our guidance range at $608 million, which is an increase of 17%. Strong earnings reflect the successful execution of Challenger's growth strategy as the business meets the retirement income needs of more Australians. The Life business is driving growth across a broader range of channels including deepening its relationships with superannuation funds. Funds Management continued to expand its offering and capability and launched a range of new investment strategies. Challenger was also pleased to extend its highly successful and collaborative relationship with MS Primary for another five years. The business also made strategic decisions to leverage its competitive strengths. The sale of the Challenger Bank Limited (Bank) is now complete and our new technology partnership will enable our growth strategy and deliver ongoing efficiencies.

As a result of the business' performance in FY24, Challenger expects to achieve its normalised return on equity (ROE) pre-tax target in FY25.

2024 reward outcomes

Reflecting the strong performance of Challenger over the last 12 months and in recognition of the progress made towards Challenger's transformation agenda, which the Board believes will be critical for Challenger in realising greater value for its customers and delivering long term value to shareholders, the Board has approved short term incentive (STI) outcomes for executive key management personnel (KMP) as follows:

- STI for the CEO at 110% of target (an increase of 5% from the prior year); and
- STIs for other KMP ranged between 80% and 116% of target.

Long term incentive (LTI) awards (granted in September 2020) will likely vest for the first time since 2018 in September this year. The Board believes this outcome appropriately reflects strong alignment with the shareholder experience over the performance period and the significant repositioning of the business for future growth.

Changes to our reward framework in 2024

In 2024, the Board introduced Culture as a measure to the LTI plan as this was considered an important measure to focus Challenger's most senior leaders on maintaining and protecting the culture of the organisation through a significant period of change. In addition, the Board reviewed measures across both the short and long term incentive plans and adjusted the STI financial measure from 40% to 50% of the 2024 STI scorecard to minimise the duplication of performance measures across these plans.

The timing of these changes aligned with the introduction of APRA's Prudential Standard CPS 511 Remuneration (CPS 511) which came into effect for Challenger on 1 July 2023. Challenger's reward governance framework was enhanced to ensure appropriate risk and reward mechanisms were available to the Board as required. In consideration of extending deferred remuneration periods for LTIs to meet CPS 511 obligations, the Board also reviewed existing deferral practices in relation to STIs and determined that STI deferrals be reduced for its executives from four to two years for STI awards applicable to the financial year ending 30 June 2024. The Board believes this to be appropriate, reflecting current market practice and remains aligned with Challenger's remuneration strategy.

Looking ahead

The Board is committed to ensuring our reward framework and the associated reward outcomes align with our business objectives, performance and shareholder expectations and experience.

Following the changes implemented this year, the Board believes that Challenger's reward framework effectively motivates and incentivises its executives to deliver business growth whilst managing the culture, sustainability and risks of the business. The Board is also satisfied that Challenger's approach to executive reward is balanced, equitable and aligned to the shareholder experience over the longer term.

The Board will continue to focus the next 12 months on embedding the changes introduced in 2024 into the organisation and we look forward to engaging with our shareholders.

Yours sincerely

JoAnne Stephenson

JoAnne Stephenson
Group People and Remuneration Committee Chair

CONTENTS

Section

1. Key Management Personnel

Challenger's executive Key Management Personnel (KMP) for 2024 are detailed in the table below:

Name	Role	Term in 2024	Term in 2023
Current KMP			
Nicolas Hamilton	Managing Director and Chief Executive Officer	Full year	Full year
Alexandra Bell	Chief Financial Officer	Full year	From 1 December 2022
Anton Kapel	Chief Executive, Life & Solutions	Full year	Full year
Victor Rodriguez	Chief Executive, Funds Management	Full year	From 1 August 2022

Challenger's Non-Executive Directors for 2024 are detailed in the table below:

Name	Term in 2024	Term in 2023
Duncan West (Chair)	Full year	Full year; Chair from 27 October 2022
Lisa Gray	From 9 November 2023	–
John M Green	Full year	Full year
Masahiko Kobayashi[1]	Full year	Full year
Matthew Michelini	From 9 November 2023	–
Heather Smith	Full year	Full year
JoAnne Stephenson	Full year	Full year
Melanie Willis	Full year	Full year
Former Director		
Steven Gregg	Until 26 October 2023	Full year

1. Hiroyuki Iioka is an alternate director to Masahiko Kobayashi.

The term KMP is used throughout the Remuneration Report to refer to executive KMP only.

Remuneration report continued

2. 2024 at a glance

2.1 Summary of 2024 reward outcomes

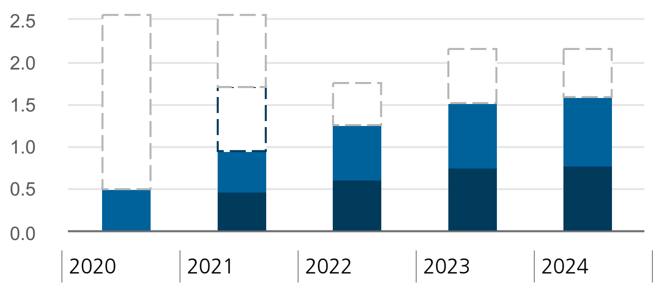
STI outcomes	– The CEO's 2024 STI reflects 110% of target and 73% of maximum. – STIs for other KMP range between 80% and 116% of target, and 53% and 77% of maximum.
CEO remuneration arrangements	– CEO fixed pay and variable remuneration opportunity was unchanged for 2024. – An additional performance hurdle was introduced to the LTI plan for 2024. Details are outlined in section 5 Long-term incentives of this report.
Executive KMP remuneration arrangements	– There were no fixed pay increases awarded to executive KMP in the financial year 2024. – Variable remuneration opportunity for executive KMP remains unchanged for 2024. – An additional performance hurdle was introduced to the LTI plan for 2024. Details are outlined in section 5 Long-term incentives of this report.
No vesting of LTIs	– No LTIs vested in the financial year 2024, demonstrating the alignment between executives' realised reward and shareholder outcomes over the relevant performance period. – Preliminary outcomes in relation to LTIs granted in September 2020 indicate a strong likelihood of vesting in September 2024. This will be the first time any executive will receive a vesting since 2018, which is based on achieving the performance hurdle of 7% to 10% absolute Total Shareholder Return (TSR) per annum over the performance period.
Non-Executive Director fees	– No changes were made to the fees payable for NEDs in the financial year 2024.

2.2 Short-term incentive outcomes

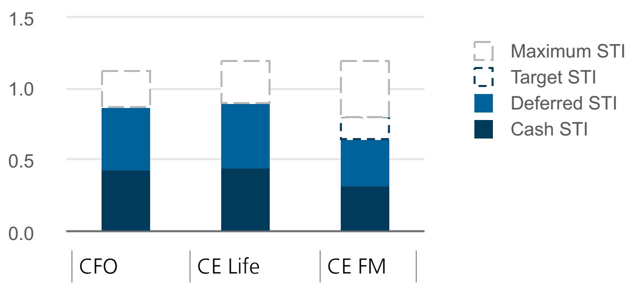
In line with Challenger's reward philosophy. STIs are directly linked to the achievement of financial and non-financial measures in a balance scorecard, and considers the application of, and adherence to, Challenger's risk management framework. In consideration of individual KMP STI outcomes for 2024, the Board has reviewed individual scorecard outcomes and behaviours in line with Challenger values which is considered a gate-opener and modifier of any STI award.

The charts below set out 2024 STI outcomes ($m) together with target and maximum opportunities (on an annualised basis) by role. The first chart includes historic STI outcomes for the incumbent CEO as at 30 June each year.

CEO STI outcomes - 5-year history



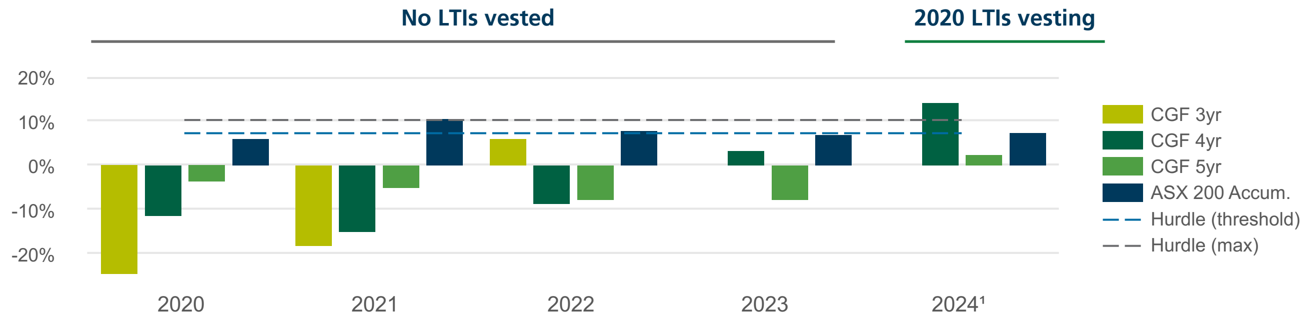
Other KMP STI outcomes - 2024



Further detail is provided in section 4 Short-term incentives of this report.

2.3 Long-term incentive vesting outcomes

The chart below illustrates Challenger's compound annual TSR performance over time versus the S&P/ASX 200 Accumulation Index five-year compound annual growth rate (CAGR). demonstrating strong alignment between vesting outcomes and value delivered to shareholder over the corresponding period. LTIs granted prior to 2019 were tested after three or four years and subject to a final cumulative test after five years. LTIs granted after this date are tested after four years and subject to a final cumulative test after five years.



Year Vesting	Grant Year	CGF Annualised TSR	Vesting Outcome
2024 [1]	2020	14.07 %	100% vesting
	2019	2.45 %	No vesting
2023	2019	3.20 %	No vesting
	2018	(7.66)%	No vesting
2022	2018	(8.48)%	No vesting
	2017	(7.83)%	No vesting
2021	2018	(18.36)%	No vesting
	2017	(15.20)%	No vesting
	2016	(5.40)%	No vesting
2020	2017	(25.00)%	No vesting
	2016	(11.00)%	No vesting
	2015	(4.00)%	No vesting

1. Indicative outcomes based on Challenger's share price as at 30 June 2024.

Further details are provided in section 5 Long-term incentives of this report.

2.4 Long-term incentive changes for 2024

The Board has introduced an additional performance measure of Culture, which together with absolute TSR, will further enhance the organisation's focus towards long term sustainable growth. The Board considers this to be an appropriate change to the remuneration framework, that supports Challenger's objectives, approach to risk and reflects expectations of customers, employees, regulators and shareholders.

The Culture measure will be assessed using a Scorecard of eleven key metrics including Risk Culture, Engagement scores and specific culture-related questions from the Engagement surveys over the relevant performance period. The Scorecard is focused on measuring improvements and/or declines in Challenger's culture that will be used by the Board to assess progress against this performance condition over a four year performance period. These metrics have been measured internally for a number of years, are quantifiable, and can be benchmarked against other Australian financial services organisations. Further detail of this measure is provided in section 5.3 Culture of this report.

Remuneration report continued

3. Remuneration strategy and structure

3.1 Remuneration strategy

Our purpose	**Providing customers with financial security for a better retirement**			
Our strategic pillars	**Retirement leader** Broaden customer access across multiple channels	**Investment excellence** Superior outcomes and financial resilience	**Talented team and capability** Outstanding skills and ways of working	
Our values	**Act with integrity**	**Aim high**	**Collaborate**	**Think customer**
Remuneration strategy - guiding principles	Market-competitive	Performance-based and equitable	Aligned with shareholders	Underpinned by sound risk management

3.2 Remuneration structure for KMP

Fixed remuneration

Base salary, salary-sacrificed benefits and applicable fringe benefits tax. Employer superannuation contributions. Positioned around the market median using appropriate benchmarks, reflecting size and complexity of role, responsibilities, experience and skills.

Variable remuneration

Short-term incentives

Annual 'at risk' remuneration, rewarding Challenger performance and individual performance and behaviours.

50% is deferred into equity vesting over two years, and is subject to forfeiture, malus and clawback provisions.

Long-term incentives

Longer-term 'at risk' remuneration awarded as hurdled share rights.

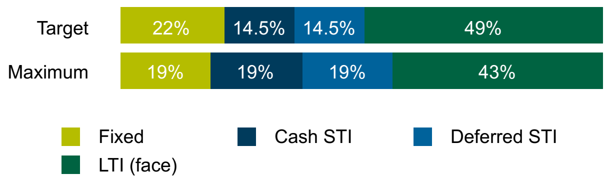
Awards are subject to a cumulative absolute TSR hurdle tested after four or five years, an assessment of the organisation's culture over the four year performance period, and subject to forfeiture, malus and clawback provisions.

3.3 Pay mix

Remuneration arrangements for KMP are set with reference to the pay mix framework below. Where arrangements are outside this framework, they will be transitioned over time.

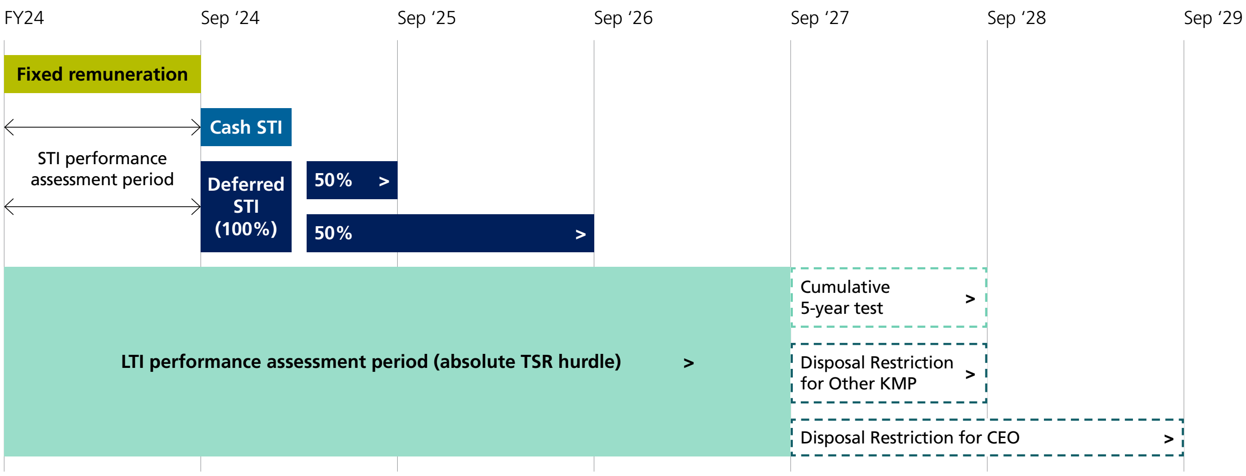
% of fixed	STI target	STI max	LTI face value
CEO & business lines	133%	200%	up to 225%
CFO	100%	150%	125%

The CEO's pay mix (with each component expressed as a percentage of total reward) is set out below.



3.4 Delivery of remuneration for 2024

Reward is realised over an extended period with a significant weighting to variable reward supporting a focus on strong risk management and ensuring alignment with shareholders over the longer term.



4. Short-term incentives

4.1 Structure of short-term incentives

STIs provide annual 'at risk' remuneration which rewards Challenger and individual performance and behaviours. A significant portion is deferred into equity to provide strong alignment with shareholder interests and support retention.

Performance period	Annual in line with Challenger's financial year.
Award determination	STIs are determined with reference to the performance of Challenger, and individual performance and behaviours. Individual performance is assessed based on: – a balanced scorecard comprising financial, risk and sustainability, people, customer and strategic KPIs, and the application of, and adherence to, Challenger's risk management framework; and – behaviours in line with the Challenger values which is a gate-opener and a modifier. The Board may apply an STI modifier to adjust STI outcomes to reflect a broad range of factors.
STI opportunity	Target STI opportunity is set in accordance with the pay mix framework, being 133% of fixed remuneration for the CEO and business line roles and 100% of fixed remuneration for control function roles. Maximum STI opportunity is 150% of target STI.
Delivery	50% of the STI award is delivered as cash and 50% is deferred into equity. Deferred STI awards are delivered as Restricted Shares. Prior to 1 July 2021, deferred STI awards were delivered as Deferred Performance Share Rights (DPSRs) which represent the right to receive a fully paid ordinary Challenger share for nil consideration subject to continued employment at the time of vesting.
Allocation methodology	Face value with the number of Restricted Shares or DPSRs granted based on the five-day VWAP of shares prior to grant date.
Vesting period	Deferred STI awards granted prior to 1 July 2024 vest over a four-year period in accordance with the schedule below: **At the end of year / % of grant vesting** 1 – 30% 2 – 30% 3 – 20% 4 – 20% Deferred STI awards granted after 1 July 2024 vest over a two-year period in accordance with the schedule below: **At the end of year / % of grant vesting** 1 – 50% 2 – 50%
Vesting conditions	Vesting is subject to continued service.
Termination treatment	Termination for poor performance, misconduct or resignation without the prior approval of the Board constitutes bad leaver termination and will result in the forfeiture of all unvested equity awards. In circumstances that do not constitute a bad leaver termination, all unvested awards will remain 'on foot', except in the case of resignation where awards will remain 'on foot' only if two years have elapsed from the grant date. Where awards remain 'on foot', they will vest on the original vesting date.
Forfeiture (malus and clawback)	The Board has the ability to adjust unvested equity (including to zero) and apply clawback for up to two years post-vesting or after an award or payment has been made in a range of circumstances, including to protect financial soundness or respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance).

4.2 Summary of 2024 financial performance

This section provides performance information including five-year trends and key financial and operational outcomes for the year. Additional commentary on performance is provided in the CEO's balanced scorecard on the following page.

For the year ended	30 June 2024	30 June 2023	30 June 2022	30 June 2021	30 June 2020
Normalised NPAT[1] ($m)	416.6	364.0	321.5	278.5	343.7
Normalised EPS (cents)	60.9	53.3	47.6	41.5	56.5
Closing share price ($)	7.01	6.48	6.84	5.41	4.41
Dividends per share (cents)	26.5	24.0	23.0	20.0	17.5

1. Normalised NPAT excludes asset or liability valuation movements that are above or below expected long-term trends and significant items that may positively or negatively impact financial results. Refer to the Operating and financial review section for further information.

Remuneration report continued

4.3 2024 balanced scorecard outcome for the CEO

KPIs are reviewed and approved each year by the Board, ensuring they are aligned to Challenger's purpose and strategy and underpinned by strong risk management practices that inform how we deliver on our commitments to customers and shareholders.

For 2024, the Board increased the weighting of the CEO's Financial measure from 40% to 50%, broadened the Risk measure to include Sustainability, and reduce the weighting of measures for Customer, Risk and People to minimise duplication of measures across Challenger's incentive plans (performance in these key areas are in part assessed in the new Culture measure of the LTI as discussed in Section 5 of the Remuneration Report or through the increased weighting on the Financial measure). The CEO's 2024 STI balanced scorecard is provided below. Where a target exists, an assessment of the outcome against target has been provided. Where no target is available, progress and performance relative to the prior year period was considered by the Board in determining the outcome.

Legend: ● = Target Exceeded ◉ = Target Met ○ = Target Not Achieved

Objective	FY24 Performance Commentary	Key Indicators	FY24 Achievement	Assessment
Financial (50%) *Deliver financial targets to create value for shareholders through profitability, asset growth and maintaining a strong capital position.* **FY24 Outcome:** Not met Met Exceeded	Challenger delivered strong financial results for the financial year, attributed to the benefits of longer tenor annuity sales, a reduced maturity rate and balance sheet operating earnings in the Life business. Normalised NPBT grew 17% and above the top end of guidance, and normalised NPAT increased 14.5% above FY23. Statutory NPAT was below normalised NPAT due to a reduction in commercial property valuations and accounting standard changes with the introduction of AASB 17. Return on equity is up 290 bps to 15.6%, below target of RBA cash rate plus 12%, driven by momentum in Life and strong cost discipline with the cost to income ratio down 390 bps from FY23. Challenger Life remains strongly capitalised with 1.67 times the regulatory capital requirement and at the top end of target range.	Normalised NPBT	$608.1m	● Target: $555 - $605m
		Statutory NPAT	$129.9m	FY23: $171.4m
		Normalised NPAT	$416.6m	FY23: $364.0m
		Normalised ROE	15.6%	○ Target: RBA cash rate + 12% (16.3%)
		Normalised Cost to Income	33.8%	● Target: 35% - 37%
		Prescribed Capital Amount (PCA) Ratio (times)	1.67x	● Target: 1.30 - 1.70x
Risk and Sustainability (15%) *Make good risk aware commercial decisions and consider the impact of investment and commercial decisions on ESG.* **FY24 Outcome:** Not met Met Exceeded	The overall Risk Culture Survey score is four percentage points below target however within acceptable levels. Risk appetite is considered as part of Challenger's decision-making framework, and risk tolerances are generally positive with 88% of risk metrics within appetite and have met expectations with an improved number of risk appetite indicators in green status compared to last year.	Risk Culture Survey[1]	81%	○ Target: 85%
	During the year, Challenger has met expectations and delivered on a range of initiatives across the sustainability portfolio. This includes development of a Climate Risk work program to be implemented in FY25 and Board endorsement of an operational emissions reduction strategy and associated targets as disclosed in the FY24 Sustainability Report. Challenger also deepened its community partners, delivering Women up North's first major fundraising event and supporting FoodLab Sydney with a range of initiatives.	% Risk Appetite Indicators in Green Status	70%	FY23: 62%

People (10%) *Provide employees with a workplace where they can maximise their potential and deliver on our goals.* **FY24 Outcome:** Not met Met Exceeded	Challenger commenced a significant customer technology uplift program and has partnered with Accenture to deliver this. Whilst the Employee Engagement score for FY24 is four percentage points below the Australian median, it aligns with the global trend of a three-percentage point decrease from last year, and is within expectations given the impact of the program has had on employees. In 2024, Challenger launched a new Learning and Development strategy, delivering over 120 L&D sessions and 5,300 hours of employee training across the business. Employee retention has continued to improve year on year. Challenger ranked 6th in Australia and 16th globally in Equileap's Global Report on Gender Equality, and continues to be recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency (WGEA). Challenger's gender pay gap is significantly ahead of the industry median as reported by WGEA, demonstrating Challenger's ongoing commitment to gender equality and overall performance meeting expectations.	Employee Engagement[1]	65%	FY23: 68%
		Gender Pay Gap	9.3% (median total remuneration)	23.2% (benchmark median)
		Female Representation	45.4% (all) 40.8% (mgmt) 44% (Board)	Target: 40-60% (all and mgmt) 37.5% (Board)
		Employee Turnover	10.5%	FY23: 11.2%
Customer (15%) *Deliver a great customer experience through improved products and services.* **FY24 Outcome:** Not met Met Exceeded	During the year, Challenger led the market for retirement income, enhanced the Challenger brand through strategic sponsorships including the Professional Golfers Association of Australia (PGA) and the Melbourne International Flower and Garden Show, and continued to deliver award winning investment capability to customers through Challenger Life and Fidante. In addition, new investment products were launched to market, including the Challenger Global Asset Backed Securities (ABS) Fund and the Apollo Aligned Alternatives (AAA) strategy. Investment performance remained strong, with 93% and 87% of Fidante affiliates outperforming their respective benchmark over the past five years and since inception, respectively.	Net Promoter Score	76	Target: 75
		Customer Satisfaction	96.35%	Target: 80%
		% of FUM Outperformance of Benchmark[2]	93% over past 5 years	FY23: 99% over past 5 years
Partnerships (10%) *Strengthen and grow strategic partnerships to deliver greater value to our customers.* **FY24 Outcome:** Not met Met Exceeded	Challenger announced strategic retirement income partnerships with TelstraSuper and Commonwealth Superannuation Corporation (CSC) to provide a longevity solution to help meet their customers' needs in retirement. The reinsurance agreement with MS Primary (MSP) was extended for a further five years and commenced reinsuring Japanese yen denominated annuities issued by MSP. Challenger formed an asset origination partnership with Apollo, providing Challenger Life with access to domestic and global credit and alternative opportunities. Challenger formed a technology partnership with Accenture that will support Challenger's growth strategy and deliver an uplift to customer experience. The sale of Challenger Bank to Heartland Group Holdings Limited was completed in April 2024.			

1. Culture Amp YourVoice Survey, May 2024.
2. Percentage of Fidante Affiliates meeting or exceeding the performance benchmark, with gross performance weighted by FUM.

Remuneration report continued

4.4 Short-term incentive outcomes

2024 STI outcome for the CEO: **110% of target**

The Board determined an STI outcome of 110% of target (73% of maximum), which reflects overall performance above expectations as set out in the balanced scorecard above together with an assessment of Mr Hamilton's behaviours as strongly in line with the Challenger values and risk management outcomes. The Board has determined not to apply a modifier as discussed below.

4.5 Short-term incentive modifier

The Board recognises that the balanced scorecard outcome does not always capture the full range of factors that are relevant to making reward decisions and that the ability to make discretionary adjustments is an important governance mechanism.

The STI modifier makes explicit the magnitude of, and the rationale for, discretionary adjustments. In applying the modifier, the Board considers a broad range of factors, including the quality of financial results, risk and conduct matters with a Group-wide impact, and any other matter which it considers is not fully reflected in the scorecard.

STI outcomes for KMP (excluding the CEO) are calculated by applying the modifier to pre-adjustment STI outcomes, as recommended to the Board by the CEO. Pre-adjustment STI outcomes reflect performance outcomes which are informed by individual, business unit and Group performance and an assessment of behaviours.

Pre-adjustment STI outcome (0-150% of target)	x	Modifier (0-100%)	=	Final STI outcome (0-150% of target)

The modifier can vary between zero and 100% thereby acting as a gateway and a downwards adjustment mechanism. The modifier cannot adjust STI outcomes upwards as individual behaviours (including risk behaviours) can modify individual performance outcomes.

A consistent modifier generally applies for all KMP to reflect shared accountability for Group performance and other significant factors, for example where a risk or conduct matter has a group-wide impact.

2024 STI modifier: **100%**

The Board has determined not to apply a modifier to 2024 STI outcomes for KMP.

The Chief Risk Officer has confirmed that no risk or conduct matters have been identified which would warrant the application of the modifier.

4.6 2024 short-term incentive outcomes for KMP

The table below sets out the 2024 STI outcomes for KMP as a percentage of target and maximum, including the impact of the modifier.

STI outcomes for KMP range between 80% and 116% of target (53% and 77% of maximum).

	2024 STI outcomes	
	% of target	% of max
Current KMP		
N Hamilton	110 %	73 %
A Bell	116 %	77 %
A Kapel	113 %	75 %
V Rodriguez	80 %	53 %

5 Long-term incentives

5.1 Long-term incentive structure

LTIs are awarded annually to support a continued focus on long-term performance and strong shareholder alignment. The meaningful weighting ensures a significant proportion of total reward is 'at risk' and directly linked to shareholder outcomes over the longer term.

Following a comprehensive review of the LTI plan, the Board introduced an additional performance measure of Culture to the LTI plan in 2024. The decision to introduce Culture as a measure reflects the Board's commitment to ensure that Challenger's leadership team continues to protect and strengthen Challenger's culture in the long term and ensuring sustainable growth of the company. The Board believes that the amendments to the LTI plan appropriately reflects Challenger's strategic priorities, continues to align strongly with shareholder outcomes and complies with regulatory requirements.

<table>
<tr><td>Quantum for KMP</td><td>Set in accordance with the pay mix framework, being up to 225% of fixed remuneration for CEO and business lines and 125% for control and support functions (at face value).</td></tr>
<tr><td>Delivery</td><td>Hurdled Performance Share Rights (HPSRs), which represent the right to receive a fully paid ordinary Challenger share for nil consideration subject to satisfaction of an employment condition and a performance hurdle.</td></tr>
<tr><td>Allocation methodology</td><td>Face value with the number of HPSRs granted based on the five-day VWAP of shares prior to grant date. HPSRs for the CEO are granted following the shareholder vote at the Annual General Meeting using the same allocation price as other KMP.</td></tr>
<tr><td>Vesting period and conditions</td><td>LTI awards vest after four or five years subject to satisfaction of an employment condition and Challenger satisfying the absolute TSR performance and Culture performance hurdles.

For absolute TSR, awards are tested after four years with any unvested HPSRs subject to a final cumulative test after five years. For Culture, awards are tested after four years.</td></tr>
<tr><td>Disposal restrictions</td><td>A disposal restriction of one or two additional years post-vesting will be applied to the HPSRs granted to the CEO and executive KMP from 2024. The introduction of these post-vesting disposal restrictions have been introduced to meet CPS 511 deferred remuneration requirements.</td></tr>
<tr><td>TSR performance hurdle (75% of the LTI award value)</td><td>Vesting is subject to an absolute TSR performance hurdle set out in the table below:
<table>
<tr><th>Absolute TSR hurdle</th><th>% of HPSRs that vest</th></tr>
<tr><td>Less than 7% per annum</td><td>0%</td></tr>
<tr><td>7% per annum</td><td>50%</td></tr>
<tr><td>Above 7% but less than 10% per annum</td><td>Straight-line vesting between 50% and 99.9%</td></tr>
<tr><td>10% per annum and above</td><td>100%</td></tr>
</table>
The start and end price for absolute TSR performance testing is calculated using a 90-day VWAP leading up to the relevant performance start or end date. A 90-day VWAP eliminates the potential for short-term price volatility to impact vesting outcomes.</td></tr>
<tr><td>Culture performance hurdle (25% of the LTI award value)</td><td>The Board will determine whether (and to what extent) the Culture performance hurdle has been achieved or exceeded in respect of the four year performance period after considering eleven key metrics set out in the Culture Performance Scorecard (Scorecard). To support the Board with its assessment, the following vesting scale will apply:
<table>
<tr><th>Performance against scorecard metrics</th><th>% of HPSRs that vest</th></tr>
<tr><td>Target performance no achieved</td><td>0%</td></tr>
<tr><td>Target performance range achieved</td><td>Straight-line vesting between 50% and 99.9%</td></tr>
<tr><td>Stretch performance achieved</td><td>100%</td></tr>
</table>
Refer to the Culture performance condition section below for further detail.</td></tr>
<tr><td>Termination treatment</td><td>Termination for poor performance, misconduct or resignation without the prior approval of the Board constitutes bad leaver termination and will result in the forfeiture of all unvested equity awards. In circumstances that do not constitute a bad leaver termination, all unvested awards will remain 'on foot' on a pro-rata basis based on the proportion of the performance period which has elapsed. Awards which remain 'on foot' will vest on the original vesting date, subject to satisfaction of the performance hurdle. Board discretion applies in relation to unvested awards issued prior to 30 June 2019.</td></tr>
<tr><td>Forfeiture (malus and clawback)</td><td>As detailed in the STI table in section 'Short-term incentives' above.</td></tr>
</table>

Remuneration report continued

5.2 Total Shareholder Return

The Board considers that Total Shareholder Return (TSR) is an effective measure of shareholder outcomes and that an absolute rather than a relative TSR performance measure is appropriate for Challenger because:

– there are no other listed companies in the Australian market with a retirement income business that are directly comparable to Challenger;

– a broader index is not considered an appropriate peer group as there is risk of misalignment between remuneration and shareholder value creation; and

– if the absolute TSR threshold performance target is set at a level above average market returns over the long term, vesting will be directly linked to the delivery of superior returns to shareholders.

The Board determined that TSR will comprise 75% of the LTI award value and the thresholds of 7% to 10% (compounded annually) for 2024 are retained on the basis they continue to be challenging in the current environment and represent a relatively strong return for shareholders. Over four years, 7% annual compound return represents TSR of 31%, and 10% represents TSR of 46%.

Where the hurdle is not satisfied at four years, a higher test is applied in year five (requiring TSRs above 40% for any vesting to occur and TSRs above 61% for full vesting to occur). As a higher hurdle applies in year five, Challenger's approach differs from traditional 're-tests' and reflects our commitment to driving focus on long-term performance and strong risk management. Any unvested awards lapse after five years.

5.3 Culture

The Board introduced an additional performance measure of Culture that comprises 25% of the LTI award value. The decision to introduce the measure reflects the requirements under CPS 511. The Culture measure will be assessed using a Scorecard of eleven key metrics that comprise:

– the results of Challenger's Risk Culture survey (Risk Culture Survey);

– the results of Challenger Engagement survey (Engagement Survey); and

– responses to a fixed set of nine specific culture-related questions included in the Engagement Survey (Culture Questions).

The Scorecard reinforces Challenger's focus on ensuring we achieve outcomes for our customers, people and shareholders through demonstrating strong risk management, delivering on our employee value proposition and achieving our values.

Each metric has a target and stretch performance range approved by the Board at the start of each performance period and progress will be measured throughout the performance period, with a final assessment after four years. To ensure the results are reflective of the employee experience, these metrics will be reviewed against relevant operational metrics including, but not limited to, employee turnover and incidents reported to the Consequence Management Committee, taking into account material risk incidents and serious misconduct issues that have impacted Challenger. The Board will determine an appropriate vesting outcome once all inputs have been considered.

For target performance to be met, the Target range in the Scorecard must be met for:

– the Risk Culture Survey; and/or

– the Engagement Survey; and

– at least five of the nine Culture Questions.

If the Target ranges are met, the Board will determine the vesting outcome, ranging between 50% and 99.9%, depending on the level by which the target ranges have been met or exceeded, and having regard to the performance outcomes taking into consideration operational measures and other relevant information presented to the Board by Challenger's management which may have impacted the results.

For 100% of the LTI award value related to the Culture performance measure to vest, Target performance must be met, plus the Stretch ranges listed in the Scorecard must be met for:

– Either or both the Risk Culture Survey and the Engagement Survey; and

– at least five of the nine Culture Questions.

5.4 Long-term incentive vesting outcomes

In September 2023, LTIs awarded in 2018 and 2019 were tested with an annual TSR result of -7.66% and 3.20%, respectively. This resulted in no vesting of LTIs during the year ended 30 June 2024.

Based on indicative TSR performance outcomes as at 30 June 2024 (illustrated in section 2.3 Long-term incentive vesting outcomes), the Board anticipates that all eligible HPSRs awarded in 2019 will lapse (annualised TSR result of 2.45%), whilst all eligible HPSRs granted in 2020 will vest in September 2024 (annualised TSR result of 14.07%).

The Board considers this likely vesting outcome to be appropriate and fair in the context of underlying business performance and the consequence management framework, and demonstrates strong alignment of the executives' realised reward and the value delivered to shareholders over the corresponding period. The Board also considers this potential vesting to be a reflection of the significant repositioning which has been undertaken by the executives to ensure the long term sustainability of the organisation and will be the first time that LTIs will vest since 2018.

6. 2024 awarded Key Management Personnel remuneration

Awarded remuneration represents the value of remuneration that has been awarded in respect of the financial year, as determined by the Board, and includes fixed remuneration, STIs (cash and deferred) and LTIs. The value of deferred STIs realised will depend on share price performance and LTIs will only deliver value to executives in the future if the relevant LTI performance hurdles are achieved. This ensures strong alignment between realised executive reward and shareholder outcomes over the longer term.

Remuneration for KMP has been decreasing over time driven by the rebasing of remuneration arrangements as incumbents have been replaced, in line with broader market trends. Realised reward for KMP has also been significantly impacted by the non-vesting of LTIs for five consecutive years.

The presentation of awarded remuneration for 2024 provides:

- STI outcomes shown as a percentage of target opportunity;
- LTI awards included in the financial year in which they are granted to reflect the focus on driving future performance, and that quantum is no longer linked to performance over the previous financial year. As such, in the table below the 2023 LTI includes the awards made in September 2022, and the 2024 LTI includes the awards made in September 2023; and
- total awarded remuneration at face value is included to provide greater transparency.

The CEO's LTI for the 2025 financial year will be granted following shareholder approval, which will be sought at Challenger's Annual General Meeting. Further details will be set out in the Notice of Meeting.

			Short-term incentive				Long-term incentive	Total awarded
KMP[4]	Year	Fixed[1] $	% of target	Total $	Cash $	Deferred[2] $	(Face value)[3] $	remuneration $
Current KMP								
N Hamilton	**2024**	**1,075,000**	**110 %**	**1,576,667**	**788,334**	**788,333**	**2,418,748**	**5,070,415**
	2023	1,075,000	105 %	1,505,000	752,500	752,500	2,417,702	4,997,702
A Bell	**2024**	**750,000**	**116 %**	**870,000**	**435,000**	**435,000**	**937,500**	**2,557,500**
	2023	437,500	100 %	435,000	217,500	217,500	937,093	1,809,593
A Kapel	**2024**	**600,000**	**113 %**	**900,000**	**450,000**	**450,000**	**1,199,994**	**2,699,994**
	2023	600,000	100 %	800,000	400,000	400,000	1,199,481	2,599,481
V Rodriguez	**2024**	**600,000**	**80 %**	**640,000**	**320,000**	**320,000**	**1,199,994**	**2,439,994**
	2023	550,000	84 %	618,750	309,375	309,375	1,199,481	2,368,231
Total	**2024**	**3,025,000**		**3,986,667**	**1,993,334**	**1,993,333**	**5,756,236**	**12,767,903**
	2023	2,662,500		3,358,750	1,679,375	1,679,375	5,753,757	11,775,007

1. Includes base salary and superannuation.
2. Deferred STIs will be allocated based on the five-day volume weighted average price (VWAP) prior to the grant date in September 2024.
3. The LTIs granted during the financial year were allocated based on the five-day VWAP prior to grant in September 2024.
4. Where an individual held a KMP role for part of either the current or prior reporting period, disclosure is pro rata for the period in which they were KMP. Refer to Section 'Key Management Personnel' for further details.

Remuneration report continued

7. Remuneration governance

Challenger's remuneration governance structures, outlined in the table below, provide strong oversight of remuneration practices and policies. Detailed information concerning the scope of the Board and the Group People and Remuneration Committee's responsibilities can be found under the corporate governance section of Challenger's website.

Remuneration governance arrangements promote compliance with the provisions of the ASX Listing Rules, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the ***Corporations Act 2001*** (Cth) (Corporations Act) and, in respect of CLC and Challenger Retirement and Investment Services Limited, the principles contained in the relevant Australian Prudential Regulation Authority standards.

Board	– The Board is responsible for ensuring effective remuneration governance and related risk management practices. – The Board approves remuneration principles and structures and ensures that they are competitive and equitable and that they support the long-term interests of Challenger. – The Board receives recommendations from the Group People and Remuneration Committee and approves these remuneration recommendations, where appropriate.
Group People and Remuneration Committee	– The Board convenes a Group People and Remuneration Committee comprising at least three Independent Directors to assist the Board in discharging its responsibilities. – The Group People and Remuneration Committee meets at least five times during the year, with additional meetings scheduled as required. For the year ended 30 June 2024, five meetings were held. – The Group People and Remuneration Committee determines and recommends to the Board various principles and policies (including remuneration, recruitment, retention, termination and diversity), Managing Director & CEO and KMP remuneration, incentives, superannuation and life insurance arrangements, and the Directors' remuneration framework.
Independent remuneration advisers	– The Board, independent of management, appoints an adviser to the Group People and Remuneration Committee. – In 2024, the Board continued its engagement of KPMG. This engagement is based on a defined set of protocols. The Board is satisfied with KPMG's remuneration structure and quantum-related advice and that such advice is free from undue influence. – During 2024, KPMG attended all the Group People and Remuneration Committee meetings and provided advice with respect to KMP remuneration arrangements, updates on regulatory developments, tax advice and a review of incentive plans. No 'remuneration recommendations', as defined by the Corporations Act, were provided by KPMG. – Mercer no longer provides equity valuation services to clients. As a result, Deloitte was engaged in 2024 to independently value equity awards and test HPSR vesting outcomes.

7.1 Remuneration benchmarking

Challenger's remuneration strategy is supported by a strong focus on benchmarking remuneration against the external market to roles with comparable financial services, banking, insurance and capital markets skills.

Annually, the Board approves the peer groups to be used when benchmarking KMP remuneration, and in 2024 approved the following peer groups:

1. Financial Industry Remuneration Group survey:

This peer group supports consideration of roles with comparable financial services, banking, insurance and capital markets skills to Challenger's KMP.

2. Financial services publicly disclosed data:

Data is comprised of publicly disclosed KMP remuneration data for select financial services companies. This peer group supports consideration of roles with comparable skills to Challenger's KMP.

During the year, the Board considered remuneration benchmark data as an input when setting remuneration arrangements for new appointments and determining annual remuneration outcomes for KMP. The Board is confident that awarded remuneration reflects performance and is positioned and structured at a market-competitive level reflective of the markets in which Challenger competes for talent, and the specialist nature of the skills and experience of Challenger's KMP.

7.2 Variable remuneration governance

The Board approves a pool for total variable remuneration (cash STI and share-based) annually.

The Group pool is built on a bottom-up basis with individual allocations informed by internal and external market remuneration levels and individual contribution. Divisional pools for business lines are adjusted by the CEO to reflect contribution to Group financial results with pools for control and support functions informed by the quality and integrity of support provided. Divisional pools may also be adjusted for other factors, including risk management outcomes.

A number of top-down lenses are applied in determining the Group pool, which is an aggregation of individual and divisional pools. The Board considers a range of factors in assessing the appropriateness of the pool, including:

- overall business results against plan (financial and non-financial performance measures);
- progress against short and long-term strategic objectives;
- external remuneration levels and movements;
- the retention of key talent;
- the cost and amount of capital employed;
- factors beyond management's control; and
- the management of risk, including adjustments for any risk and conduct matters with a group-wide impact.

7. Remuneration governance continued

7.3 Minimum shareholding guidelines

The Board reviews KMP and Non-Executive Director minimum shareholding guidelines annually in order to ensure alignment with shareholders and market practice. The 2024 review determined that no changes were required to the guidelines at this time. Challenger's minimum shareholding guidelines do not count unvested deferred equity towards minimum holdings; however, for completeness, the shareholding disclosures in Section 'Key Management Personnel remuneration arrangements' also show unvested deferred STIs.

Minimum shareholding requirements are detailed in the following table:

Group	Requirement	Implied value[1]
Non-Executive Directors (NEDs)	One times base fees	Chair: $450,000 NEDs: $179,000
Managing Director & CEO	Two times fixed remuneration	$2,150,000
Other KMP	One times fixed remuneration	$600,000 to $750,000

1. Based on fees and remuneration as at 30 June 2024.

A five-year transitional period in which to acquire the required shareholding applies for Non-Executive Directors and KMP. The Board retains discretion to allow Non-Executive Directors and KMP to vary from this guideline. Where fees are paid to the employer of the Non-Executive Director, the guidelines do not apply.

The shareholdings of Non-Executive Directors and KMP at 30 June 2024 are set out in Sections 'Key Management Personnel remuneration arrangements' and 'Non-Executive Director disclosures'.

7.4 Employee share trading policy

Employees, Directors and KMP must comply with Challenger's employee share trading policy, including being required to obtain pre-approval from the Company if they wish to trade in Challenger shares.

Employees are prohibited from trading during specified periods, including prior to the release of Challenger's financial results.

Employees are prohibited from hedging their unvested equity awards, as this would not be consistent with Challenger's remuneration strategy or appropriate governance outcomes and is contrary to the intention of equity-based remuneration arrangements. Any breach of this requirement would be regarded as serious misconduct and may result in dismissal.

Challenger prohibits KMP and employees from taking out margin loans on Challenger shares, with any exceptions to this rule requiring Board approval. There have been no requests for exceptions to this policy for the year ended 30 June 2024 (no requests in 2023).

7.5 Employee share ownership

The Board believes that greater employee share ownership increases alignment with shareholders.

The Tax Exempt Share Plan provides permanent Australian employees a means to acquire Challenger shares at no cost, and to participate in the future growth and performance of Challenger. Eligible employees are offered $1,000 worth of fully paid Challenger ordinary shares on an annual basis, subject to a three-year minimum holding period.

7.6 Challenger Performance Plan (CPP) Trust

The CPP Trust is an employee share trust established to satisfy Challenger's employee equity obligations arising from DPSRs, Restricted Shares and HPSRs.

Challenger shares held by the CPP Trust generate dividend income. The CPP Trust does not receive dividends from forward share purchase agreements.

Any undistributed income at the end of the year is taxed at the maximum marginal tax rate (which exceeds the Company tax rate) and carries no franking credits.

Remuneration report continued

8. Risk and reward

The Board seeks to align remuneration with effective risk management, the generation of appropriate risk-based returns and Challenger's risk appetite.

The Board has agreed a risk management framework which sets out the Board's tolerance to risk exposures and the management of risk. Challenger's risk profile is continuously monitored and managed against its risk appetite, and any divergence is resolved within Challenger through a series of escalations and delegated authorities culminating with the Board. All business activities are carried out in accordance with this risk management framework, regardless of potential remuneration outcomes.

During the year, the Group Risk Committee provides reports to the Group People and Remuneration Committee and the Board summarising risk management and risk outcomes, including any material incidents under the risk management framework or other compliance policies. In addition, the Consequence Management Committee, which comprises representatives from Risk and Human Resources, was established to support the management of conduct risk matters and to oversee the application of consequences for conduct matters. The Consequence Management Committee meets on a monthly basis and reports to the Group People and Remuneration Committee bi-annually on matters referred to it. Where applicable, consequences range from written warnings, remedial training and coaching, through to more serious outcomes that may include remuneration consequences, termination/dismissal and matters being reported to regulatory or law enforcement bodies. The Group People and Remuneration Committee and the Board consider these reports when finalising remuneration pools and individual allocations.

All employees are required to comply with Challenger's policies and other risk management and regulatory requirements as they apply to their role and business area. Breaches of compliance with these policies and other requirements are taken seriously and may result in a range of potential consequences including disciplinary action and termination of employment.

All employees are assessed against the Challenger values, which includes risk behaviours, as part of the annual performance review process. The values rating contributes to the overall performance rating and remuneration outcomes. Satisfactory assessment of behaviours against the Challenger values is treated as a gate-opener for variable reward, and behaviours can either increase or decrease reward outcomes.

During 2024, the Conduct Risk and Consequence Management framework has been further embedded with a broader focus on reviewing highly rated incidents in addition to reportable breaches, enabling a higher bar to be applied in assessing conduct matters and considering appropriate consequences. This has included:

- raising awareness of risk management and regulatory requirements;
- transparency in relation to potential consequences for conduct matters;
- updating policies to improve clarity;
- enhancing reporting and monitoring capabilities;
- reviewing conduct-related issues in a timely manner through the year; and
- embedding risk and consequence management in the annual performance and remuneration review.

The Group People and Remuneration Committee and the Board consider potential risk implications of performance targets when setting performance measures for variable reward plans.

The Board also places significant focus on risk culture and monitors and assesses Challenger's risk culture. In 2024, this included:

- risk culture questions included within the Your Voice employee engagement survey;
- risk culture pulse check surveys sent to employees throughout the year; and
- a range of key risk indicator metrics being monitored and assessed throughout the year.

8.1 Variable reward forfeiture provisions

Under the terms of the CPP, DPSRs, Restricted Shares and HPSRs may be reduced or forfeited should the Board determine that a KMP or employee:

- has committed an act of dishonesty;
- is ineligible to hold their office for the purposes of Part 2D.6 Disqualification from managing corporations of the Corporations Act; or
- is found to have acted in a manner that the Board considers to be gross misconduct or is dismissed with cause.

In addition, the Board may resolve that an award of DPSRs, Restricted Shares or HPSRs should be reduced or forfeited in order to:

- protect financial soundness;
- respond to unexpected or unintended consequences that were significant and unforeseen by the Board (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance); and
- respond to any examples of misconduct, risk events, acts or omissions or breaches of law or regulation.

Prior to any awards vesting, the Chief Risk Officer confirms whether there are any matters that should be considered by the Board, including any ongoing investigations into potential matters.

9. Key Management Personnel remuneration arrangements

This audited remuneration report describes Challenger's KMP and Non-Executive Director remuneration arrangements as required by the Corporations Act.

9.1 Statutory remuneration

Statutory remuneration represents the accounting expense of remuneration in the financial year. It includes fixed remuneration, cash STI awards, the fair value amortisation expense of deferred share awards granted, long service leave entitlements and insurance.

		Short-term employee benefits			Long-term employee benefits	
KMP[3]	Year	Salary[1] $	Superannuation $	Cash STIs $	Share-based payments and other[2] $	Total
Current KMP						
N Hamilton	**2024**	**1,050,259**	**27,399**	**788,334**	**1,718,717**	**3,584,709**
	2023	1,052,062	25,292	752,500	1,335,732	3,165,586
A Bell	**2024**	**724,031**	**27,399**	**435,000**	**498,316**	**1,684,746**
	2023	423,180	14,754	217,500	419,170	1,074,604
A Kapel	**2024**	**576,827**	**27,399**	**450,000**	**683,516**	**1,737,742**
	2023	578,593	25,292	400,000	380,221	1,384,106
V Rodriguez	**2024**	**576,069**	**27,399**	**320,000**	**783,565**	**1,707,033**
	2023	529,558	23,185	309,375	257,371	1,119,489
Total	**2024**	**2,927,186**	**109,596**	**1,993,334**	**3,684,114**	**8,714,230**
	2023	2,583,394	88,523	1,679,375	2,392,494	6,743,786

1. Includes the cost of death, total permanent disability and salary continuance insurances.
2. Calculated on the basis outlined in Note 30 Employee entitlements and reflects the fair value of the benefit derived at the date at which they were granted. For HPSRs included in share-based payments which are subject to a market-based condition, fair value is determined using an option pricing model, whilst HPSRs subject to a non-market based condition are valued using a discounted cashflow technique, undertaken by an independent third party. The value of the share-based payments included in the table may not necessarily have vested during the financial year. Other long-term employee benefits include long service leave entitlements.
3. Where an individual held a KMP role for part of either the current or prior reporting period, disclosure is pro rata for the period in which they were KMP. Refer to Section 'Key Management Personnel' for further details.

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.2 Split of statutory remuneration components

The splits of KMP statutory remuneration are set out below:

KMP[1]	Year	Fixed remuneration	Cash STI	Share-based payments and other	Total
Current KMP					
N Hamilton	**2024**	**30%**	**22%**	**48%**	**100%**
	2023	34%	24%	42%	100%
A Bell	**2024**	**45%**	**25%**	**30%**	**100%**
	2023	41%	20%	39%	100%
A Kapel	**2024**	**35%**	**26%**	**39%**	**100%**
	2023	44%	29%	27%	100%
V Rodriguez	**2024**	**35%**	**19%**	**46%**	**100%**
	2023	49%	28%	23%	100%

1. Where an individual held a KMP role for part of either the current or prior reporting period, disclosure is pro rata for the period in which they were KMP. Refer to Section 'Key Management Personnel' for further details.

9.3 Shares and Share Rights granted

The following tables show the short and long-term incentives that were granted during the year ended 30 June 2024 for all KMP who were considered KMP at the date of grant.

9.3.1 Restricted Shares

Deferred short-term incentives are delivered in the form of Restricted Shares which vest in tranches up to four years. Restricted Shares granted to KMP during the year ended 30 June 2024 are detailed below:

					Vesting (number of shares by tranche)[2]			
KMP	Grant date	Awarded value from 2023 $	Face value allocation price $	Total number of shares granted[1]	Tranche 1 1 September 2024	Tranche 2 1 September 2025	Tranche 3 1 September 2026	Tranche 4 1 September 2027
Current KMP								
N Hamilton	8/9/23	752,000	6.42	117,211	35,163	35,163	23,442	23,443
A Bell	8/9/23	217,000	6.42	33,878	10,163	10,163	6,775	6,777
A Kapel	8/9/23	400,000	6.42	62,305	18,691	18,691	12,461	12,462
V Rodriguez	8/9/23	337,000	6.42	52,570	15,771	15,771	10,514	10,514

1. The number of shares granted is determined by dividing the awarded value by the VWAP in the five days prior to grant (face value allocation price).
2. The fair value is independently calculated and used to determine the accounting value which is amortised over the vesting period. The fair value differs to the face value to reflect the deferred nature of the award.

9. Key Management Personnel remuneration arrangements continued

9.3.2 Hurdled Performance Share Rights

Long-term incentives are delivered in the form of HPSRs which vest after four years subject to achievement of an absolute TSR performance hurdle and a Culture performance hurdle. HPSRs granted to KMP during the year ended 30 June 2024 are detailed below:

KMP	Grant date	Vesting date	Awarded HPSR face value	Face value allocation price $	Total number of HPSRs granted[1]	TSR start price[2] $	Fair value at grant date[3]	Awarded HPSR fair value
Current KMP								
N Hamilton	8/11/23	1/9/27	1,814,061	6.42	282,564	6.6268	2.81	794,005
	8/11/23	1/9/27	604,687	6.42	94,188	6.6268	5.12	482,243
A Bell	8/9/23	1/9/27	703,125	6.42	109,521	6.6268	3.24	354,848
	8/9/23	1/9/27	234,375	6.42	36,507	6.6268	5.50	200,789
A Kapel	8/9/23	1/9/27	899,994	6.42	140,186	6.6268	3.24	454,203
	8/9/23	1/9/27	300,000	6.42	46,729	6.6268	5.50	257,010
V Rodriguez	8/9/23	1/9/27	899,994	6.42	140,186	6.6268	3.24	454,203
	8/9/23	1/9/27	300,000	6.42	46,729	6.6268	5.50	257,010

1. The number of rights granted is determined by dividing the awarded value by the VWAP in the five days prior to 8 September 2023 (face value allocation price).
2. The TSR start price is the VWAP in the 90 calendar days prior to 8 September 2023.
3. The fair value is independently calculated and used to determine the accounting value which is amortised over the vesting period. The fair value differs to the face value to reflect the likelihood of performance hurdles being achieved, the deferred nature of the award and that HPSRs do not carry a dividend entitlement.

9.4 Shares and Share Rights vested

The following tables show the short and long-term incentives that vested during the year ended 30 June 2024 for all KMP who were considered KMP at the vesting date.

9.4.1 Deferred Performance Share Rights

DPSRs which vested to KMP during the year ended 30 June 2024 are detailed below:

KMP	Grant date	Number	Face value at grant $	Vesting date	Vested value[1] $
Current KMP					
N Hamilton	7/9/20	23,663	94,889	1/9/23	156,531
	9/9/19	3,768	24,994	1/9/23	24,925
A Bell	9/9/19	1,130	7,496	1/9/23	7,475
A Kapel	7/9/20	2,615	10,486	1/9/23	17,298
	9/9/19	1,356	8,995	1/9/23	8,970
V Rodriguez	7/9/20	6,849	27,464	1/9/23	45,306
	9/9/19	5,276	34,997	1/9/23	34,901

1. The vested value is based on the VWAP in the five days prior to the vesting date.

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.4.2 Restricted Shares

Restricted Shares (RS) which vested to KMP during the year ended 30 June 2024 are detailed below:

KMP	Grant date	Number	Face value at grant $	Vesting date	Vested value[1] $
Current KMP					
N Hamilton	9/9/22	29,952	187,500	1/9/23	198,132
	8/9/21	18,260	117,594	1/9/23	120,790
A Bell	9/12/22	28,050	199,997	1/12/23	161,806
A Kapel	9/9/22	8,386	52,496	1/9/23	55,473
	8/9/21	1,164	7,496	1/9/23	7,700
V Rodriguez	9/9/22	13,977	87,496	1/9/23	92,458
	8/9/21	6,987	44,996	1/9/23	46,219

1. The vested value is based on the VWAP in the five days prior to the vesting date.

9.4.3 Hurdled Performance Share Rights

HPSRs awarded to KMP in 2018 did not vest during the year ended 30 June 2024 as the absolute TSR performance hurdle was not achieved. It is anticipated that HPSRs granted in 2019 will lapse and all HPSRs granted in 2020 will vest in September 2024 as indicated in section 2.3 Long-term incentive vesting outcomes.

	Grant details			Vesting details				
KMP	Grant date	Number	Fair value at grant[1] $	Vesting date	Compound annual TSR outcome	Number vested	Number forfeited[2]	Number yet to vest or lapse
Current KMP								
N Hamilton	11/9/18	40,390	174,999	1/9/23	(7.66)%	—	(40,390)	—
	9/9/19	112,903	349,999	1/9/24	3.20 %	—	—	112,903
	11/11/19	90,618	400,532	1/9/24	3.20 %	—	—	90,618
A Kapel	11/9/18	8,078	34,999	1/9/23	(7.66)%	—	(8,078)	—
	9/9/19	48,387	150,000	1/9/24	3.20 %	—	—	48,387
V Rodriguez	11/9/18	56,546	244,998	1/9/23	(7.66)%	—	(56,546)	—
	9/9/19	104,838	324,998	1/9/24	3.20 %	—	—	104,838

1. The fair value is independently calculated and has been determined by the Board as the best estimate of the awarded financial value at the grant date.
2. HPSRs awarded in 2018 lapsed during the year as a result of the higher hurdle test applied in year 5 not being met.

9.5 Shares and Share Rights held

Details of KMP DPSRs, Restricted Shares and HPSRs held as at 30 June 2024 are set out below:

KMP	Instrument	Number held at 1 July 2023[1]	Number granted as remuneration	Number forfeited	Number vested	Number held at 30 June 2024
Current KMP						
N Hamilton	DPSRs	51,094	—	—	(27,431)	23,663
	RS	142,446	117,211	—	(48,212)	211,445
	HPSRs	1,202,394	376,752	(40,390)	—	1,538,756
A Bell	DPSRs	1,130	—	—	(1,130)	—
	RS	28,050	33,878	—	(28,050)	33,878
	HPSRs	194,530	146,028	—	—	340,558
A Kapel	DPSRs	6,586	—	—	(3,971)	2,615
	RS	30,670	62,305	—	(9,550)	83,425
	HPSRs	410,819	186,915	(8,078)	—	589,656
V Rodriguez	DPSRs	18,974	—	—	(12,125)	6,849
	RS	44,257	52,570	—	(20,964)	75,863
	HPSRs	671,436	186,915	(56,546)	—	801,805

1. Opening balances include awards granted to the individual prior to becoming a KMP.

9. Key Management Personnel remuneration arrangements continued

9.6 Key Management Personnel and their affiliates' shareholdings in Challenger Limited

Details of KMP and their affiliates' shareholdings in Challenger Limited as at 30 June 2024 are detailed below, along with the number of unvested DPSRs and Restricted Shares. The CEO and other KMP are required to have a minimum shareholding equal to two times and one times their fixed remuneration respectively. From the date of appointment, KMP have a five-year transition period to reach the minimum shareholding.

							Shareholding as a multiple of fixed remuneration[1]	
KMP[2]	Year	Opening balance	Number of vested Share Rights	Number of shares (sold)/ acquired	Closing balance of shares	Number of unvested DPSRs & RS	Fully owned shares	Shares, RS and DPSRs
Current KMP								
N Hamilton[3]	**2024**	**93,673**	**75,643**	**—**	**169,316**	**235,108**	**1.1**	**2.6**
	2023	36,150	57,523	—	93,673	193,540	0.6	1.7
A Bell[3]	**2024**	**29,180**	**29,180**	**—**	**58,360**	**33,878**	**0.5**	**0.9**
	2023	—	29,180	—	29,180	29,180	0.4	0.9
A Kapel[3]	**2024**	**8,443**	**13,521**	**8,557**	**30,521**	**86,040**	**0.4**	**1.4**
	2023	2,000	6,443	—	8,443	37,256	0.1	1.0
V Rodriguez[3]	**2024**	**68,411**	**33,089**	**—**	**101,500**	**82,712**	**1.2**	**2.2**
	2023	45,874	22,537	—	68,411	63,231	0.8	2.0
Total	**2024**	**199,707**	**151,433**	**8,557**	**359,697**	**437,738**		
	2023	84,024	115,683	—	199,707	323,207		

1. Shareholding multiple based on 30 June 2024 closing share price of $7.01 (30 June 2023: $6.48).
2. Where an individual held a KMP role for part of either the current or prior reporting period, disclosure is pro rata for the period in which they were KMP. Refer to Section 'Key Management Personnel' for further details.
3. Mr Hamilton (KMP from 23 September 2019 and CEO from 1 January 2022), Ms Bell (KMP from 1 December 2022), Mr Kapel (KMP from 1 June 2022) and Mr Rodriguez (KMP from 1 August 2022) are within their transition period.

Remuneration report continued

9. Key Management Personnel remuneration arrangements continued

9.7 Nicolas Hamilton – Managing Director & CEO

All equity awards for the Managing Director & CEO are satisfied by the purchase of shares on market. The following table summarises the notice periods and payments which apply to Mr Hamilton upon termination.

	Notice period	Payment in lieu of notice	Eligibility for STI	Treatment of unvested shares and share rights[4]
Bad leaver termination[1]	Employee initiated: 12 months Employer initiated (Poor performance): 12 months	The Board may elect to make a payment of salary package in lieu of notice	No	Lapse
	Employer initiated (Misconduct): None	None		
Good leaver termination[2]	Employee initiated: 12 months Employee initiated (Material change[3]): 3 months Employer initiated: 12 months	The Board may elect to make a payment of salary package in lieu of notice	Eligible for a pro-rata STI payable at the usual payment date	Deferred STIs remain 'on foot'. LTIs remain 'on foot' pro-rata based on proportion of vesting period served.

1. Includes where employment is terminated by Challenger for poor performance, misconduct or resignation without the prior approval of the Board.
2. Any circumstances that do not constitute a bad leaver termination.
3. Material change means where there is a substantial diminution of Mr Hamilton's duties, status, responsibilities and/or authority arising without his agreement. In the case of a material change, Mr Hamilton is entitled to receive a payment equal to nine months fixed remuneration in addition to any payment in lieu in respect of the applicable three-month notice period.
4. Awards which do not lapse remain subject to the specified time-based vesting conditions and/or performance hurdles and to the rules of the CPP.

9.8 Key Management Personnel (excluding Managing Director & CEO) employment agreements and notice periods

KMP do not have fixed terms of employment. The notice period for Challenger and the KMP is 26 weeks unless terminated for cause.

Upon termination, if the KMP is considered a bad leaver, all unvested awards will be forfeited. In all other circumstances, the KMP is considered a good leaver and entitled to a pro-rata STI award and any awards issued under CPP from 1 July 2019 onwards are subject to specific good leaver conditions specified at the time of grant. Board discretion applies in relation to unvested awards issued under the CPP prior to 30 June 2019.

9.9 Loans and other transactions

There were no loans made to Directors or key executives as at 30 June 2024 (30 June 2023: nil). From time to time, Directors of the Company or their Director-related entities may purchase products from the Company. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

10. Non-Executive Director disclosures

10.1 Fee pool

The maximum aggregate amount of annual fees is approved by shareholders in accordance with the requirements of the Corporations Act 2001.

The current fee pool of $2,500,000 was approved by shareholders in 2016. There were no changes to the pool in 2024.

10.2 Fee framework and review

Challenger aims to attract and retain suitably skilled and experienced Non-Executive Directors to serve on the Board and to reward them appropriately for their time and expertise.

Independent Non-Executive Directors are remunerated by way of fees paid in recognition of membership of the Board and its committees.

Additional fees are paid to the Chair of the Board and committee chairs and members to reflect added responsibilities.

Non-Executive Directors do not receive equity as part of their remuneration and do not participate in any incentive arrangements.

Fees are benchmarked annually to align with the market and to attract, retain and appropriately reward quality independent directors.

On recommendation from the Group People and Remuneration Committee, the Board approves the fee structure within the bounds of the overall maximum fee pool.

The following table summarises the Chair and member fees applicable to the Board for the year ended 30 June 2024. There were no changes in chair or member fees in 2024. All amounts are inclusive of superannuation, where applicable.

	2024 fee structure		2023 fee structure	
Board/Committee	Chair fee $	Member fee $	Chair fee $	Member fee $
Board[1,2]	450,000	179,000	450,000	179,000
Group Risk Committee	47,000	23,500	47,000	23,500
Group Audit Committee	47,000	23,500	47,000	23,500
Group People and Remuneration Committee	47,000	23,500	47,000	23,500
Bank Board[3]	50,000	25,000	50,000	25,000

1. Board Chair fees are inclusive of all services provided at the committee and subsidiary board level.
2. Board member fees are inclusive of Nomination Committee fees and fees for services provided at the subsidiary board level (except in respect of the Bank Board).
3. The Bank Board fee includes membership of any Bank Board committees. No Bank fees were paid from 1 May 2024 following the resignation of the Bank directors on completion of the sale.

Remuneration report continued

10. Non-Executive Director disclosures continued

10.3 Non-Executive Director fees for the year ended 30 June 2024

The following table summarises Non-Executive Director fees for the year ended 30 June 2024.

Non-Executive Director	Year	Director fees $	Superannuation[3] $	Total $
D West[1]	**2024**	**450,000**	**—**	**450,000**
	2023	383,167	—	383,167
L Gray	**2024**	**139,207**	**8,823**	**148,030**
	2023	—	—	—
J M Green	**2024**	**264,002**	**27,164**	**291,166**
	2023	274,208	25,292	299,500
M Kobayashi[2]	**2024**	**—**	**—**	**—**
	2023	—	—	—
M Michelini[2]	**2024**	**—**	**—**	**—**
	2023	—	—	—
H Smith	**2024**	**249,265**	**27,252**	**276,517**
	2023	241,928	25,292	267,220
J Stephenson	**2024**	**278,935**	**27,399**	**306,334**
	2023	287,708	25,292	313,000
M Willis	**2024**	**261,344**	**27,399**	**288,743**
	2023	264,208	25,292	289,500
Former Non-Executive Director				
S Gregg[4]	**2024**	**78,172**	**8,599**	**86,771**
	2023	244,208	25,292	269,500
Total	**2024**	**1,720,925**	**126,636**	**1,847,561**
	2023	1,695,427	126,460	1,821,887

1. Mr West was appointed as Chair on 27 October 2022. He provides a service through a company; fees exclude GST.
2. Mr Kobayashi and Mr Michelini as shareholder representatives respectively, do not receive fees. Similarly alternate Director to Mr Kobayashi, Mr Iioka, does not receive fees.
3. Non-Executive Directors receive superannuation contributions where required by Superannuation Guarantee legislation.
4. Mr Gregg retired as an Independent Non-Executive Director with effect from the close of the 2023 Annual General Meeting on 26 October 2023.

10. Non-Executive Director disclosures continued

10.4 Non-Executive Director shareholdings in Challenger Limited at 30 June 2024

Details of the Non-Executive Directors' and their affiliates' shareholdings in Challenger Limited are set out below:

Non-Executive Director	Year	Opening balance	Movements	Closing balance
D West[1]	**2024**	**41,901**	**17,500**	**59,401**
	2023	25,901	16,000	41,901
L Gray[1]	**2024**	**—**	**—**	**—**
	2023	—	—	—
J M Green	**2024**	**22,784**	**—**	**22,784**
	2023	22,784	—	22,784
M Kobayashi[2]	**2024**	**—**	**—**	**—**
	2023	—	—	—
M Michelini[2]	**2024**	**—**	**—**	**—**
	2023	—	—	—
H Smith[1,3]	**2024**	**28,705**	**—**	**28,705**
	2023	28,705	—	28,705
J Stephenson	**2024**	**26,629**	**—**	**26,629**
	2023	26,629	—	26,629
M Willis	**2024**	**156,836**	**—**	**156,836**
	2023	156,836	—	156,836
Former Non-Executive Director				
S Gregg[4]	**2024**	**14,000**	**—**	**14,000**
	2023	14,000	—	14,000
Total	**2024**	**290,855**	**17,500**	**308,355**
	2023	274,855	16,000	290,855

1. Mr West, Ms Gray and Ms Smith are within the five-year transitional period in which to acquire the required shareholding as outlined in 7.3 Minimum shareholding guidelines.
2. Mr Kobayashi and Mr Michelini are exempt from the minimum shareholding requirements. Alternate director to Mr Kobayashi, Mr Iioka, is also exempt.
3. Ms Smith's shareholding for 2023 was previously reported as 18,705. This has been amended to reflect her actual balance at that time.
4. Mr Gregg shareholdings reflects shares held as at 26 October 2023.

Remuneration report continued

11. Summary of key terms and abbreviations used in the Remuneration Report

Key term	Description
Awarded remuneration	Represents the value of remuneration that has been awarded for the financial year. This includes fixed remuneration, STI (cash and deferred) and LTI (face value).
Board	The Board of Directors of Challenger Limited is the main body responsible for the implementation of effective remuneration governance and related risk management practices at Challenger.
CPP	Challenger Performance Plan. Deferred equity awards are issued under the CPP.
CPP Trust	Challenger Performance Plan Trust. The CPP Trust was established in 2007 for the purpose of acquiring, holding and transferring shares to employees upon the vesting of their equity awards.
DPSR	Deferred Performance Share Right. Prior to 1 July 2021, deferred STI awards were delivered as DPSRs under the CPP. DPSRs represent the right to receive a fully paid ordinary Challenger share for zero consideration subject to continued employment at the time of vesting. DPSRs do not provide an entitlement to vote or a right to dividends. The Board has discretion to amend or withdraw DPSRs at any point.
Face value	The number of DPSRs, Restricted Shares and/or HPSRs granted to KMP is determined based on the face value of the shares using a five-day volume weighted average price (VWAP) prior to the grant date.
Fair value	The fair value for HPSRs is calculated on the basis outlined in Note 30 Employee entitlements. An independent third party determines the fair value using an option pricing model and discounted cash flow methodology, as appropriate.
HPSR	Hurdled Performance Share Right. LTI awards are delivered as HPSRs under the CPP. HPSRs represent the right to receive a fully-paid ordinary Challenger share for zero consideration subject to satisfying an employment condition and Challenger satisfying the absolute TSR performance hurdle. HPSRs do not provide an entitlement to vote or a right to dividends. The Board has discretion to amend or withdraw HPSRs at any point.
KMP	Key Management Personnel. Persons having authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any Director (whether executive or otherwise) as defined in AASB 124 Related Party Disclosures.
LTI	Long-term incentive. LTIs are awarded annually to KMP to support a continued focus on long-term performance outcomes. Executives will only realise value from LTIs if total shareholder returns exceed the hurdles set, ensuring a direct link between executive reward and shareholder outcomes.
Normalised NPAT	Normalised net profit after tax. Excludes asset or liability valuation movements that are above or below expected long-term trends and significant items that may positively or negatively impact financial results. Refer to the Operating and financial review section for further information.
Normalised ROE (pre-tax)	Normalised return on equity (pre-tax). Normalised profit before tax divided by average net assets.
Normalised NPBVRT	Normalised net profit before variable reward and tax. Excludes any asset or liability valuation movements that are above or below expected long-term trends and any significant items that may positively or negatively impact the financial results, and excludes STI expense, employee share award expense and tax.
Group Performance and Remuneration Committee	The Board convenes a Group People and Remuneration Committee comprising Independent Non-Executive Directors and which is a delegated committee of the Board to assist the Board in discharging its responsibilities.
Restricted Share	Deferred STI awards are delivered as Restricted Shares under the CPP. A Restricted Share is a beneficial interest in a fully-paid ordinary Challenger share acquired for zero consideration. Restricted Shares are subject to disposal restrictions and vest subject to satisfaction of an employment condition. Restricted Shares provide an entitlement to vote and a right to dividends.
Statutory remuneration	Represents the accounting expense of remuneration for the financial year. This includes fixed remuneration, cash STI awards, the fair value amortisation expense of share-based awards granted up to Statement of financial position date, long service leave entitlements and insurance.
STI	Short-term incentive. STIs are used to reward KMP and employees for significant contributions to Challenger's results over the course of the financial year. Individual STI awards are allocated on the basis of annual contribution and with reference to STI targets and market benchmarks. The Board has discretion to amend or withdraw the STI at any point. STIs may be awarded in the form of cash and/or equity.
TSR	Total shareholder return. TSR represents the change in share price plus dividends received over a given timeframe. Challenger uses absolute TSR as the measure of performance for HPSRs.
Variable remuneration	Consists of cash STI and share-based awards. Share-based awards comprise Restricted Shares (DPSRs prior to 1 July 2021) and HPSRs.
VWAP	Volume weighted average price. Ratio of the value of shares traded to total volume traded over a time horizon. A five-day VWAP is used to calculate the number of Restricted Shares (DPSRs prior to 1 July 2021) per dollar of deferred STIs. A five-day VWAP is used to calculate the number of HPSRs per dollar of LTIs. A 90-day VWAP is also used for absolute TSR performance testing (start and end price) for HPSR awards.

Indemnification and insurance of Directors and officers

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers against all liabilities to another person that may arise from their position as Directors or officers of the Company and its subsidiaries, except where the liability arises out of conduct that is fraudulent, dishonest, criminal, malicious or a reckless act, error or omission.

In accordance with the provisions of the Corporations Act 2001, the Company has insured the Directors and officers against liabilities incurred in their role as Directors and officers of the Company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and therefore the Company is prohibited from disclosing the nature of the liabilities covered and the premium paid.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement. The primary purpose of the indemnity is to indemnify Ernst & Young for any loss that it may suffer as a result of a false representation given by Challenger management where a claim is made against Ernst & Young by a third party.

There is a caveat if Ernst & Young's loss results from its own negligence or wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

Environmental regulation and performance

Some members of the Group act as a trustee or responsible entity for a number of trusts that own assets both in Australia and overseas. Some of these assets are subject to environmental regulations under Commonwealth, state and offshore legislation. The Directors are satisfied that adequate systems are in place for the management of the Group's environmental responsibilities and compliance with various legislative, regulatory and licence requirements. Further, the Directors are not aware of any breaches of these requirements, and to the best of their knowledge all activities have been undertaken in compliance with environmental requirements.

Significant events after the balance date

At the date of this financial report, no matter or circumstance has arisen that has, or may, significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years which has not already been reflected in this report.

Rounding

The amounts contained in this report and the financial report have been rounded to the nearest $100,000, unless otherwise stated, under the option available to the Group under Australian Securities and Investments Commission (ASIC) Corporations Instrument 2016/191.

Non-audit services

The Group Audit Committee has reviewed details of the amounts paid or payable for non-audit services provided to Challenger during the year ended 30 June 2024 by the Company's auditor, Ernst & Young.

The Directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the ***Corporations Act 2001*** and did not compromise the auditor independence requirements of the ***Corporations Act 2001*** for the following reasons:

- all non-audit services were approved in accordance with the Auditor Independence Policy, which outlines the approval process that must occur for all non-audit services and which involves the Challenger CEO, CFO or delegate, depending on size and circumstances; and
- no non-audit services were carried out that were specifically excluded by the Auditor Independence Policy.

For details of fees for non-audit services paid to the auditors, refer to Note 31 Remuneration of auditor in the financial report.

Authorisation

Signed in accordance with a resolution of the Directors of Challenger Limited:

D West
Independent Chair

12 August 2024

N Hamilton
Managing Director and Chief Executive Officer

12 August 2024

Auditor's independence declaration

The Directors received the following declaration from the auditor of Challenger Limited:

EY
Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Challenger Limited

As lead auditor for the audit of the financial report of Challenger Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Challenger Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
12 August 2024

6.1 **Financial report**

This financial report covers Challenger Limited (the Company) and its controlled entities (the Group or Challenger).

Financial report continued

Statement of comprehensive income

For the year ended 30 June	Note	2024 $m	2023[1] $m
Insurance revenue		635.8	522.7
Insurance service expenses		(606.1)	(456.3)
Insurance service result		**29.7**	**66.4**
Net investment income attributable to insurance contracts		430.7	301.8
Net insurance finance expenses		(354.3)	(308.3)
Net insurance result	1	**106.1**	**59.9**
Other revenue	2	1,859.2	1,659.2
Other expenses	3	(1,040.6)	(952.9)
Finance costs	16	(766.7)	(549.3)
Share of profits of associates and joint ventures	25	31.5	25.3
Profit before income tax		**189.5**	**242.2**
Income tax expense	5	(55.2)	(62.8)
Profit for the year after income tax from continuing operations		**134.3**	**179.4**
Loss for the year after income tax from discontinued operations		(4.6)	(8.0)
Total profit for the year after income tax		**129.7**	**171.4**
Profit attributable to shareholders of Challenger Limited		129.9	171.4
Loss attributable to non-controlling interests		(0.2)	—
Total profit for the year after income tax[1]		**129.7**	**171.4**
Other comprehensive income			
Items that may be reclassified to profit and loss, net of tax			
Translation of foreign entities	15	(30.0)	(6.3)
Hedge of net investment in foreign entities	15	28.6	(4.2)
Net (loss) / gain on cash flow hedges	15	(0.2)	0.2
Other comprehensive loss for the year		(1.6)	(10.3)
Total comprehensive income for the year after tax[1]		**128.1**	**161.1**
Earnings per share attributable to ordinary shareholders of Challenger Limited[1]			
Basic	18	19.0	25.0
Diluted	18	18.5	24.6

1. The Group adopted AASB 17 ***Insurance Contracts*** from 1 July 2023 and has restated the prior year. The impacts of adoption are detailed in Note 1.

The Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June	Note	2024 $m	2023[1] $m	1 July 2022[1] $m
Assets				
Cash and cash equivalents		573.2	593.4	733.1
Receivables		890.0	697.1	647.5
Current tax assets	5	1.9	6.1	—
Derivative assets	11	583.1	601.1	577.2
Investment assets	6	27,185.4	24,317.3	22,805.9
Bank assets held for sale	24	—	206.7	—
Investment property	7	2,789.4	3,269.2	3,483.3
Investment property - held for sale	7	136.9	—	—
Loan assets	8	305.1	374.9	551.7
Finance leases		—	24.9	19.7
Property, plant and equipment		19.4	23.5	24.8
Investment in associates	25	86.6	81.9	74.9
Other assets		49.4	43.9	53.8
Right-of-use lease assets	28	19.9	24.3	29.0
Deferred tax assets	5	181.9	195.1	196.0
Goodwill	27	579.9	579.9	579.9
Other intangible assets	27	4.8	7.5	7.3
Total assets of shareholders of Challenger Limited and non-controlling interests		**33,406.9**	**31,046.8**	**29,784.1**
Liabilities				
Payables		1,153.8	854.7	726.0
Current tax liability	5	7.4	—	66.5
Derivative liabilities	11	566.8	611.3	839.6
Bank liabilities held for sale		—	182.0	—
Deposits from customers		—	—	227.7
Interest bearing financial liabilities	14	7,078.8	5,836.6	5,783.0
External unit holders' liabilities	10	5,356.3	5,268.8	4,386.4
Provisions		28.6	28.2	44.3
Lease liabilities	28	46.8	54.7	62.5
Deferred tax liabilities	5	4.7	7.4	5.3
Life investment contract liabilities	9	9,893.7	9,855.5	9,650.7
Life insurance contract liabilities	9	5,384.8	4,436.8	4,141.2
Total liabilities of shareholders of Challenger Limited and non-controlling interests		**29,521.7**	**27,135.9**	**25,933.2**
Net assets of shareholders of Challenger Limited and non-controlling interests		**3,885.2**	**3,910.9**	**3,850.9**
Equity				
Contributed equity	13	2,512.4	2,513.1	2,481.5
Reserves	15	(18.4)	(35.8)	(49.3)
Retained earnings	15	1,387.4	1,429.6	1,418.7
Total equity of shareholders of Challenger Limited		**3,881.4**	**3,906.9**	**3,850.9**
Non-controlling interest		3.8	4.0	—
Total equity of shareholders of Challenger Limited and non-controlling interests		**3,885.2**	**3,910.9**	**3,850.9**

1. The Group adopted AASB 17 *Insurance Contracts* from 1 July 2023 and has restated the prior comparative periods. The impacts of adoption are detailed in Note 1.

The Statement of financial position should be read in conjunction with the accompanying notes.

Financial report continued

Statement of changes in equity

For the year ended 30 June 2023	Note	Attributable to shareholders of Challenger Limited: Contributed equity $m	Share-based payment reserve $m	Cash flow hedge reserve $m	Foreign currency translation reserve $m	Controlling interest reserve $m	Retained earnings $m	Total shareholder equity $m	Non-controlling interests $m	Total equity $m
Balance at 1 July 2022		**2,481.5**	**(51.8)**	**—**	**(3.2)**	**5.7**	**1,556.3**	**3,988.5**	**—**	**3,988.5**
Impact of initial application of AASB 17		—	—	—	—	—	(137.6)	(137.6)	—	(137.6)
Restated balance at 1 July 2022		**2,481.5**	**(51.8)**	**—**	**(3.2)**	**5.7**	**1,418.7**	**3,850.9**	**—**	**3,850.9**
Profit for the year from continuing operations		—	—	—	—	—	179.4	179.4	—	179.4
Loss for the year from discontinued operations		—	—	—	—	—	(8.0)	(8.0)	—	(8.0)
Other comprehensive income		—	—	0.2	(10.5)	—	—	(10.3)	—	(10.3)
Restated total comprehensive income / (loss) for the year		**—**	**—**	**0.2**	**(10.5)**	**—**	**171.4**	**161.1**	**—**	**161.1**
Other equity movements										
Ordinary shares issued		38.0	—	—	—	—	—	38.0	—	38.0
Treasury shares purchased		(30.4)	—	—	—	—	—	(30.4)	—	(30.4)
Treasury shares vested		9.6	—	—	—	—	—	9.6	—	9.6
Settled deferred Treasury shares		14.4	—	—	—	—	—	14.4	—	14.4
Share-based payment expense net of tax less releases		—	12.8	—	—	—	—	12.8	—	12.8
Dividends paid		—	—	—	—	—	(160.5)	(160.5)	—	(160.5)
Other movements		—	—	—	—	11.0	—	11.0	4.0	15.0
Restated balance at 30 June 2023 and 1 July 2023		**2,513.1**	**(39.0)**	**0.2**	**(13.7)**	**16.7**	**1,429.6**	**3,906.9**	**4.0**	**3,910.9**
For the year ended 30 June 2024										
Profit / (loss) for the year from continuing operations		—	—	—	—	—	134.5	134.5	(0.2)	134.3
Loss for the year from discontinued operations		—	—	—	—	—	(4.6)	(4.6)	—	(4.6)
Other comprehensive income		—	—	(0.2)	(1.4)	—	—	(1.6)	—	(1.6)
Total comprehensive income for the year		**—**	**—**	**(0.2)**	**(1.4)**	**—**	**129.9**	**128.3**	**(0.2)**	**128.1**
Other equity movements										
Ordinary shares issued	13	22.7	—	—	—	—	—	22.7	—	22.7
Treasury shares purchased	13	(11.7)	—	—	—	—	—	(11.7)	—	(11.7)
Treasury shares vested	13	10.8	—	—	—	—	—	10.8	—	10.8
Deferred Treasury share purchases	13	(22.5)	—	—	—	—	—	(22.5)	—	(22.5)
Share-based payment expense net of tax less releases		—	12.6	—	—	—	—	12.6	—	12.6
Dividends paid	17	—	—	—	—	—	(172.1)	(172.1)	—	(172.1)
Other movements		—	—	—	—	6.4	—	6.4	—	6.4
Balance at 30 June 2024		**2,512.4**	**(26.4)**	**—**	**(15.1)**	**23.1**	**1,387.4**	**3,881.4**	**3.8**	**3,885.2**

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June	Note	2024 $m	2023[1] $m
Operating activities			
Receipts from customers		577.5	707.6
Annuity and premium receipts	9	5,629.1	5,864.7
Annuity and claim payments	9	(5,334.5)	(5,848.1)
Receipts from external unit holders		3,949.2	4,229.3
Payments to external unit holders		(4,317.0)	(3,687.4)
Payments to vendors and employees		(679.5)	(651.0)
Dividends received		117.9	66.9
Interest received		1,218.3	894.3
Interest paid		(295.7)	(180.1)
Income tax paid	5	(21.6)	(122.6)
Net cash inflows from operating activities	12	**843.7**	**1,273.6**
Investing activities			
Payments for net purchases of investments		(2,127.7)	(1,492.1)
Proceeds from sale of controlled entity	24	114.4	—
Proceeds from sale of associate		0.5	—
Mortgage loan repayments		74.4	163.7
Payments for purchases of property, plant and equipment and other intangibles		(1.9)	(7.9)
Payments for purchase of associate interest	25	(4.0)	(1.2)
Net cash outflows from investing activities		**(1,944.3)**	**(1,337.5)**
Financing activities			
Net proceeds from borrowings – interest bearing financial liabilities	14	1,254.2	215.9
Payments for lease liabilities		(9.8)	(7.8)
Payments for Treasury shares		(14.6)	(19.0)
Dividends paid		(149.4)	(122.5)
Proceeds from issue of ordinary shares in subsidiaries		—	15.0
Proceeds from the issue of Challenger Capital Notes 4	14	—	350.0
Costs associated with the issue of Challenger Capital Notes 4	14	—	(6.6)
Repayment of Challenger Capital Notes 2	14	—	(460.0)
Net cash inflows / (outflows) from financing activities		**1,080.4**	**(35.0)**
Net decrease in cash and cash equivalents from continuing operations		**(20.2)**	**(98.9)**
Cash and cash equivalents at the beginning of the year[1]		651.5	733.1
Cash and cash equivalents prior to transfers		**631.3**	**634.2**
Net increase in cash and cash equivalents from discontinued operation	24	207.7	17.3
Cash and cash equivalents transferred on disposal of bank[2]	24	(265.8)	(58.1)
Cash and cash equivalents at the end of the year		**573.2**	**593.4**

1. Cash and cash equivalents at the beginning of the year includes the opening balance of cash previously included within assets held for sale ($58.1 million). The bank was subsequently sold during the current year. Refer to Note 24 Discontinued operation for further information.
2. Prior year balance was transferred to assets held for sale.

The Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Section 1: Basis of preparation and overarching material accounting policies

Challenger Limited (the Company or the parent entity) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial report for Challenger Limited and its controlled entities (the Group or Challenger) for the year ended 30 June 2024 was authorised for issue in accordance with a resolution of the Directors of the Company on 12 August 2024.

(i) Basis of preparation and statement of compliance

This is a general purpose financial report that has been prepared in accordance, and complies, with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Challenger Limited is a for-profit entity for the purposes of preparing financial statements.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Where necessary, comparative information has been restated to conform to presentation as required in the current period. Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item 'loss for the year after income tax from discontinued operations' in the Statement of comprehensive income. Assets and liabilities of discontinued operations have been presented separately as held for sale on the Statement of financial position.

Unless otherwise stated, amounts in this financial report are presented in Australian dollars and have been prepared on an historical cost basis. The assets and liabilities disclosed in the Statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity. In the disclosure, the current/non-current split is between items expected to be settled within 12 months (current) and those expected to be settled in greater than 12 months (non-current).

(ii) Significant accounting judgements, estimates and assumptions

The carrying values of amounts recognised on the Statement of financial position are often based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the recognised amounts within the next annual reporting period are disclosed individually within each of the relevant notes to the financial statements.

(iii) New and revised accounting standards and policies

The accounting policies and methods of computation are the same as those adopted in the annual report for the prior comparative period, unless otherwise stated.

New accounting standards and amendments that are effective in the current financial year

The following new accounting standards have been applied from 1 July 2023:

AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts* replaces AASB 4 *Insurance Contracts*, AASB 1038 *Life Insurance Contracts* and AASB 1023 *General Insurance Contracts*. The standard establishes principles for the recognition, measurement, presentation and disclosure of life insurance contracts issued. Life investment contracts are currently measured under AASB 9 *Financial Instruments* and will continue to be measured in the same way.

The Group has applied AASB 17 from 1 July 2023 and the 1 July 2022 and 30 June 2023 comparative figures as presented have been restated.

AASB 17 was adopted in accordance with its transition provisions, which stipulates that, unless it is impractical to do so, retrospective application and restatement of comparative information as if the standard had always been in effect is required. Where it is impractical, the standard allows the choice of applying either a modified retrospective approach or a fair value approach for each group of insurance contracts.

Based on valuations as at transition date, the Group applied the full retrospective approach to over 99% of the total insurance contracts liabilities. For the remaining groups of contracts where it was impractical to apply the full retrospective approach, the Group elected to apply the fair value approach. These were retail groups of insurance contracts written prior to 2003 with limited data availability. The total valuation under the fair value approach at transition was $35.2 million (<1% of total insurance liabilities).

(iii) New and revised accounting standards and policies continued

New accounting standards and amendments that are effective in the current financial year continued

Impacts of adoption of AASB 17 and reclassifications

Restated assets, liabilities and equity items in the consolidated statements of financial position are as follows:

	30 Jun 22 (previously reported) $m	AASB 17 remeasurement $m	1 Jul 22 Restated $m
Assets			
Deferred tax asset[1]	137.1	58.9	196.0
Total assets	**137.1**	**58.9**	**196.0**
Liabilities			
Life insurance contract liabilities	3,944.7	196.5	4,141.2
Life investment contract liabilities	9,650.7	—	9,650.7
Total life contract liabilities	**13,595.4**	**196.5**	**13,791.9**
Equity			
Retained earnings	1,556.1	(137.6)	1,418.5
Total equity	**1,556.1**	**(137.6)**	**1,418.5**
	30 Jun 23 (previously reported) $m	**AASB 17 remeasurement $m**	**30 Jun 23 Restated $m**
Assets			
Deferred tax asset[1]	86.3	108.8	195.1
Total assets	**86.3**	**108.8**	**195.1**
Liabilities			
Life insurance contract liabilities	4,074.5	362.3	4,436.8
Life investment contract liabilities	9,855.5	—	9,855.5
Total life contract liabilities	**13,930.0**	**362.3**	**14,292.3**
Equity			
Retained earnings	1,683.1	(253.5)	1,429.6
Total equity	**1,683.1**	**(253.5)**	**1,429.6**

1. Upon adoption of AASB 17, the Group recognised a deferred tax asset representing the tax deduction from the remeasurement of life contract liabilities.

The drivers of remeasurements in the restated opening statements of financial position include the following:

	30 Jun 2023 $m	30 Jun 2022 $m
Derecognition of present value of future profit margins under AASB 1038	(679.2)	(797.9)
Contractual service margin	963.4	869.3
Risk adjustment for non-financial risk	133.9	183.3
Difference in valuation of future cash flows	(55.8)	(58.2)
Total change in life contract liabilities	**362.3**	**196.5**

Notes to the financial statements continued

(iii) New and revised accounting standards and policies continued

Amendments to existing accounting standards

The following new accounting amendments have been applied from 1 July 2023:

– AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*

The amendments to AASB 112 ***Income Taxes*** have been introduced in response to the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two rules. They include a mandatory exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for the annual period commencing 1 July 2023, but not before any interim periods ending on or before 31 December 2023.

Accounting standards and interpretations issued but not yet effective

The AASB released an Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* on 23 October 2023.

The proposed sustainability standards have been issued for exposure and comment while proposed legislation has been tabled in Parliament under the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth).

ED SR1 includes three draft Australian Sustainability Reporting Standards (ASRSs):

– ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information*;

– ASRS 2 *Climate-related Financial Disclosures*; and

– ASRS 101 *References in Australian Sustainability Reporting Standards*.

ASRS 1 uses the equivalent IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* issued by the International Sustainability Standards Board (ISSB) as a baseline, but its scope is limited to climate-related financial disclosure. ASRS 2 uses the equivalent IFRS S2 *Climate-related Disclosures* as a baseline. ASRS 101 is a service standard that lists the relevant versions of any non-legislative versions of non-legislative documents published in Australia, as well as any foreign documents referenced in ASRSs. This will be updated periodically.

The effective date of these ASRSs depends on the Australian Government's final timeline for making climate-related financial disclosures mandatory in Australia. If the Government's proposed roadmap is legislated, the effective date for the Group, as a Group 1 entity, is the year beginning 1 July 2025.

Meeting the obligations of the standards and broader proposed climate-related financial disclosures regime forms a core part of the Group's ESG work program which focuses on climate risk.

(iv) Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

(v) Rounding of amounts

Unless otherwise stated, amounts contained in this report and the financial report have been rounded to the nearest $100,000 under the option available to the Group under ASIC Corporations Instrument 2016/191.

(vi) Foreign currency

Both the presentation currency and the functional currency of the Company and its controlled Australian entities are Australian dollars. A number of foreign controlled entities have a functional currency other than Australian dollars.

Transactions in foreign currency are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate at the Statement of financial position date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction.

Non-monetary items measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was determined.

Foreign controlled entities

On consolidation, the assets and liabilities of foreign subsidiaries whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange at the Statement of financial position date. Exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve in equity.

The change in fair value of derivative financial instruments designated as a hedge of the net investment in a foreign controlled entity is also recognised in the foreign currency translation reserve.

On disposal of a foreign controlled entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of comprehensive income.

(vii) Property, plant and equipment

Items of property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to realise the net cost of each class of these assets over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of property, plant and equipment is three to five years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Impairment losses are recognised in the Statement of comprehensive income.

Any impairment losses recognised in prior periods are reversed through the Statement of comprehensive income if there has been observable indications that the asset's value has increased significantly during the period as a result of favourable changes in the technological, market, economic or legal environment that determined the asset's recoverable amount since the last impairment loss was recognised.

The increased carrying amount of an asset attributable to a reversal of an impairment loss would not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(viii) Other assets

Other assets are mainly comprised of prepayments and rental bond deposits. Prepayments are recognised in the Statement of financial position at the value of the prepayment. These are amortised in the Statement of comprehensive income when the related expense is incurred, generally within the subsequent 12 months.

(ix) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the Statement of financial position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs

(x) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the applicable amount of GST, except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated with the applicable amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross (GST-inclusive) basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(xi) Receivables

Receivables are recognised at amortised cost using the effective interest method, less any allowance for expected credit losses. The entity has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue. The modelling methodology applied in estimating expected credit losses in these financial statements is consistent with that applied in the financial statements for the year ended 30 June 2023.

(xii) Payables

Payables represent unsecured non-derivative, non-interest bearing financial liabilities in respect of goods and services provided to the Group prior to the end of the financial year. They include accruals, trade and other creditors and are recognised at amortised cost, which approximates fair value.

Notes to the financial statements continued

Section 2: Key numbers

This section presents the results and performance of the Group for the year and provides additional information about those line items on the Statement of comprehensive income that the Directors consider most relevant in the context of understanding the financial components of the Group's operations.

Note 1 Net insurance result

	30 Jun 2024 $m	30 Jun 2023 $m
Insurance revenue		
Expected insurance claims released	538.7	435.7
Expected insurance maintenance expenses released	20.3	19.6
Change in the risk adjustment for non-financial risk	3.1	5.4
Amount of contractual service margin recognised in profit or loss	87.8	62.1
Allocation of premiums for the recovery of insurance acquisition cash flows	3.5	3.2
Difference between expected and actual premiums	(17.4)	(7.5)
Other amounts	(0.2)	4.2
Total insurance revenue	**635.8**	**522.7**
Insurance service expenses		
Incurred claims	(516.8)	(424.6)
Incurred maintenance expenses	(18.6)	(16.8)
Changes that relate to past service - adjustments to the liabilities for incurred claims	1.0	0.6
Losses on onerous contracts and reversal of those losses	(68.2)	(12.3)
Insurance acquisition cash flows amortisation	(3.5)	(3.2)
Total insurance service expenses	**(606.1)**	**(456.3)**
Insurance service result	**29.7**	**66.4**
Insurance finance expenses		
Interest accreted to insurance contracts using current financial assumptions	(182.5)	(122.3)
Interest accreted to insurance contracts using locked-in rate	(23.4)	(22.1)
Changes in domestic interest rates and CPI	35.6	38.2
Changes in foreign interest rates and CPI	(31.6)	(152.9)
Changes in other assumptions[2]	(157.5)	(22.8)
Net foreign exchange income/(expenses)	5.1	(26.4)
Total insurance finance expenses	**(354.3)**	**(308.3)**
Net investment income attributable to insurance contracts[1]	**430.7**	**301.8**
Net insurance result	**106.1**	**59.9**

1. Represents $472.0 million investment income reported in Note 2 Other revenue and $41.3 million investment–related expenses reported in Note 3 Other expenses.

2. Changes in other assumptions result for the period ended 30 June 2024 was primarily driven by changes to mortality assumptions. In the period ended 30 June 2024, a review into United Kingdom mortality assumptions was conducted which showed a decline in mortality improvements, with a consequent increase in expected future inflows to the wholesale longevity reinsurance business. Under AASB 17, this increase in expected future inflows is offset by changes in the CSM flows. However, because the future inflows are valued at current interest rates, and the CSM is valued at locked-in rates that are on average materially lower, the assumption change results in a material loss, which is the main driver of the $157.5 million recognised in 2024.

Note 1 Net insurance result continued

Accounting Policy

Insurance revenue

Insurance revenue is derived from the changes in the liability for remaining coverage each period that relate to services the Group expects to provide and includes the release of Risk Adjustment (RA) and Contractual Service Margin (CSM). The RA reflects the compensation the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk and is released as the uncertainty associated with the amount and timing of claims is resolved. The CSM represents the unearned profits of insurance contracts and is released to insurance revenue based on a pattern of coverage units, which reflects the provision of insurance services over the expected coverage period. For groups of contracts that are onerous (loss-making), the loss expected at the time of acquisition is immediately recognised in profit or loss.

Insurance service expenses

Insurance service expenses arising from groups of insurance contracts issued are recognised in profit and loss and include actual claims, maintenance expenses incurred in the period and losses and reversals of losses on onerous contracts.

Maintenance expenses incurred comprise expenses which are directly attributable or associated with a portfolio of insurance contracts. These include direct expenses such as distribution costs and an allocation of indirect expenses such as salary costs or system expenses that relate to acquisition or policy administration and maintenance.

Insurance finance income/(expenses)

Insurance finance income/(expenses) comprises changes in the carrying amounts of groups of insurance contracts arising from the effects of foreign exchange rate translation, the time value of money and financial risk unless any such changes are allocated to a loss component and included in insurance service expenses.

Foreign exchange rate effects arise due to life contract liability balances and cash flows being translated at spot rates and life contract liability movements being translated at year to date average rates.

Net investment income attributable to insurance contracts

Net investment income attributable to insurance contracts is determined by allocating items of Other revenue and Other expenses (excluding maintenance expenses) attributed to policyholders' funds between life insurance and life investment contracts based on the ratio of assets under management by policy liability product.

Refer to Note 9 Life insurance and investment contract liabilities for more detail on the accounting policy for life insurance contract liabilities.

Notes to the financial statements continued

Note 2 Other revenue

	30 June 2024 $m	30 June 2023 $m
Investment revenue		
Fixed income securities, loan assets and cash		
Interest revenue[1]	1,256.1	982.9
Net realised and unrealised gains on fixed income securities	262.6	31.9
Investment property and property securities		
Property rental revenue	235.0	238.1
Dividend and distribution revenue	7.7	2.4
Net realised and unrealised losses on investment property and property securities	(305.2)	(165.7)
Equity and infrastructure investments		
Dividend and distribution revenue	82.4	40.2
Net realised and unrealised gains on equity investments	176.6	51.7
Net realised and unrealised losses on infrastructure investments	(10.6)	(8.7)
Realised and unrealised gains/(losses)		
Net realised and unrealised (losses)/gains on foreign exchange translation and hedges	(44.6)	74.3
Net realised and unrealised losses on interest rate derivatives	(42.5)	(6.4)
Net realised and unrealised gains on equity swap derivatives	297.1	275.5
Net realised and unrealised gains on credit default swap derivatives	34.2	63.1
Net realised and unrealised (losses)/gains on commodities derivatives	(73.2)	27.6
Net realised and unrealised gains/(losses) on hedged commodities	107.5	(1.4)
Investment income attributable to insurance contracts[2]	(472.0)	(339.1)
Fee revenue		
Management and performance fee revenue	220.2	225.7
Transaction fee revenue	26.6	24.2
Other revenue		
Change in life investment contract liabilities	50.0	142.9
Gain on disposal of Bank	20.3	—
Gain on disposal of Real Estate business	30.9	—
Total other revenue	**1,859.2**	**1,659.2**

1. This includes interest revenue earned for items measured at amortised cost using the effective interest method $22.0 million (30 June 2023: $16.3 million) and interest revenue earned for items measured at fair value through profit and loss $1,234.1 million (30 June 2023: $966.6 million).
2. Represents the portion of investment revenue attributable to life insurance contracts as per AASB 17 *Insurance Contracts*. Differs to $472.0 million reported as net investment income attributable to insurance contracts in Note 1 due to inclusion of $41.3 million (30 June 2023: $37.3 million) of investment related expenses as disclosed in Note Other expenses.

Note 2 Other revenue continued

Accounting policy

Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing services to a customer. Revenues and expenses are recognised on an accrual basis. The following specific policies are applied.

- Interest revenue is recognised as it accrues using an effective interest rate method, taking into account the effective yield of the investment asset. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of a financial instrument, or where appropriate, a shorter period. Interest revenue on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.
- Gains or losses arising from changes in the fair value of financial instruments and hedged commodities are classified as fair value through profit and loss and recognised as revenue in the Statement of comprehensive income when the change in value is recognised in the Statement of financial position.
- Property rental revenue is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned.
- Lease incentives granted are recognised as part of the total rental income. Operating lease rental income is recognised on a straight-line basis over the life of the contract.
- Dividend revenue from listed equity shares and listed property securities is recognised as income on the date the share is quoted ex-dividend. Dividend revenue from unlisted equity shares and unlisted property securities is recognised when the dividend is declared.
- Proceeds from the sale of rental assets are recognised upon disposal of the relevant assets.
- Management fees are invoiced quarterly based on a percentage of the funds under management (FUM). The fees relate specifically to the services provided in that quarter, and are distinct from services provided in other quarters.
- Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Group recognises revenue from performance fees over the contract period, but only to the extent that it is highly probable that a significant reversal of revenue will not occur in subsequent periods.
- Transaction fee revenue is accrued when the transaction is executed.
- Changes in life insurance and investment contract liabilities arising from discount rates, inflation rates and other assumptions are recognised as revenue, with other movements being included in Note 3 Other expenses.

Refer to Note 9 Life insurance and investment contract liabilities for more details on the accounting policy of life contract liabilities.

Notes to the financial statements continued

Note 3 Other expenses

	30 June 2024 $m	30 June 2023 $m
Cost of life investment contract liabilities	442.4	408.7
Employee expenses	204.1	194.6
Management fee expense	151.5	148.4
Investment property-related expenses[1]	70.5	69.2
Distribution expenses	68.9	63.9
Technology and communications	58.7	33.4
Professional fees	51.3	48.3
Employee share-based payments	19.6	16.8
Depreciation and amortisation expense	7.6	8.5
Amortisation of right-of-use lease asset	6.2	6.0
Occupancy expense – operating lease	5.4	4.8
Other expenses	21.1	11.6
Expenses attributable to life insurance contracts[2]	(66.7)	(61.2)
Total expenses	**1,040.6**	**952.9**

1. Investment property-related expenses relate to rental income–generating investment properties.
2. Includes acquisition expense of $6.8 million (2023: $7.3 million) and maintenance expense of $18.6 million ($16.8 million), and investment–related expenses of $41.3 million (2023: $37.3 million) (Investment property-related expenses, Management fee expense, Expense SPV) attributable to life insurance contracts under AASB 17 ***Insurance Contracts***.

Accounting policy

Expenses are recognised on an accrual basis. The following specific policies are applied:

- Cost of life investment contract liabilities recognised as an expense consists of the interest expense on the liability and any loss on the initial recognition of new business less the release of liability in respect of expenses incurred in the current period. The interest expense on the liability represents the unwind of the discount on the opening liability over the period, whereas the impacts of changes in the discount rate applied for the current valuation are included in the change in life investment contract liabilities disclosed in Note 2 Other revenue.
- Investment property expenditure, including rates, taxes, insurance and other costs associated with the upkeep of a building, are brought to account on an accrual basis. Repair costs are expensed when incurred. Rental expenses incurred under an investment property operating lease are recognised on a straight-line basis over the term of the lease. Other amounts that improve the condition of the investment are capitalised into the carrying value of the asset.
- Refer to Note 9 Life insurance and investment contract liabilities for more details on the accounting policy of life contract liabilities.

Note 4 Segment information

Operating segments

The reporting segments[1] of the Group have been identified as follows.

30 June 2024	Life $m	FM $m	Corporate and other[2] $m	Discontinued Operations $m	Asset and liability experience after tax $m	Significant items after tax $m	Total $m
Net income	750.4	173.9	2.3				926.6
Operating expenses	(116.2)	(119.3)	(78.0)				(313.5)
Normalised EBIT	**634.2**	**54.6**	**(75.7)**				**613.1**
Interest and borrowing costs	—	—	(5.0)				(5.0)
Normalised net profit/(loss) before tax	**634.2**	**54.6**	**(80.7)**				**608.1**
Tax on normalised profit							(191.5)
Normalised net profit after tax							**416.6**
Other adjustments[3]	—	—	—	(3.6)	(283.6)	0.5	(286.7)
Profit attributable to the shareholders of Challenger Ltd							**129.9**

30 June 2023	Life $m	FM $m	Bank[6] $m	Corporate and other[2] $m	Asset and liability experience after tax $m	Significant items after tax[4] $m	Total $m
Net income	653.0	178.8	8.8	1.6			842.2
Operating expenses	(112.5)	(117.2)	(17.6)	(70.2)			(317.5)
Normalised EBIT	**540.5**	**61.6**	**(8.8)**	**(68.6)**			**524.7**
Interest and borrowing costs	—	—	—	(4.0)			(4.0)
Normalised net profit/(loss) before tax	**540.5**	**61.6**	**(8.8)**	**(72.6)**			**520.7**
Tax on normalised profit							(156.7)
Normalised net profit after tax							**364.0**
Other adjustments[3,4,5]	(116.1)	—	(1.4)	—	(67.8)	(7.3)	(192.6)
Profit attributable to the shareholders of Challenger Ltd							**171.4**

1. Refer to following page for definitions of the terms used in the management view of segments.
2. Corporate and other includes corporate companies, non-controlling interests and Group eliminations.
3. The amount within the Bank segment includes expected credit loss provision and fair value adjustments.
4. Significant items relate to the after-tax gains from the sale of Challenger's banking business to Heartland, Challenger's Australian real estate business to Elanor, sale or closure of FM affiliates, one-off project costs relating to the implementation of new accounting standard AASB 17 ***Insurance Contracts,*** transition of the Challenger Technology function to Accenture, the Customer Technology and Data Technology Modernisation Program, and restructuring costs.
5. Other adjustments include prior year adjustment on the application of AASB 17 ***Insurance Contracts*** for Life, and impairment for Bank reflecting the provision for fair value adjustments on Bank lending and financing assets.
6. In the prior year the normalised result included the Bank.

Notes to the financial statements continued

Note 4 Segment information continued

Other statutory information

	Life		FM		Bank[2]		Corporate and other		Total	
	2024 $m	2023 $m	2024 $m	2023 $m	2024 $m	2023 $m	2024 $m	2023 $m	2024 $m	2023 $m
Revenue from external customers[1]	481.8	500.9	227.4	235.3	—	—	—	—	709.2	736.2
Interest revenue	1,259.1	981.1	1.0	0.3	—	—	(4.0)	1.5	1,256.1	982.9
Interest expense	(715.1)	(499.8)	(0.7)	(0.6)	—	—	(50.9)	(48.9)	(766.7)	(549.3)
Intersegment revenue	(30.4)	(46.9)	30.4	46.9	—	—	—	—	—	—
Depreciation and amortisation	(3.1)	(3.8)	(2.6)	(3.6)	—	—	(1.9)	(1.1)	(7.6)	(8.5)
As at 30 June										
Segment assets	25,347.8	24,266.5	325.7	332.7	—	242.6	7,733.4	6,205.0	33,406.9	31,046.8
Segment liabilities	(21,895.3)	(20,788.7)	(26.4)	(23.0)	—	(182.0)	(7,600.0)	(6,142.2)	(29,521.7)	(27,135.9)
Net assets	**3,452.5**	**3,477.8**	**299.3**	**309.7**	**—**	**60.6**	**133.4**	**62.8**	**3,885.2**	**3,910.9**

1. Funds Management revenue from external customers is predominantly management fees.
2. The Bank sale was completed 30 April 2024. See Note 24 Discontinued Operation.

Definitions

Operating segments

The following segments are identified on the basis of internal reporting to Key Management Personnel, including the Chief Executive Officer of the Group, and comprise component parts of the Group that are regularly reviewed by senior management in order to allocate resources and assess performance.

Life

The Life segment principally includes the annuity and life insurance business carried out by CLC. CLC offers fixed rate and other retirement and superannuation products that are designed for Australian investors who are seeking a low-risk, fixed term or lifetime investment and reliable income. CLC also offers fixed term and lifetime investments to investors in Japan through its reinsurance arrangement with MS&AD. CLC invests in assets providing long-term income streams for customers.

Funds Management

Funds Management earns fees from its Fidante and CIM operations, providing an end-to-end funds management business. Funds Management has equity investments in a number of Fidante's affiliate fund managers and, through the CIM business, offers a range of managed investments across fixed income and property.

Corporate and other

The Corporate and other segment, which is not considered an operating segment of the Group, primarily includes its share of profit or loss in Artega. It is also used to reconcile the total segment results back to the consolidated results and consists of other income and costs that fall outside the day-to-day operations of the reportable segments. These include the costs of the Group CEO and CFO, shared services across the Group, long-term incentive costs, Directors' fees, corporate borrowings and associated borrowing costs and shareholder registry services. To reconcile to Group results, the Corporate and other segment also includes eliminations and non-core activities of the Group.

Transactions between segments

All transactions and transfers between segments are generally determined on an arm's length basis and are included within the relevant categories of income and expense. These transactions eliminate on consolidation.

Normalised vs statutory results

The Group presents additional non-IFRS financial information to the market to provide meaningful insights into the financial condition of the business. Due consideration has been given to ensure that disclosure of Challenger's normalised profit framework is explained, reconciled and calculated consistently.

Net income and operating expenses differ from revenue and expenses as disclosed in the Statement of comprehensive income as certain direct costs (including distribution expenses, property expenses and management fees) included in expenses are netted off against revenues in deriving the management view of net income. Net income consists of the following sub-categories of management view of revenue:

– normalised cash operating earnings (Life segment);
– net interest margin (Bank segment — this has been included as a discontinued operation);
– net income (Funds Management segment); and
– other income (Corporate and other segment).

Note 4 Segment information continued

Normalised vs statutory results continued

Revenue also includes investment gains and losses which are excluded from the management view as they form part of asset and liability experience.

Normalised cash operating earnings

This is calculated as cash earnings plus normalised capital growth. Cash earnings represent the sum of investment yield (being the management view of revenue from investment assets, such as net rental income, dividends and interest), interest expense, distribution expenses and fees.

Normalised EBIT

Normalised earnings before interest and tax (EBIT) comprises net income less operating expenses, as defined above. It excludes investment experience, corporate interest and borrowing costs, tax and any significant items (refer below).

Tax on normalised profit

This represents the consolidated statutory tax expense or benefit for the year, less tax attributable to investment experience and significant items.

Asset and liability experience after tax

The Group is required by accounting standards to value applicable assets and liabilities supporting the life insurance business at fair value. This can give rise to fluctuating valuation movements being recognised in the Statement of comprehensive income, particularly during periods of market volatility.

As the Group is generally a long-term holder of assets, due to assets being held to match the term of life contract liabilities, the Group takes a long-term view of the expected capital growth of the portfolio rather than focusing on short-term volatility. Investment experience is a mechanism employed to isolate the volatility arising from asset and liability valuations within the results so as to reflect the underlying performance of the Group.

Asset and liability experience is calculated as the difference between actual investment gains/losses (both realised and unrealised and based on fair value) and the normalised capital growth in relation to assets plus any economic and actuarial assumption changes in relation to policy liabilities for the year.

Normalised capital growth

This is determined by multiplying the normalised capital growth rate for each asset class by the average investment assets for the period. The normalised growth rates represent the Group's medium to long-term capital growth expectations for each asset class over the investment cycle.

The annual normalised growth rates for the Life segment are +4.0% for equity and infrastructure, +2.0% for property, 0.0% for alternatives and -0.35% for cash and fixed income. The rates have been set with reference to the composition of the asset classes and medium to long-term market growth rates, and are reviewed to ensure consistency with prevailing market conditions. The rates for the prior year were unchanged.

New business strain

New business strain is a non-cash valuation adjustment recognised when annuity rates on new business are higher than the risk-free rate used to fair value life contracts. Maintenance expense allowances over the expected future term of the new business are also included in the life contract valuation. New business strain reported in the year represents the valuation loss on new sales generated in the current period net of the reversal of new business strain of prior year sales.

Major customers

No individual customer amounted to greater than 10% of the Group's segment as defined above.

Geographical areas

The Group operates predominantly in Australia, hence no geographical split is provided to the chief operating decision maker. Reinsurance of annuities issued by Mitsui Sumitomo Primary Life Insurance Company Limited (MS Primary) accounted for $708.8 million of the Group's annuity and premium receipts in the 2024 financial year out of the total annuity and premium receipts of $5,629.1 million (2023: $740.9 million out of total of $5,864.7 million) and comprised 16.7% of total policy liabilities outstanding as at 30 June 2024 (2023: 17.1%); while the underlying annuitants resides in Japan, the reinsurance service provided by CLC is considered to be an Australian business and is therefore not recognised as a geographically separate segment.

Notes to the financial statements continued

Note 4 Segment information continued

	30 June 2024 $m	30 June 2023 $m
Reconciliation of management to statutory view of after-tax profit		
Operating segments normalised net profit before tax	688.8	593.3
Corporate and other normalised net loss before tax	(80.7)	(72.6)
Normalised net profit before tax (management view of pre-tax profit)	**608.1**	**520.7**
Tax on normalised profit	(191.5)	(156.7)
Normalised net profit after tax	**416.6**	**364.0**
Asset and liability experience after tax	(283.6)	(67.8)
Bank – other adjustments	(3.6)	(1.4)
Significant items after tax	0.5	(7.3)
After–tax impact of transition to AASB 17	—	(116.1)
Profit attributable to the shareholders of Challenger Limited	**129.9**	**171.4**
Loss attributable to non-controlling interests excluded from management view	(0.2)	—
Statutory view of profit after tax	**129.7**	**171.4**
Reconciliation of management view of revenue to statutory revenue		
Operating segments	924.3	840.6
Corporate and other	2.3	1.6
Net income (management view of revenue)	**926.6**	**842.2**
Pre-tax impact of transition to AASB 17[1]	—	(165.9)
Expenses and finance costs offset against revenue		
Loan asset expenses and finance costs offset against loan asset income	10.6	8.2
Distribution expenses offset against related income	68.9	63.9
Property-related expenses offset against property income	70.5	69.2
Interest and loan amortisation costs	704.4	491.2
Management fee expenses	151.5	148.4
Other differences between management view and statutory recognition of revenue		
Change in life contract liabilities and reinsurance contracts recognised in expenses[1]	375.7	347.5
Statutory gain on sale of bank and real estate	51.2	—
Net income of discontinued operations[2]	—	6.5
Adjustment for other items	1.0	7.5
Difference between management view of asset and liability experience and statutory recognition		
Asset experience	(119.2)	(132.1)
Liability experience	(275.8)	32.7
Statutory revenue[1,3]	**1,965.4**	**1,719.3**

1. Comparative information has been restated to reflect a number of contract types being reclassified to investment contracts following a review of insurance risk across the liability portfolio.
2. In the prior year, the Bank has been included as a segment within management's view but is a discontinued operation for statutory reporting. Therefore, the reconciliation removes the net income of discontinued operations in reconciling to the statutory revenue balance.
3. Statutory revenue includes the net insurance result of $106.1 million and other revenue of $1,859.2 million (30 June 2023: $59.9 million and $1,659.2 million).

Note 5 Income tax

Reconciliation of income tax expense	30 June 2024 $m	30 June 2023 $m
Profit before income tax	189.5	242.2
Prima facie income tax based on the Australian company tax rate of 30%	(56.9)	(72.7)
Tax effect of amounts not assessable/deductible in calculating taxable income:		
– Challenger Capital Notes distributions	(12.9)	(12.8)
– non-assessable and non-deductible items	10.3	14.9
– tax rate differentials	3.0	9.8
– other items	1.3	(2.0)
Income tax expense	**(55.2)**	**(62.8)**
Underlying effective tax rate[1]	29.2 %	25.9 %

1. Comparative information has been restated to reflect the AASB 17 changes.

Analysis of income tax expense	30 June 2024 $m	30 June 2023 $m
Current income tax (expense)/benefit for the year	(158.0)	2.0
Current income tax benefit/(expense) prior year adjustment	4.8	(16.0)
Deferred income tax benefit/(expense) for the year	101.6	(63.2)
Deferred income tax (expense)/benefit prior year adjustment	(3.6)	14.4
Income tax expense	**(55.2)**	**(62.8)**
Income tax benefit on translation of foreign entities	12.6	0.5
Income tax (expense)/benefit on hedge of net investment in foreign operations	(12.3)	1.8
Income tax benefit from other comprehensive income[1]	**0.3**	**2.3**

1. Comparative information has been restated to reflect the AASB 17 changes.

	Statement of financial position		Statement of comprehensive income	
Analysis of deferred tax	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Deferred tax assets				
Accruals and provisions	42.4	45.3	(2.9)	7.0
Employee entitlements	5.2	5.6	(0.4)	(0.6)
Tax losses	4.5	6.9	(2.4)	(0.5)
Unrealised net losses on investments	110.6	54.7	55.9	(23.4)
Other[1]	24.8	122.5	10.9	—
Total deferred tax assets	**187.5**	**235.0**	**61.1**	**(17.5)**
Set-off of deferred tax assets	**(5.6)**	**(39.9)**		
Net deferred tax assets recognised in Statement of financial position	**181.9**	**195.1**		
Deferred tax liabilities				
Unrealised foreign exchange movements	(1.9)	(31.6)	29.4	(31.1)
Unrealised net gains on investments	(4.3)	(9.5)	5.2	(9.5)
Other	(4.1)	(6.2)	2.3	9.3
Total deferred tax liabilities	**(10.3)**	**(47.3)**	**36.9**	**(31.3)**
Set-off of deferred tax liabilities	**5.6**	**39.9**		
Net deferred tax liabilities recognised in Statement of financial position	**(4.7)**	**(7.4)**		
Deferred income tax benefit/(expense) recognised in Statement of comprehensive income			**98.0**	**(48.8)**

1. The $97.7 million decrease in Other is mostly in respect of 30 June 2023 restatement of certain policy liabilities arising from the introduction of AASB 17 that was utilised in the current period against the current tax liability.

Notes to the financial statements continued

Note 5 Income tax continued

Tax Transparency Code disclosures

Australia and overseas tax expense	30 June 2024 $m	30 June 2023 $m	Change $m
Total Australia	(51.2)	(57.0)	5.8
Total overseas	(4.0)	(7.7)	3.7
Income tax expense	**(55.2)**	**(64.7)**	**9.5**

Analysis of current tax liability/(asset)	30 June 2024 $m	30 June 2023 $m
Opening balance	(6.1)	66.5
Current income tax expense/(benefit) for the year	158.0	(2.0)
Current income tax prior year adjustment	(4.8)	16.0
Tax in equity	(3.7)	(9.8)
Income tax paid	(21.6)	(122.6)
Other[1]	(116.3)	45.8
Closing balance	**5.5**	**(6.1)**
Presented on the Statement of financial position as:		
Current tax asset	**1.9**	6.1
Current tax liability	**(7.4)**	—
Closing balance	**5.5**	**(6.1)**

1. Other movement for $116.3 million is predominantly in respect of a current tax deduction on the AASB 17 transitional opening balances through retained earnings.

Unrecognised deferred tax balances	30 June 2024 $m	30 June 2023 $m
Non-tax consolidated group revenue losses — tax effected	11.9	12.9
Tax consolidated group capital losses — tax effected	56.4	56.4

Accounting policy

Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior years are the amounts expected to be recovered from or paid to the taxation authorities based on the respective period's taxable income. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted as at the Statement of financial position date. Current tax assets and liabilities have been offset where there is a legally enforceable right to set-off.

Deferred income tax assets and liabilities

Deferred income tax is provided on temporary differences at the Statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognised for deductible or taxable temporary differences and are measured at the tax rates that are expected to apply to the year the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted as at the Statement of financial position date. Deferred income tax assets and liabilities have been offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group who have a legal right and an intention to settle on a net basis.

Deferred tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Tax consolidation

Challenger Limited and its 100%-owned Australian resident subsidiaries formed a tax consolidated group (TCG) with effect from 1 July 2002 and are therefore taxed as a single entity from that date. Challenger Limited is the head entity of the TCG.

Note 5 Income tax continued

Tax effect accounting by members of the tax group

Members of the tax consolidated group have applied tax funding principles under which Challenger Limited and each of the members of the tax consolidated group agree to pay or receive tax equivalent amounts to or from the head entity, based on the current tax liability or current tax asset of the member. Such amounts are reflected in the amounts receivable from or payable to each member and the head entity. The group allocation approach is applied in determining the appropriate amount of current tax liability or current tax asset to allocate to members of the tax consolidated group.

Amendments to IAS 12 – International tax reform – Pillar Two Model Rules

On 20 December 2021, the OECD/ Group of 20 (G20) Inclusive Framework on BEPS published the Pillar Two model rules. These are aimed at ensuring that large corporate groups are subject to a minimum taxation at a 15% in each jurisdiction where they operate. The Group is in the scope of the Pillar Two Model Rules and has adopted the amendments to AASB 112.

Challenger has subsidiaries in both the UK and Japan. Pillar Two was substantially enacted in the UK on 20 June 2023 and in Japan on 28 March 2023. Challenger has carried out an assessment of its potential exposure to Pillar Two taxes using the transitional safe harbour rules. The analysis of Pillar Two for the UK and Japan based on the 2023 financial year Country by Country Report concluded that there is no material impact.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 27 June 2023, the AASB issued amendments to AASB 112 ***Income taxes*** introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/ G20 BEPS Pillar Two model rules. The Group applied the temporary exception at 30 June 2024.

Key estimates and assumptions

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes to the financial statements continued

Section 3: Operating assets and liabilities

This section discloses information relating to the assets and liabilities underpinning the Group's financial performance and the key sources of funding for those assets. It further presents the derivative financial instruments employed to hedge the Group's financial risk exposures, and consolidated information relating to the cash flows of the Group.

Note 6 Investment assets

Held at fair value through profit and loss	30 June 2024 $m	30 June 2023 $m
Domestic sovereign bonds and semi-government bonds	5,502.8	4,632.7
Floating rate notes and corporate bonds	7,086.8	6,317.6
Residential mortgage and asset-backed securities	9,727.2	9,229.4
Non-Special Purpose Vehicle (SPV) mortgage assets	190.3	272.1
Fixed income securities	**22,507.1**	**20,451.8**
Shares in listed and unlisted corporations	40.4	21.2
Unit trusts, managed funds and other	3,702.5	2,623.0
Equity securities	**3,742.9**	**2,644.2**
Simple Agreement for Future Equity	20.0	20.0
Debt securities	**20.0**	**20.0**
Units in listed and unlisted infrastructure trusts	46.7	51.9
Other infrastructure investments	217.5	232.2
Infrastructure investments	**264.2**	**284.1**
Indirect property investments in listed and unlisted trusts	100.3	89.3
Property securities	**100.3**	**89.3**
Hedged commodities[1]	550.9	827.9
Other investment assets	**550.9**	**827.9**
Total investment assets	**27,185.4**	**24,317.3**
Current	17,326.0	15,981.6
Non-current	9,859.4	8,335.7
Total investment assets	**27,185.4**	**24,317.3**

1. The precious metals commodities strategy provides Challenger an opportunity to earn a spread between the price of physical commodities and the price of short futures contracts, resulting in an immaterial exposure to the underlying commodities price.

Accounting policy

The Group categorises its investment assets as investment assets — fair value through profit and loss (being initially designated as such) and investment assets at amortised cost. Assets designated as fair value through profit and loss consist of fixed income, equity, infrastructure, property securities and hedged commodities. They are carried at fair value, with unrealised gains and losses being recognised through the Statement of comprehensive income.

Purchases and sales of investment assets are recognised on the date on which the Group commits to purchase or sell the asset and when all risks and rewards of ownership have been substantially transferred. Investment assets are then derecognised when the right to receive cash flows from the asset has expired.

The fair value of investment assets that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the Statement of financial position date.

Key estimates and assumptions

Unlisted investment valuations

Investments held at fair value through profit and loss for which there is no active market or external valuation available are valued making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum, either by:

- reference to the current market value of another instrument that is substantially the same;
- using recent arm's length market transactions;
- discounted cash flow analysis; or
- other methods consistent with market best practice.

Refer to Note 19 Financial risk management for further disclosure.

Note 7 Investment property

	30 June 2024 $m	30 June 2023 $m
Investment property held for sale[1,2]	136.9	—
Investment property in use	2,789.4	3,269.2
Total investment property	**2,926.3**	**3,269.2**

1. Investment property held for sale: Channel Court, TAS $81.3m, Karratha, WA $45.4m and Aulnay Sous Bois, France $10.2m (30 June 2023: Nil).
2. Investment property held for sale is considered current. All other investment property is considered non-current.

	Investment property held for sale		Investment property in use		Total	
Reconciliation of carrying amounts	**30 June 2024 $m**	**30 June 2023 $m**	**30 June 2024 $m**	**30 June 2023 $m**	**30 June 2024 $m**	**30 June 2023 $m**
Balance at the beginning of the year	—	—	3,269.2	3,483.3	3,269.2	3,483.3
Movements for the year						
– acquisitions[1]	—	—	—	10.4	—	10.4
– disposals[2]	—	(78.2)	—	—	—	(78.2)
– net transfers to/(from) investment property held for sale	146.0	79.1	(146.0)	(79.1)	—	—
– capital expenditure	1.3	0.1	20.7	33.8	22.0	33.9
– net revaluation loss	(10.1)	(1.0)	(286.3)	(160.7)	(296.4)	(161.7)
– foreign exchange loss	(0.3)	—	(68.2)	(18.5)	(68.5)	(18.5)
Balance at the end of the year	**136.9**	**—**	**2,789.4**	**3,269.2**	**2,926.3**	**3,269.2**

1. No investment property acquisitions during the year (30 June 2023: Helicon Drive, SA $10.4m).
2. No investment property disposals during the year (30 June 2023: Bunbury Forum, WA $78.2m).

Accounting policy

Investment property

Investment property is initially recognised at cost, including transaction costs. Subsequent to initial recognition, investment property is recognised at fair value. Investment property is classified as held for sale if its carrying value will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when management is committed to the sale, and the sale is highly probable to occur in the next 12 months. Investment property held for sale is carried at fair value, being the latest valuation available, or agreed sale price.

Gains or losses arising from changes in the fair values of investment properties are included in the Statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment or development property is recognised in the Statement of comprehensive income in the year of retirement or disposal.

Where properties are debt financed, that finance is provided either by secured mortgages or by funding that contains a number of negative undertakings (including undertakings not to create or allow encumbrances, and undertakings not to incur financial indebtedness which ranks in priority to existing debt).

Key estimates and assumptions

Independent valuations for all investment properties are conducted at least annually by suitably qualified valuers, and the Directors make reference to these independent valuations when determining fair value. At 30 June 2024, 73% of investment properties in use by value (62% by count) were independently valued by external valuers.

Each independent valuer is appointed in line with the valuation policy, which requires that valuers are authorised to practise under the law of the relevant jurisdiction where the valuation takes place and have at least five years of continuous experience in the valuation of property of a similar type to the property being valued, and on the basis that they are engaged for no longer than two consecutive years on an individual property.

The valuer must have no pecuniary interest that could conflict with the valuation of the property, must be suitably indemnified and must comply with the Australian Property Institute (API) Code of Ethics and Rules of Conduct (or foreign equivalent).

Fair value for the purposes of the valuation is market value as defined by the International Assets Valuation Standards Committee. In determining market value, valuers examine available market evidence and apply this analysis to both the traditional market capitalisation approach and the discounted cash flow approach (using market-determined risk-adjusted discount rates).

Valuers are required to provide valuation methodology and calculations for fair value including reference to annual net market income, comparable capitalisation rates and property-specific adjustments. The values of investment property do not reflect anticipated enhancement from future capital expenditure.

Notes to the financial statements continued

Note 7 Investment property continued

Analysis of investment property as at 30 June	Acquisition date[1]	Total cost[2] $m	Carrying value 2024 $m	Cap rate 2024[3] %	Last external valuation date	Carrying value 2023 $m	Cap rate 2023[3] %
Investment property in use and held for sale							
Australia							
6 Chan Street (formerly DIBP Building), ACT	01-Dec-01	128.8	224.0	6.5	30-Jun-24	265.0	4.88
14 Childers Street, ACT	01-Dec-17	104.8	72.5	8.0	30-Jun-24	81.5	6.50
21 O'Sullivan Circuit, NT	27-Jan-16	48.0	25.5	8.0	31-Dec-23	28.9	7.25
31 O'Sullivan Circuit, NT	27-Jan-16	34.2	33.0	7.8	31-Dec-23	35.2	7.00
35 Clarence Street, NSW	15-Jan-15	163.2	192.0	6.8	30-Jun-24	229.0	5.50
45 Benjamin Way (formerly ABS Building), ACT	01-Jan-00	152.8	201.0	6.9	30-Jun-24	247.0	5.25
82 Northbourne Avenue, ACT	01-Jun-17	63.2	28.5	7.3	30-Jun-24	45.5	6.13
215 Adelaide Street, QLD	31-Jul-15	274.0	197.0	7.8	30-Jun-24	209.5	6.88
565 Bourke Street, VIC	28-Jan-15	114.4	124.5	6.3	30-Jun-24	134.2	5.75
839 Collins Street, VIC	22-Dec-16	212.1	192.5	6.3	30-Jun-24	232.0	5.13
Channel Court, TAS[4]	21-Aug-15	89.6	81.3	—	30-Jun-23	86.5	7.00
Cosgrove Industrial Park, Enfield, NSW	31-Dec-08	93.8	175.4	5.1	30-Jun-24	185.9	4.25
Discovery House, ACT	28-Apr-98	106.1	138.0	6.6	30-Jun-24	166.0	5.00
Executive Building, TAS	30-Mar-01	36.4	40.5	7.3	30-Jun-24	47.2	6.25
Gateway, NT	01-Jul-15	124.2	108.0	7.0	30-Jun-24	108.7	6.61
Golden Grove, SA	31-Jul-14	163.0	154.0	6.5	31-Dec-23	153.0	6.25
Helicon Drive, SA	05-Oct-22	10.8	9.2	6.0	30-Jun-24	10.0	5.75
Karratha, WA[4]	28-Jun-13	59.4	45.4	—	30-Jun-23	49.5	7.50
Kings Langley, NSW	29-Jul-01	16.8	27.0	5.8	31-Dec-23	28.0	5.50
Lennox, NSW	27-Jul-13	70.6	77.0	6.3	30-Jun-24	75.0	6.25
North Rocks, NSW	18-Sep-15	191.9	180.0	6.0	31-Dec-23	187.0	5.75
Total Australia		**2,258.1**	**2,326.3**			**2,604.6**	

1. Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.
2. Total cost represents the original acquisition cost plus additions less full and partial disposals since acquisition date.
3. The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.
4. Classified as held for sale.

Analysis of investment property as at 30 June (continued)	Acquisition date[1]	Total cost[2] $m	Carrying value 2024 $m	Cap rate 2024[3] %	Last external valuation date	Carrying value 2023 $m	Cap rate 2023[3] %
Europe							
Avenue de Savigny, Aulnay sous Bois[4]	31-Dec-08	20.3	10.2	8.00	31-Dec-23	10.0	7.75
Japan							
Aeon Kushiro	31-Jan-10	30.5	27.3	5.40	31-Dec-23	30.5	5.40
Aeon Matsusaka XD	26-Sep-19	14.8	11.0	5.10	30-Jun-24	12.2	5.20
Carino Chitosedai	31-Jan-10	119.2	98.6	4.40	31-Dec-23	110.1	4.40
Carino Tokiwadai	31-Jan-10	78.1	60.8	4.50	30-Jun-24	68.1	4.50
DeoDeo Kure	31-Jan-10	32.2	25.0	5.40	30-Jun-24	27.0	5.50
Fitta Natalie Hatsukaichi	28-Aug-15	12.1	10.6	5.80	31-Dec-23	11.8	5.80
Izumiya Hakubaicho	31-Jan-10	70.1	54.9	4.90	31-Dec-23	61.7	4.80
Kansai Super Saigo	31-Jan-10	13.3	10.5	5.10	31-Dec-23	11.6	5.40
Kojima Nishiarai	31-Jan-10	12.2	11.8	4.20	30-Jun-24	13.0	4.30
Kotesashi Towers	28-Nov-19	25.2	16.9	5.00	31-Dec-23	18.7	5.00
Life Asakusa	31-Jan-10	28.4	27.9	4.00	30-Jun-24	30.5	4.10
Life Higashi Nakano	31-Jan-10	33.3	28.9	4.10	30-Jun-24	32.0	4.20
Life Nagata	31-Jan-10	25.2	23.1	4.20	30-Jun-24	24.2	4.20
MaxValu Tarumi	28-Aug-15	17.1	14.5	5.50	31-Dec-23	15.9	5.70
Seiyu Miyagino	31-Jan-10	9.8	8.2	5.00	30-Jun-24	9.1	5.10
TR Mall Ryugasaki	30-Mar-18	86.7	71.7	5.30	31-Dec-23	79.7	5.40
Valor Takinomizu	31-Jan-10	28.0	18.6	5.40	31-Dec-23	21.0	5.70
Valor Toda	31-Jan-10	42.9	32.7	5.00	30-Jun-24	36.3	5.20
Yaoko Sakado Chiyoda	31-Jan-10	19.9	16.5	4.70	31-Dec-23	18.5	4.60
Yorktown Toride	05-Mar-20	32.2	20.3	5.20	30-Jun-24	22.7	5.20
Total international		**751.5**	**600.0**			**664.6**	
Total investment property in use and held for sale[5]		**3,009.6**	**2,926.3**			**3,269.2**	

1. Acquisition date represents the date of initial acquisition or consolidation of the investment vehicle holding the asset.
2. Total cost represents the original acquisition cost plus additions less full and partial disposals since acquisition date.
3. The capitalisation rate is the rate at which net market income is capitalised to determine the value of the property. The rate is determined with regard to market evidence.
4. Classified as held for sale.
5. At 30 June 2024, the investment property portfolio occupancy rate for Australia was 90.1% (30 June 2023: 91.8%) with a weighted average lease expiry of 5.3 years (30 June 2023: 5.7 years); Europe 100.0% (30 June 2023: 100.0%) with a weighted average lease expiry of 4.3 years (30 June 2023: 5.3 years); and Japan 99.5% (30 June 2023: 99.5%) with a weighted average lease expiry of 7.1 years (30 June 2023: 7.7 years)

Notes to the financial statements continued

Note 8 Loan assets

Loan assets	30 June 2024 $m	30 June 2023 $m
Residential mortgages[1]	232.2	254.0
Investment loans[2]	76.0	108.5
Chattel mortgages[3]	—	21.5
Less: provision for impairment	(3.1)	(9.1)
Total loan assets	**305.1**	**374.9**

1. Residential mortgages are held both by the Bank and CLC in the prior comparative year. The CLC book is held within Special Purpose Vehicle (SPV) trusts that hold residential mortgage-backed assets and issue securitised financial liabilities. The trusts are entities that funded pools of residential mortgage-backed securities (RMBS). All borrowings of these SPVs are limited in recourse to the assets of the SPV. The Bank's mortgages were sold during the year as part of the sale of the Bank on the 30 April 2024.
2. Investment loans are loans to resident households for the purpose of housing, where the funds are used for a residential property that is not owner occupied.
3. These mortgages were part of the Bank and sold as part of the Bank sale in April 2024.

Accounting policy

Loans and advances are non-derivative financial loan assets with fixed or determinable payments that are not quoted in an active market. They are recognised net of any credit loss provision. These are held at amortised cost.

Key estimates and assumptions

The Group continues to primarily apply the historical provisioning methodology, which is considered to be materially consistent with the provision estimated under the expected credit loss (ECL) impairment model. In estimating ECL for individual mortgage loans, the Group makes judgements and assumptions in relation to expected repayments, the realisable value of the secured property, the prospects of the customer, the value of any mortgage insurance and the likely cost and duration of a workout process.

The Group has considered historical probabilities of default, the relative age of the mortgage loan portfolio and the loan to valuation ratios applicable to the mortgage loans, and has determined that the current provision estimated by the ECL impairment model is adequate.

Analysis of loan assets impairment provision	30 June 2024 $m	30 June 2023 $m
Balance at the beginning of the year	9.1	10.6
Increase in provision	0.5	1.5
Utilisation of provision against incurred losses and other adjustments	(6.5)	(3.0)
Balance at the end of the year	**3.1**	**9.1**

Note 9 Life insurance and investment contract liabilities

Fair value of life contract liabilities	30 June 2024 $m	30 June 2023 $m
Life investment contract liabilities	9,893.7	9,855.5
Life insurance contract liabilities	5,384.8	4,436.8
Total life contract liabilities	**15,278.5**	**14,292.3**

	Life investment contract liabilities		Life insurance contract liabilities		Total life contract liabilities	
Movement in life contract liabilities	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Balance at the beginning of the year	9,855.5	9,650.7	4,436.8	4,141.2	14,292.3	13,791.9
Deposits and premium receipts	4,162.0	5,119.9	1,467.1	744.8	5,629.1	5,864.7
Payments and withdrawals	(4,516.2)	(5,180.9)	(818.3)	(667.2)	(5,334.5)	(5,848.1)
Payments for attributable expenses under AASB 17	—	—	(25.4)	(23.9)	(25.4)	(23.9)
Insurance revenue per Note 1	—	—	(635.8)	(522.7)	(635.8)	(522.7)
Insurance service expenses per Note 1	—	—	606.1	456.3	606.1	456.3
Insurance finance expenses per Note 1	—	—	354.3	308.3	354.3	308.3
Other revenue per Note 2	(50.0)	(142.9)	—	—	(50.0)	(142.9)
Other expenses per Note 3	442.4	408.7	—	—	442.4	408.7
Balance at the end of the year	**9,893.7**	**9,855.5**	**5,384.8**	**4,436.8**	**15,278.5**	**14,292.3**

The tables below shows the reconciliation of the insurance contracts issued by measurement component:

Analysis of life insurance contracts by measurement component for the year ended 30 June 2024	Estimates of the present value of future cash flows $m	Risk adjustment $m	Contractual service margin $m	Total $m
Opening insurance contract liabilities as at 1 July 2023	**3,339.7**	**133.7**	**963.4**	**4,436.8**
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(87.8)	(87.8)
Change in risk adjustment for non-financial risk	—	(3.1)	—	(3.1)
Experience adjustments	(6.1)	—	—	(6.1)
Changes that relate to future services				
Contracts recognised in the year	56.4	17.9	4.0	78.3
Changes in estimates that adjust the contractual service margin	(345.2)	(10.6)	355.8	—
Changes in estimates that result in loss or change on onerous contracts	(9.3)	(0.7)	—	(10.0)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(1.0)	—	—	(1.0)
Insurance service result	**(305.2)**	**3.5**	**272.0**	**(29.7)**
Net insurance finance expenses				
Net insurance finance expenses	335.7	—	23.7	359.4
Effect of movements in exchange rates	7.8	(0.6)	(12.3)	(5.1)
Total changes in the statement of profit or loss	**38.3**	**2.9**	**283.4**	**324.6**
Cash flows				
Premiums received	1,467.1	—	—	1,467.1
Claims paid	(818.3)	—	—	(818.3)
Other insurance service expenses paid	(18.6)	—	—	(18.6)
Insurance acquisition cash flows	(6.8)	—	—	(6.8)
Total cash flows	**623.4**	**—**	**—**	**623.4**
Closing insurance contract liabilities at 30 June 2024	**4,001.4**	**136.6**	**1,246.8**	**5,384.8**

Notes to the financial statements continued

Note 9 Life insurance and investment contract liabilities continued

Analysis of life insurance contracts by measurement component for the year ended 30 June 2023	Estimates of the present value of future cash flows $m	Risk adjustment $m	Contractual service margin $m	Total $m
Opening insurance contract liabilities as at 1 July 2022	**3,088.6**	**183.3**	**869.3**	**4,141.2**
Changes that relate to current services				
Contractual service margin recognised for services provided	—	—	(62.1)	(62.1)
Change in risk adjustment for non-financial risk	—	(5.4)	—	(5.4)
Experience adjustments	(6.8)	—	—	(6.8)
Changes that relate to future services				
Contracts recognised in the year	17.4	10.1	6.2	33.7
Changes in estimates that adjust the contractual service margin	(6.6)	(55.0)	61.6	—
Changes in estimates that result in loss or change on onerous contracts	(18.5)	(6.7)	—	(25.2)
Changes that relate to past services				
Adjustment to liabilities for incurred claims	(0.6)	—	—	(0.6)
Insurance service result	**(15.1)**	**(57.0)**	**5.7**	**(66.4)**
Net insurance finance expenses				
Net insurance finance expenses	259.8	—	22.1	281.9
Effect of movements in exchange rates	(47.3)	7.4	66.3	26.4
Total changes in the statement of profit or loss	**197.4**	**(49.6)**	**94.1**	**241.9**
Cash flows				
Premiums received	744.8	—	—	744.8
Claims paid	(667.2)	—	—	(667.2)
Other insurance service expenses paid	(16.8)	—	—	(16.8)
Insurance acquisition cash flows	(7.1)	—	—	(7.1)
Total cash flows	**53.7**	**—**	**—**	**53.7**
Closing insurance contract liabilities at 30 June 2023	**3,339.7**	**133.7**	**963.4**	**4,436.8**

Note 9 Life insurance and investment contract liabilities continued

The tables below shows the reconciliation of the net liabilities for remaining coverage and liabilities for incurred claims for insurance contracts issued.

30 June 2024	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component[3]		
	$m	$m	$m	$m
Opening insurance contract liabilities as at 1 July 2023	**4,047.4**	**381.4**	**8.0**	**4,436.8**
Contracts under fair value approach	(4.3)	—	—	(4.3)
Other contracts	(631.5)	—	—	(631.5)
Total insurance revenue	**(635.8)**	**—**	**—**	**(635.8)**
Insurance service expenses				
Incurred claims and other directly attributable expenses[1]	—	—	535.4	535.4
Losses on onerous contracts and reversal of those losses	—	68.2	—	68.2
Changes that relate to past service - adjustments to LIC	—	—	(1.0)	(1.0)
Timing difference between incurred and settled amounts	11.9	—	(11.9)	—
Insurance acquisition cash flows amortisation	3.5	—	—	3.5
Investment components[2]	(314.9)	—	314.9	—
Total insurance service expenses	**(299.5)**	**68.2**	**837.4**	**606.1**
Insurance service result	**(935.3)**	**68.2**	**837.4**	**(29.7)**
Net insurance finance expenses				
Net insurance finance expenses	409.3	(49.9)	—	359.4
Effect of movements in exchange rates	(5.1)	—	—	(5.1)
Total insurance finance expenses	**404.2**	**(49.9)**	**—**	**354.3**
Cash flows				
Premiums received	1,467.1	—	—	1,467.1
Claims paid	—	—	(818.3)	(818.3)
Other insurance service expenses paid	—	—	(18.6)	(18.6)
Insurance acquisition cash flows	(6.8)	—	—	(6.8)
Total cash flows	**1,460.3**	**—**	**(836.9)**	**623.4**
Closing insurance contract liabilities at 30 June 2024	**4,976.6**	**399.7**	**8.5**	**5,384.8**

1. Comprises incurred claims $516.8 million and incurred maintenance expenses $18.6 million as reported in Note 1 Net insurance result.
2. Investment components are payments that are made to policyholders in all circumstances, regardless of whether an insured event occurs. $314.9 million is primarily due to Liquid Lifetime policies where the majority of annuities are within the guaranteed withdrawal period.
3. Loss component is run down in line with annuity payments.

Notes to the financial statements continued

Note 9 Life insurance and investment contract liabilities continued

Analysis of life insurance contracts by remaining coverage and incurred claims for the year ended 30 June 2023	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component $m	Loss component[4] $m	$m	$m
Opening insurance contract liabilities as at 1 July 2022	**3,732.5**	**404.1**	**4.6**	**4,141.2**
Contracts under fair value approach	(4.3)	—	—	(4.3)
Other contracts	(518.4)	—	—	(518.4)
Total insurance revenue	**(522.7)**	**—**	**—**	**(522.7)**
Incurred claims and other directly attributable expenses	—	—	441.4	441.4
Losses on onerous contracts and reversal of those losses	—	12.3	—	12.3
Changes that relate to past service - adjustments to LIC	—	—	(0.6)	(0.6)
Timing difference between incurred and settled amounts	49.4	—	(49.4)	—
Insurance acquisition cash flows amortisation	3.2	—	—	3.2
Investment components	(296.5)	—	296.5	—
Total insurance service expenses	**(243.9)**	**12.3**	**687.9**	**456.3**
Insurance service result	**(766.6)**	**12.3**	**687.9**	**(66.4)**
Net insurance finance expenses				
Net insurance finance expenses	316.9	(35.0)	—	281.9
Effect of movements in exchange rates	26.9	—	(0.5)	26.4
Total insurance finance expenses	**343.8**	**(35.0)**	**(0.5)**	**308.3**
Cash flows				
Premiums received	744.8	—	—	744.8
Claims paid	—	—	(667.2)	(667.2)
Other insurance service expenses paid	—	—	(16.8)	(16.8)
Insurance acquisition cash flows	(7.1)	—	—	(7.1)
Total cash flows	**737.7**	**—**	**(684.0)**	**53.7**
Closing insurance contract liabilities at 30 June 2023	**4,047.4**	**381.4**	**8.0**	**4,436.8**

Accounting policy

The operations of the Group include the selling and administration of life contracts through Challenger Life Company Limited (CLC). These contracts are governed under the ***Life Insurance Act 1995*** (the Life Act) and are classified as either life insurance contracts or life investment contracts. Life insurance and life investment contract liabilities are collectively referred to as life contract liabilities or policy liabilities.

Life investment contract liabilities

Life investment contracts are contracts regulated under the Life Act but which do not meet the definition of life insurance contracts under AASB 17 *Insurance Contracts*.

For fixed term policies, the liability is based on the fair value of the income payments to annuitants and associated expenses, being the net present value of the payments and expenses using an appropriate discount rate curve as determined by the Appointed Actuary. For cash business, the liability is determined using an accumulation approach.

Life insurance contract liabilities

Life insurance contracts are contracts regulated under the Life Act that involve the acceptance of significant insurance risk. Insurance risk is defined as significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

Under AASB 17, the methodology used to determine the value of life insurance contract liabilities is referred to as the General Measurement Model (GMM). Under the GMM, groups of insurance contracts are measured as the total of the fulfilment cash flows and Contractual Service Margin (CSM). The CSM represents the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group. .

For groups of contracts that are onerous (loss-making), the total expected loss is recognised in the Statement of comprehensive income immediately. The CSM is measured at the interest rates on the date the business was written (locked-in rates). Fulfilment cash flows comprise of unbiased and probability-weighted estimates of future cash flows, discounted at current rates to present value to reflect the time value of money and financial risks, and a risk adjustment (RA), which reflects the compensation that the Group requires for bearing the uncertainty in relation to the amount and timing of cash flows that arise from non-financial risk.

Note 9 Life insurance and investment contract liabilities continued

Accounting policy continued

Life insurance contract liabilities continued

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary, including premiums, benefit payments and expenses that are directly attributable to fulfilling insurance contracts.

The Group maintains life insurance contracts, including individual lifetime annuities, wholesale mortality, wholesale morbidity, longevity reinsurance and wholesale lifetime annuities.

The key areas of judgement in the determination of the liabilities are actuarial assumptions for risk adjustment, coverage units, mortality, surrenders, acquisition and maintenance expenses, and economic assumptions for discount rates and inflation rates.

Valuation

Key assumptions applied in the valuation of life contract liabilities

Risk adjustment (RA)

The Group has applied a cost of capital (CoC) approach to determine the RA. The RA using the CoC approach is the compensation required by the Group for bearing the uncertainty in the timing and amount of insurance cash flows, which in turn reflects the Group's risk appetite. The components in the determination of the RA include the following.

- Capital measure: Capital is projected to determine the level of non-financial risk for the duration of the contracts. This is equal to the undiversified statutory longevity stress, as determined in the calculation of the Prescribed Capital Amount, plus an allowance for diversification between asset and insurance risk where applicable.
- CoC rate: The CoC rate reflects the compensation over the risk-free rate sought on insurance risk when pricing insurance contracts.
- Discount rate: This is used to determine the present value of the projected capital costs. The discount rate is equal to the CoC rate plus the RBA cash rate.

The $136.6 million RA resulting from the above technique corresponds to a 72% confidence level. Changes in the RA are not disaggregated between the insurance service result and insurance finance income and expenses.

Coverage units

Coverage units determine how the CSM is released into profit and loss in each reporting period. The Group defines coverage units for the current period as the actual incurred benefit payments for the current period, and coverage units for future periods are defined as the expected benefit payments for those periods. AASB 17 allows an accounting policy choice on whether to discount future coverage units and the discount rate to apply. The Group has elected to apply discounting to coverage units at current discount rates.

Discount rate

Under APRA prudential standards and AASB 17, life insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, set at the Commonwealth Government Bond curve plus an illiquidity premium where applicable; or for foreign-denominated liabilities, a curve derived from the yields of highly liquid sovereign risk securities in the currency of the policy liabilities plus an illiquidity premium where applicable.

The illiquidity premium is determined by reference to observable market rates, including Australian sovereign debt, corporate, securitised and collateralised debt publicly placed in the domestic market, and market swap rates.

The impact of unwinding the discount and changes in discount rates is recognised in profit and loss and classified as insurance finance income/(expenses).

AASB 17 requires that current discount rates are used to measure fulfilment cash flows, and discount rates at initial recognition (locked-in discount rates) are used to measure changes in the CSM.

Life investment contract liabilities are calculated in accordance with the fair value through profit and loss principles of AASB 9 *Financial Instruments*. The discount rates are determined based on the current observable, objective rates that relate to the nature, structure and term of the future liability cash flows.

Discount rates applied for Australian liabilities were between 4.7% - 5.4% per annum (30 June 2023:4.7% - 5.1%).

Expenses

Forecasted expenses for the next year are allocated between acquisition, maintenance and investment based on the nature of the expense. Forecasted maintenance expenses are then converted to a per-contract unit cost or percentage of account balance, depending on the nature of the expense.

For life insurance contracts, only expenses that are directly attributable to those contracts are included for forecasted expenses. Directly attributable expenses are cash flows that directly relate to the fulfilment of insurance contracts.

Inflation

Inflation estimates are based on long-term expectations and reviewed at least annually for changes in the market environment based on a comparison of real and nominal yields of instruments of equivalent term and credit risk. The current assumption for Australia is 2.3% per annum for short-term inflation and 2.9% per annum for long-term inflation (30 June 2023: 2.7% short-term, 2.8% long-term).

For life insurance contracts, AASB 17 requires that current inflation expectations are used to measure fulfilment cash flows, and inflation expectations at initial recognition (locked-in inflation rates) are used to measure changes in the CSM.

Notes to the financial statements continued

Surrenders

For life investment contracts, no surrenders or voluntary discontinuances are assumed. For Australian life insurance contracts where a surrender value is payable on withdrawal, a rate of surrenders is assumed in line with Challenger's own experience on these products, currently between 0.0% - 2.1% per annum (30 June 2023: 0.0% - 2.1%).

Where policyholders have the option to commute a life insurance contract, the value of this option is included within the life contract liabilities. We also assume surrender rates based on past experience for this business which vary by product types and duration in-force for the contract.

Mortality

Base mortality rates for individual lifetime annuities are determined as a multiple of annuitant experience based on LML08 and LFL08 tables, adjusted for Challenger's own recent experience. LML08 and LFL08 are mortality tables developed by the Continuous Mortality Investigation (CMI) based on United Kingdom annuitant lives experience from 2007–2010.

The tables refer to male and female lives respectively. Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between +0.4% to +2.5% per annum (30 June 2023: +0.4% to +2.6%).

Base mortality rates for wholesale mortality and longevity reinsurance are determined as a multiple of pensioner mortality rates (based on the self-administered pension schemes or SAPS3 tables mortality investigation developed by the Institute and Faculty of Actuaries (UK) using United Kingdom data collected between 2009–2016). Rates are adjusted for expected future mortality improvements based on observed and expected improvements. For the age ranges and cash flow projection periods that contribute the majority of CLC's exposure, rates of future mortality improvement applied are between -0.3% to +2.2% per annum (30 June 2023: +0.2% to +2.3%).

Base mortality rates for the inwards reinsurance of Japanese business are determined as a multiple of Japanese population mortality rates.

Restriction on assets

Investment assets held in the Group can only be used within the restrictions imposed under the Life Act. The main restrictions are that the assets in a statutory fund can only be used to meet the liabilities and expenses of that statutory fund, to acquire investments to further the business of the statutory fund, or as distributions when capital adequacy requirements are met.

Statutory fund information

The life contract operations of CLC are conducted within four separate statutory funds. Both the shareholders' and policyholders' interests in these statutory funds are reported in aggregate in the financial report of the Group. Fund 1 is a non-investment-linked fund and Fund 3 is investment-linked. Both of these are closed to new business. Funds 2 and 4 are the principal operating funds of the Group. Fund 2 contains non-investment-linked contracts, including the Group's term annuity business, lifetime annuity policies and the related outwards reinsurance, plus the wholesale mortality, wholesale morbidity and longevity inwards reinsurance. Fund 4 is a non-investment-linked fund and contains inwards reinsurance of annuity business written in Japan.

Life contract liabilities for Statutory Funds 1, 2, 3 and 4 are set out below.

Life contract liabilities	30 June 2024 $m	30 June 2023 $m
Statutory Fund 1	0.9	0.9
Statutory Fund 2	12,728.6	11,850.9
Statutory Fund 3	3.0	2.8
Statutory Fund 4	2,546.0	2,437.7
Total life contract liabilities	**15,278.5**	**14,292.3**

Current/non-current split for total life contracts

There is a fixed settlement date for the majority of life contract liabilities. Approximately $3,202.2 million on a discounted basis (30 June 2023: $3,149.6 million) of life contract liabilities have a contractual maturity within 12 months of the reporting date. Based on assumptions applied for the 30 June 2024 valuation of life contract liabilities, $4,241.9 million of principal payments on fixed term and lifetime business are expected in the year to 30 June 2025 (expected in the year to 30 June 2024 $4,167.7 million).

Note 9 Life insurance and investment contract liabilities continued

Life insurance risk

The Group is exposed to longevity risk on its individual and wholesale lifetime annuities (both direct and reinsured) and wholesale longevity reinsurance. Longevity risk is the risk that policyholders may live longer than expectations. The Group is exposed to mortality risk on the wholesale mortality reinsurance. This is the risk that death rates in the reference portfolios exceed expectations. The Group is also exposed to morbidity risk on the wholesale morbidity reinsurance. This is the risk that morbidity rates in the reference portfolios exceed expectations.

The Group manages the longevity risk by regular reviews of the portfolio to confirm continued survivorship of policyholders receiving income plus regular reviews of longevity experience to ensure that longevity assumptions remain appropriate.

In addition, the Group maintains a reinsurance arrangement to manage longevity risk in respect of part of the closed book of individual lifetime annuities.

The Group manages the mortality and morbidity risk by regular reviews of the portfolio to ensure that mortality and morbidity assumptions remain appropriate. The Company's insurance risk policy is approved by the Board and sets out the relevant risk limits for insurance exposures to ensure the insurance risk portfolio is appropriately diversified and contains no significant concentrations of insurance risk.

Insurance risk sensitivity analysis

The table below discloses the sensitivity of life insurance contract liabilities, profit after income tax and equity to changes in the key assumptions relating to insurance risk both gross and net of reinsurance. For direct and reinsured individual lifetime annuities, increased mortality improvements result in an increase in policy liabilities and a loss in the Statement of comprehensive income. For wholesale longevity reinsurance contracts, higher mortality improvements also increase the policy-related cash outflows, resulting in an increase in the present value of future cash flows (PVFCF) component of the policy liability.

This increase in policy-related cash outflows is offset by a reduction in the wholesale longevity reinsurance contracts' CSM flows; however, as PVFCF is required under AASB 17 ***Insurance Contracts*** to be measured at current discount rates and CSM is measured at the historical rate on the date the business was written (locked-in rates), the accounting impact is dependent on the relativity of current to locked-in rates. As at 30 June 2024, current interest rates in the United Kingdom were, on average, higher than locked-in rates.

	Increase/(Decrease) in life insurance contract liabilities				Loss/(Profit) after tax and equity impact			
	Gross		Net		Gross		Net	
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Insurance risk sensitivity analysis	$m	$m	$m	$m	$m	$m	$m	$m
50% increase in the rate of mortality improvement - wholesale longevity reinsurance	(105.0)	(137.3)	(105.0)	(137.3)	(73.4)	(96.1)	(73.4)	(96.1)
50% increase in the rate of mortality improvement - other life insurance contracts	52.3	36.5	52.1	36.2	36.6	25.5	36.4	25.3
1% increase in interest rates - wholesale longevity reinsurance[1,2]	120.6	90.9	120.6	90.9	84.4	63.6	84.4	63.6
10% increase in British pound against Australian dollar - wholesale longevity reinsurance[1]	50.4	38.3	50.4	38.3	35.3	26.8	35.3	26.8
10% increase in maintenance expenses	12.9	11.2	12.9	11.2	9.0	7.8	9.0	7.8

1. Wholesale longevity reinsurance is sensitive to changes in the UK yield curve and changes in the value of the British pound against the Australian dollar.
2. Other life insurance contracts are sensitive to changes in interest rates; however, the exposure is mitigated through hedging activities.

Liquidity risk for insurance contracts

The following table summarises the undiscounted maturity profile of the Group's life insurance contract liabilities. The analysis is based on undiscounted estimated cash outflows, including interest and principal payments. The undiscounted maturity profile of life investment contracts is disclosed in Note 19 Financial risk management.

Undiscounted life insurance contract liabilities	1 year or less $m	1-3 years $m	3-5 years $m	>5 years $m	Total $m
2024	**395.0**	**793.6**	**995.1**	**4,990.5**	**7,174.2**
2023	338.0	663.5	711.9	3,957.2	5,670.6

A life insurance contract can be terminated before its contracted maturity date at the election of the policyholder. The total value considered payable on demand as at 30 June 2024 is $3,191.4 million (2023: $3,011.1 million) being the cash value on surrender of the policies calculated in line with the terms of the contracts.

Notes to the financial statements continued

Note 9 Life insurance and investment contract liabilities continued

Liquidity risk for insurance contracts continued

Expected timing of CSM release

The following table sets out when the Group expects to recognise the remaining CSM in the Statement of comprehensive income.

Expected timing of CSM release	1 year or less $m	1-3 years $m	3-5 years $m	>5 years $m	Total $m
2024	**53.0**	**104.4**	**99.8**	**989.6**	**1,246.8**
2023	39.6	77.2	74.5	772.1	963.4

Components of new business during the year

The following table sets out components of new business for contracts issued during the year. There were no contracts acquired during the years.

	30 June 2024			30 June 2023		
For the year ended	Non-onerous $m	Onerous $m	Total $m	Non-onerous $m	Onerous $m	Total $m
Estimate of present value of future cash outflows, excluding insurance acquisition cash flows	—	1,079.0	**1,079.0**	—	414.4	**414.4**
Insurance acquisition cash flows	—	6.8	**6.8**	—	7.1	**7.1**
Estimate of present value of future cash outflows	—	1,085.8	**1,085.8**	—	421.5	**421.5**
Estimates of present value of cash inflows	(4.5)	(1,024.9)	**(1,029.4)**	(6.9)	(397.2)	**(404.1)**
Risk adjustment	0.5	17.4	**17.9**	0.7	9.4	**10.1**
CSM	4.0	—	**4.0**	6.2	—	**6.2**
Amounts included in insurance contract liabilities for the year	—	78.3	**78.3**	—	33.7	**33.7**

Actuarial information

Mr M Considine FIAA, as the Appointed Actuary of CLC, is satisfied as to the accuracy of the data used in the valuations of life contract liabilities in the financial report.

The life contract liabilities have been determined at the reporting date in accordance with the Life Act, APRA prudential standards, AASB 17 ***Insurance Contracts*** and AASB 9 ***Financial Instruments***.

Note 10 External unit holders' liabilities

	30 June 2024 $m	30 June 2023 $m
Current	3,832.6	4,100.9
Non-current	1,523.7	1,167.9
Total liabilities to external unit holders	**5,356.3**	**5,268.8**

Accounting policy

The Group controls a number of guaranteed index return trusts that contain contributed funds in respect of fixed-term and daily liquid wholesale mandates. The fixed-term and guaranteed nature of the mandates effectively places the balance of the risks related to the performance of the trusts with the Group. As a result, the Group is deemed to control these trusts.

The contributed funds for these trusts are classed as external unit holders' liabilities on the Statement of financial position and represent the funds owing to third parties on these mandates. The liability is recognised at fair value.

Notes to the financial statements continued

Note 11 Derivative financial instruments

Analysis of derivative financial instruments	30 June 2024 Notional value $m	30 June 2024 Net fair value assets $m	30 June 2024 Net fair value liabilities $m	30 June 2023 Notional value $m	30 June 2023 Net fair value assets $m	30 June 2023 Net fair value liabilities $m
Non-SPV						
Interest rate swaps						
Less than one year	30,143.6	5.0	(17.5)	46,490.6	1.9	(12.2)
One to three years	12,387.8	36.9	(11.9)	21,014.4	26.6	(28.4)
Three to five years	7,456.4	22.1	(56.2)	15,213.1	53.5	(22.8)
Greater than five years	23,756.1	306.4	(367.5)	34,190.1	308.3	(436.3)
Total interest rate swaps	**73,743.9**	**370.4**	**(453.1)**	**116,908.2**	**390.3**	**(499.7)**
Collateral securities[1]	**—**	**—**	**84.5**	**—**	**—**	**119.5**
Inflation-linked swaps						
Less than one year	128.0	1.4	(2.7)	—	—	—
One to three years	735.0	—	(81.6)	493.0	1.3	(33.3)
Three to five years	241.0	1.1	(17.9)	611.0	1.0	(62.7)
Greater than five years	481.0	19.9	(4.2)	481.0	17.7	(2.7)
Total inflation-linked swaps	**1,585.0**	**22.4**	**(106.4)**	**1,585.0**	**20.0**	**(98.7)**
Future contracts						
Less than one year	11,866.7	—	(1.5)	14,930.1	—	(2.0)
One to three years	133.5	—	—	38.5	—	—
Total futures contracts	**12,000.2**	**—**	**(1.5)**	**14,968.6**	**—**	**(2.0)**
Commodities futures contracts						
Less than one year	777.5	—	—	1,627.6	—	—
Total commodities futures contracts	777.5	—	—	1,627.6	—	—
Forward currency contracts						
Less than one year	5,122.8	38.3	(13.4)	5,857.6	46.9	(37.3)
Total forward currency contracts	**5,122.8**	**38.3**	**(13.4)**	**5,857.6**	**46.9**	**(37.3)**
Cross-currency swaps						
Less than one year	2,963.4	12.5	(30.4)	2,823.7	18.8	(13.5)
One to three years	4,791.4	57.6	(18.3)	4,455.6	34.4	(37.5)
Three to five years	4,306.4	44.9	(14.1)	4,703.5	19.8	(40.8)
Greater than five years	299.2	1.9	(4.5)	104.7	0.1	(0.6)
Total cross-currency swaps	**12,360.4**	**116.9**	**(67.3)**	**12,087.5**	**73.1**	**(92.4)**
Equity swaps						
Less than one year	1,562.3	35.1	(1.2)	1,694.9	42.7	(0.6)
Total equity swaps	**1,562.3**	**35.1**	**(1.2)**	**1,694.9**	**42.7**	**(0.6)**

Analysis of derivative financial instruments (continued)	30 June 2024 Notional value $m	30 June 2024 Net fair value assets $m	30 June 2024 Net fair value liabilities $m	30 June 2023 Notional value $m	30 June 2023 Net fair value assets $m	30 June 2023 Net fair value liabilities $m
Credit default swaps						
Three to five years	—	—	—	1,014.0	27.9	—
Total credit default swaps	**—**	**—**	**—**	**1,014.0**	**27.9**	**—**
Other	**30.9**	**—**	**(8.4)**	**—**	**—**	**—**
Total Non-SPV	**107,183.0**	**583.1**	**(566.8)**	**155,743.4**	**600.9**	**(611.2)**
SPV						
Interest rate swaps – SPVs						
Less than one year	—	—	—	0.1	—	—
One to three years	—	—	—	0.6	—	—
Total interest rate swaps – SPV	**—**	**—**	**—**	**0.7**	**—**	**—**
Cross-currency swaps – SPVs						
Greater than five years	—	—	—	130.0	0.2	(0.1)
Total cross-currency swaps – SPV	**—**	**—**	**—**	**130.0**	**0.2**	**(0.1)**
Total SPV	**—**	**—**	**—**	**130.7**	**0.2**	**(0.1)**
Total derivative financial instruments[2,3]	**107,183.0**	**583.1**	**(566.8)**	**155,874.1**	**601.1**	**(611.3)**

1. Collateral securities relates to centrally cleared interest rate swaps.
2. The Group's derivative financial instruments are subject to enforceable netting arrangements under International Swaps and Derivatives Association (ISDA) Master Agreements with derivative counterparties, allowing for net settlement as a single arrangement of multiple instruments with a counterparty in the event of default or other specified circumstances. If applied to the derivative portfolio, the derivative assets would decrease by $248.8 million (30 June 2023: $287.0 million) and the derivative liabilities would decrease by $248.8 million (30 June 2023: $287.0 million).
3. The Group actively manages its bond holdings for hedging purposes, which requires the rebalancing of duration risk using interest rate swaps, increasing the reported gross notional value. Compression trades are implemented periodically to net down offsetting pay and receive positions to reduce gross notional amounts.

Accounting policy

The Group uses derivative financial instruments predominantly to hedge its risks associated with interest rate, inflation and foreign currency fluctuations and to gain exposure to different markets. All derivative financial instruments are stated at fair value. Gains or losses arising from fair value changes on derivatives that do not qualify for hedge accounting are recognised in the Statement of comprehensive income. For the purpose of hedge accounting, hedges are classified as:

- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of net investments in foreign operations when they hedge the exposure to changes in the value of the assets and liabilities of a foreign controlled entity when they are translated from their functional currency to the presentation currency.

At the inception of a hedge relationship to which the Group wishes to apply hedge accounting, the Group formally designates and documents the hedge relationship and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of the instrument in offsetting the exposure to changes in the hedged item.

Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or foreign exchange differences and are assessed on an ongoing basis to determine that they actually have been highly effective over the period that they were designated.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, and that could affect the Statement of comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Statement of comprehensive income.

Amounts recognised in equity are transferred to the Statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-investment asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-investment asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Hedges of net investments in foreign operations

The gain or loss on the effective portion of the hedging instrument is recognised directly in equity and the gain or loss on the ineffective portion is recognised immediately in the Statement of comprehensive income. The cumulative gain or loss previously recognised in equity is recognised in the Statement of comprehensive income on disposal or partial disposal of the foreign operation.

Notes to the financial statements continued

Note 11 Derivative financial instruments continued

Derivatives designated as hedges of net investment in foreign currency operations

The Group hedges its exposure to accounting gains and losses arising from translation of foreign controlled entities from their functional currency into the Group's presentation currency on consolidation. At 30 June 2024, a post-tax loss of $28.6 million (30 June 2023: post-tax gain of $4.2 million) was recognised in Other comprehensive income (OCI) for the hedging of exposure to the net investment in foreign currency operations.

Derivatives designated as cash flow hedges

The Group applies hedge accounting when it can demonstrate that all, or a portion of, the value movements of a derivative financial instrument effectively hedges the variability in cash flows attributable to a specific risk associated with a recognised asset or liability or probable future transaction. As described in Note 19 Financial risk management, SPVs enter into interest rate swap agreements to hedge the interest rate risk between variable rate loans, which generally reprice with changes in official interest rates, and issued RMBS that reprice with changes in the 30-day and 90-day bank bill swap rates. Cross-currency swaps were also entered into to hedge currency movements on foreign-denominated RMBS throughout the year ended 30 June 2024. The SPVs apply hedge accounting to both types of transaction, with the fair value change on the effective portion of the derivative being recognised in OCI.

For the year ended 30 June 2024, an after-tax loss of $(0.2) million (30 June 2023: post-tax gain $0.1 million) was recognised in equity for cash flow hedges with no Statement of comprehensive income impact of any ineffective portions during either the current or prior year. At 30 June 2024, the SPV cash flow hedges were closed out following the repayment of foreign-denominated RMBS.

Note 12 Notes to Statement of cash flows

Reconciliation of profit to operating cash flow	30 June 2024 $m	30 June 2023[1] $m
Profit for the year after income tax[2]	**134.3**	**179.4**
Adjusted for		
Net realised and unrealised losses/(gains) on investment assets	(415.9)	(343.1)
Share of associates' net profit	(31.5)	(25.3)
Change in life contract liabilities[3]	717.0	507.7
Depreciation and amortisation expense	13.8	14.5
Impairment of assets	1.3	—
Share-based payments	19.6	16.8
Dividends from associates	30.0	23.5
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(14.8)	62.3
Decrease/(increase) in other assets	5.0	(1.2)
Increase in payables	5.7	47.4
Increase/(decrease) in provisions	0.4	(16.1)
Increase in life contract liabilities	269.2	(173.0)
Increase in external unit holders' liabilities	87.5	882.4
Decrease in net tax liabilities	22.1	98.3
Net cash flows from operating activities	**843.7**	**1,273.6**

1. The Group adopted AASB 17 ***Insurance Contracts*** from 1 July 2023 and has restated the prior year. The impacts of adoption are detailed in Note 1.
2. Profit for the year after income tax excludes discontinued operations.
3. Changes relate to movements through the Statement of comprehensive income.

Accounting policy

Cash and cash equivalents are financial assets and comprise cash at bank and on hand plus short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The carrying amount of cash and cash equivalents is materially equal to fair value due to the assets being highly liquid. For the purposes of the Statement of cash flows, cash and cash equivalents are stated net of bank overdrafts.

Section 4: Capital structure and financing costs

This section outlines how the Group manages its capital structure and related financing costs, as well as capital adequacy and reserves. It also provides details on the dividends and earnings per share of the Company.

Note 13 Contributed equity

	30 June 2024		30 June 2023	
	No. of shares m	Value of shares $m	No. of shares m	Value of shares $m
Analysis of contributed equity				
Ordinary shares issued and fully paid	691.1	2,566.2	687.6	2,543.5
Employee shares treated as Treasury shares	(4.2)	(31.3)	(3.8)	(30.4)
CPP deferred share purchases treated as Treasury shares	(3.6)	(22.5)	—	—
Total contributed equity	**683.3**	**2,512.4**	**683.8**	**2,513.1**
Movements in contributed equity				
Ordinary shares				
Balance at the beginning of the year	687.6	2,543.5	682.2	2,505.5
Issued under Dividend Reinvestment Plan	3.5	22.7	5.4	38.0
Balance at the end of the year	**691.1**	**2,566.2**	**687.6**	**2,543.5**
CPP Trust				
Balance at the beginning of the year	3.8	30.4	1.0	9.6
Shares purchased (including settled forwards)	1.7	11.7	3.7	30.4
Vested shares released to employees	(1.3)	(10.8)	(0.9)	(9.6)
Balance at the end of the year	**4.2**	**31.3**	**3.8**	**30.4**
CPP deferred share purchases				
Balance at the beginning of the year	—	—	1.2	14.4
Deferred Treasury shares purchased (including settled forwards)[1]	3.6	22.5	(1.2)	(14.4)
Balance at the end of the year	**3.6**	**22.5**	**—**	**—**

1. On 14 September 2023, Challenger entered into a forward purchase agreement with National Australia Bank (NAB) for the purchase of 3.6 million shares in September 2024.

Accounting policy

Ordinary shares are classified as equity and have no par value. Issued capital in respect of ordinary shares is recognised as the fair value of the consideration received by the parent entity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are ordinary shares in the Company held by the Challenger Performance Plan Trust in respect of equity incentive plan awards to employees. Refer to Note 30 Employee entitlements for further details.

Components of contributed equity

Ordinary shares

A holder of an ordinary share is entitled to receive dividends and to one vote on a show of hands and on a poll.

Employee shares treated as Treasury shares

Restricted Shares (RS)

A Restricted Share is a beneficial interest in a fully paid ordinary share. RS provide an entitlement to vote and a right to dividends; however, legal ownership of these shares still resides with Challenger, therefore RS are treated as Treasury shares for the basic EPS calculation. After the vesting period, legal ownership transfers to the employee and RS cease to be considered Treasury shares and are included in the dilutive EPS calculation. At 30 June 2024, 2.4 million RS are on issue to employees.

Notes to the financial statements continued

Note 13 Contributed equity continued

Components of contributed equity continued

Employee shares treated as Treasury shares continued

Challenger Performance Plan (CPP) Trust

The CPP Trust is a controlled entity and holds shares in the Company. As a result, the CPP Trust's shareholding in the Company is disclosed as Treasury shares and deducted from equity. Dividends paid from the Company to the CPP Trust are eliminated on consolidation.

From 21 June 2024 to 28 June 2024, Challenger acquired 1.7 million shares on market to place in the CPP Trust. These shares have been acquired to satisfy Performance Share Rights, which are expected to vest in September 2024, and any restricted units that are expected to be awarded.

CPP deferred share purchases treated as Treasury shares

The shares purchased under forward purchase agreements are treated as Treasury shares from the date of the agreement. Shares are transferred to the CPP Trust on the future settlement date.

Capital management

A company is generally limited in the risk-taking activities that it can engage in by the amount of capital it holds, with capital acting as a buffer against risk, ensuring that there are sufficient resources to enable the company to continue normal business in the event of an unexpected loss.

The prudentially regulated CLC manages capital via an Internal Capital Adequacy Assessment Process (ICAAP). Under the prudential standards, a life company must have in place an ICAAP, documented in an ICAAP Summary Statement. CLC complied with these requirements at all times during the year.

The objective of the ICAAP is to ensure that CLC maintains adequate capital in respect of the risks to which it is exposed so that it can fulfil its obligations to policy owners (in particular, the duty to give priority to the interests of owners and prospective owners of policies referable to a fund). The ICAAP also enables CLC to invest both strategically and tactically in opportunities that deliver a return on equity above the cost of capital for shareholders.

There were no material changes to the Group's capital management process during the year.

All of the Group's regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

Prescribed Capital Amount (PCA)

PCA refers specifically to CLC's regulatory capital requirements.

CLC holds capital to ensure that under a range of adverse scenarios it can continue to meet its regulatory requirements and contractual obligations to customers. CLC is regulated by APRA and is required to hold a minimum level of regulatory capital. CLC's regulatory capital base and PCA have been calculated based on the prudential standards issued by APRA.

CLC's target surplus

CLC maintains a target level of capital representing APRA's PCA plus a target surplus. The target surplus is a management guide to the level of excess capital that CLC seeks to hold over and above APRA's minimum requirements. CLC's target surplus is set to ensure that it provides a buffer against adverse market conditions and having regard to CLC's credit rating. CLC uses internal capital models to determine its target surplus, which are risk based and are responsive to changes in CLC's asset allocation and market conditions.

CLC's internal capital models result in a target PCA ratio range under current circumstances of 1.3 to 1.7 times. This range can change over time and is dependent on numerous factors.

The PCA ratio at 30 June 2024 was 1.67 times (30 June 2023: 1.59 times), within this range of 1.3 to 1.7 times. The CET1 ratio was 1.23 times at 30 June 2024, an increase from 1.16 times at 30 June 2023.

Funds Management and other capital

In addition to CLC's excess regulatory capital, Challenger maintains cash and tangible assets within the Funds Management and Corporate legal entities. These assets can be used to meet regulatory capital requirements. Challenger also maintains a revolving corporate debt facility with a domestic financial institution which provides additional financial flexibility. As at 30 June 2024, the aggregate facility limit was $400.0 million and was undrawn (30 June 2023: undrawn).

Effective 23 July 2024, the revolving corporate debt facility limit was reduced to $250.0 million.

Note 13 Contributed equity continued

Capital as at 30 June 2024	CLC $m	Other[1] $m	Group $m
Regulatory capital base			
Shareholder equity[2]	3,235.9	649.3	3,885.2
Goodwill and other intangibles	(69.3)	(515.3)	(584.6)
Other adjustments[3]	130.8	5.7	136.5
Eligible regulatory debt	1,161.3	—	1,161.3
Total capital base	**4,458.7**	**139.7**	**4,598.4**
Minimum Regulatory Requirement[1]	2,674.0	35.4	2,709.4
Excess over Minimum Regulatory Requirement	**1,784.7**	**104.3**	**1,889.0**
Common Equity Tier 1 (CET1) regulatory capital	3,297.4	—	3,297.4
Additional Tier 1 regulatory capital	735.0	—	735.0
Total Tier 1 regulatory capital	**4,032.4**	**—**	**4,032.4**
Tier 2 regulatory capital[4]	426.3	—	426.3
Other non-regulatory capital	—	139.7	139.7
Total capital base	**4,458.7**	**139.7**	**4,598.4**
CET1 capital ratio (times)[5]	1.23	—	—
Tier 1 capital ratio (times)[6]	1.51	—	—
Minimum Regulatory Requirement ratio (times)[7]	1.67	3.95	1.70

1. Includes Funds Management, Corporate and Life (Non CLC) entities. Funds Management Minimum Regulatory Requirement (MRR) for capital is based on requirements set by ASIC and regulators in other foreign jurisdictions. MRR is equivalent to PCA for CLC.
2. Balances differ to Note 4 Segment information as regulatory requirements are applicable to individual legal entities.
3. Other adjustments predominantly related to deferred tax asset and intercompany items and and differences in measurement of policy liabilities between accounting and regulatory capital bases.
4. CLC represents subordinated debt.
5. CET1 capital ratio is Common Equity Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
6. Tier 1 capital ratio is Total Tier 1 regulatory capital divided by Minimum Regulatory Requirement.
7. Minimum Regulatory Requirement ratio is total capital base divided by Minimum Regulatory Requirement.

Credit ratings

Standard & Poor's long-term credit ratings for the Company and CLC at the Statement of financial position date are 'BBB+' (stable) and 'A' (stable) respectively (30 June 2023: 'BBB+' (stable) and 'A' (stable) respectively).

Dividends

The Group has historically targeted a dividend payout ratio of between 30% and 50% of normalised profit after tax over the medium term, subject to prevailing market conditions and alternate uses of capital.

The dividend payout ratio for the year ended 30 June 2024 was 43.5% of normalised profit after tax (30 June 2023: 45.0%).

Dividend Reinvestment Plan (DRP)

The Company continued the DRP for the 2023 final dividend, and on 20 September 2023 issued 3,256,014 ordinary shares to satisfy the plan. The DRP issue price per share for the 2023 final dividend was $6.4375 and represented the volume weighted average share price over the 10 trading days from 31 August 2023 to 13 September 2023. The final DRP participation rate was 25.4% of all issued shares.

The Group resumed the DRP for the 2024 interim dividend, and on 19 March 2024 issued 258,310 ordinary shares to satisfy the plan. The DRP issue price per share for the interim 2024 dividend was $6.7790 and represented the volume weighted average share price over the 10 trading days from 23 February 2024 to 7 March 2024. The interim DRP participation rate was 2.0% of all issued shares.

Notes to the financial statements continued

Note 14 Interest bearing financial liabilities

	30 June 2023 Facility	30 June 2023 Opening balance	Cash flows proceeds/ (repayments)	Non-cash movements Foreign exchange	Non-cash movements Fair value changes	Non-cash movements Other	30 June 2024 Closing balance	30 June 2024 Facility
	$m	$m	$m	$m	$m	$m	$m	$m
Bank loans								
Corporate[1]	400.0	—	—	—	—	—	—	400.0
Controlled property trusts[2]	281.9	283.6	(2.7)	(29.4)	—	0.3	251.8	250.1
Controlled infrastructure trusts	164.4	164.4	(8.8)	—	—	0.2	155.8	155.8
Repurchase agreements	4,069.7	4,069.7	1,253.6	—	—	—	5,323.3	5,323.3
Total bank loans	**4,916.0**	**4,517.7**	**1,242.1**	**(29.4)**	**—**	**0.5**	**5,730.9**	**6,129.2**
Non-bank loans								
Subordinated debt	400.0	403.0	—	—	15.0	—	418.0	400.0
Challenger Capital Notes 3[3]	385.0	381.4	—	—	—	1.2	382.6	385.0
Challenger Capital Notes 4[3]	350.0	343.6	—	—	—	0.7	344.3	350.0
Loan notes – SPV	190.9	190.9	12.1	—	—	—	203.0	203.0
Total non-bank loans	**1,325.9**	**1,318.9**	**12.1**	**—**	**15.0**	**1.9**	**1,347.9**	**1,338.0**
Total interest bearing financial liabilities	**6,241.9**	**5,836.6**	**1,254.2**	**(29.4)**	**15.0**	**2.4**	**7,078.8**	**7,467.2**
Current		4,080.2					5,584.5	
Non-current		1,353.4					1,494.3	
		5,433.6					**7,078.8**	

	30 June 2022 Facility	30 June 2022 Opening balance	Cash flows proceeds/ (repayments)	Non-cash movements Foreign exchange	Non-cash movements Fair value changes	Non-cash movements Other	30 June 2023 Closing balance	30 June 2023 Facility
	$m	$m	$m	$m	$m	$m	$m	$m
Bank loans								
Corporate[1]	400.0	—	—	—	—	—	—	400.0
Controlled property trusts[2,3]	334.0	335.9	(45.4)	(7.7)	—	0.8	283.6	281.9
Controlled infrastructure trusts[3]	172.3	172.3	(8.1)	—	—	0.2	164.4	164.4
Term funding[4]	5.4	5.4	—	—	—	(5.4)	—	—
Repurchase agreements[4]	3,769.9	3,769.9	334.6	—	—	(34.8)	4,069.7	4,069.7
Total bank loans	**4,681.6**	**4,283.5**	**281.1**	**(7.7)**	**—**	**(39.2)**	**4,517.7**	**4,916.0**
Non-bank loans								
Subordinated debt	400.0	398.4	—	—	4.6	—	403.0	400.0
Challenger Capital Notes 2[3]	460.0	458.2	(460.0)	—	—	1.8	—	—
Challenger Capital Notes 3[3]	385.0	380.2	—	—	—	1.2	381.4	385.0
Challenger Capital Notes 4[3]	—	—	350.0	—	—	(6.4)	343.6	350.0
Loan notes – SPV	262.7	262.7	(71.8)	—	—	—	190.9	190.9
Total non-bank loans	**1,507.7**	**1,499.5**	**(181.8)**	**—**	**4.6**	**(3.4)**	**1,318.9**	**1,325.9**
Total interest bearing financial liabilities	**6,189.3**	**5,783.0**	**99.3**	**(7.7)**	**4.6**	**(42.6)**	**5,836.6**	**6,241.9**
Current		4,191.6					4,483.2	
Non-current		1,591.4					1,353.4	
		5,783.0					**5,836.6**	

1. No amounts were drawn from the facility in the year.
2. Total facility limit consists of non-redraw loan facilities limits totalling $250.1 million (30 June 2023: $281.9 million).
3. Held at amortised cost. The fair value of these are Challenger Capital Notes 2 nil (30 June 2023: Nil), Challenger Capital Notes 3 $401.6 million (30 June 2023: $401.7 million), Challenger Capital Notes 4 $361.1 million (30 June 2023: $352.3 million); controlled property trusts $264.9 million (30 June 2023: $295.4 million); and controlled infrastructure trusts $166.7 million (30 June 2023: $167.4 million).
4. The Reserve Bank of Australia (RBA) term funding facility ($5.4 million) and the repurchase agreements ($58.8 million) of Challenger Bank were reclassified to held for sale in 1H23. The repurchase agreements were repaid in 2H23.

Accounting policy

Note 14 Interest bearing financial liabilities continued

All borrowings and subordinated debt are financial liabilities and are initially recognised at fair value. For those financial liabilities which require subsequent measurement at fair value through profit or loss, directly attributable transaction costs are expensed with movements on fair value recognised in the Statement of comprehensive income.

Financial liabilities, other than those held by CLC's statutory funds or their controlled entities, are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of comprehensive income over the year of the contract using the effective interest rate method.

Repurchase agreements are all short term in nature, and are therefore valued at amortised cost which approximates fair value.

Bank loans	Type	Maturity	Rate type	Ranking/security
Corporate	Facility	Tranche 1: $150 million expiring on 31 December 2024 Tranche 2: $250 million expiring on 31 December 2026	Variable	Security by guarantees between members of the Group
Controlled property trusts[1]	Loan	1 October 2024	Variable	First ranking mortgages over Japanese investment properties: $250.8 million (30 June 2023: $281.8 million)
Controlled infrastructure trusts[2]	Facility	1 December 2035	Variable	First ranking mortgages over infrastructure assets

1. Controlled property trusts consists of a loan facility for Japanese investment properties with maturity date October 2024. This loan is held at amortised cost. The fair value of these liabilities at 30 June 2024 was $264.9 million (30 June 2023: $295.4 million).
2. Controlled infrastructure trusts relates to a loan facility for Oaklands Hill Wind Farm. This loan is held at amortised cost. The fair value of this liability at 30 June 2024 is $166.7 million (30 June 2023: $167.4 million).

Repurchase agreements

CLC has entered into repurchase agreements with certain counterparties whereby fixed income securities are sold for cash while simultaneously agreeing to repurchase the fixed income security at a fixed price and fixed date in the future. These agreements finance bonds held for hedging purposes and are interest bearing, with interest factored into the price at which the bonds are repurchased and paid on repurchase. All agreements as at 30 June 2024 are current and all mature by August 2024. They will continue to be rolled into new agreements in the future.

CLC uses Australian Government and Semi-Government Bonds with repurchase agreements, interest rate swaps and bond futures to hedge movements in interest rates on its asset portfolio, annuity policy liabilities, Guaranteed Index Return mandates and the Challenger Index Plus Fund.

Non-bank loans

Subordinated debt

In September 2022, CLC issued $400.0 million of fixed-to-floating rate, unlisted, unsecured subordinated notes. The subordinated notes qualify as Tier 2 regulatory capital under APRA's prudential standards and have a term of 15 years, with a maturity date in September 2037. The subordinated notes include an option for CLC to redeem the subordinated notes in September 2027 subject to APRA's approval. Expenses incurred of $2.8 million were recognised in the Statement of comprehensive income in relation to the issuance.

Subsequently, on 24 November 2022, CLC redeemed $400.0 million of floating rate unsubordinated notes which were issued on 24 November 2017, in accordance with the note's terms of issue.

Challenger Capital Notes – 3 and 4

Challenger Capital Notes 3 and 4 have similar structural characteristics, including:

– quarterly, floating, discretionary, non-cumulative distributions based on a margin over 3-month BBSW;
– optional exchange whereby notes may be redeemed or resold for cash or converted to ordinary shares in the Company, at the Company's option, on the relevant Optional Exchange Date (or on an earlier date in certain circumstances), subject to APRA's prior written approval; and
– mandatory conversion to ordinary shares in the Company on the relevant Mandatory Conversion Date, subject to certain conditions being satisfied. If the conditions to mandatory conversion are not met on the relevant Mandatory Conversion Date, conversion will be deferred to a later date when the conditions are retested.

Notes to the financial statements continued

Note 14 Interest bearing financial liabilities continued

The costs associated with the issue of Challenger Capital Notes 3 and 4 have been capitalised against the relevant liability and are being recognised in the Statement of comprehensive income over the life of the notes.

	Notes 3	Notes 4
Issue date	25 November 2020	5 April 2023
Issue amount	$385.0 million	$350.0 million
Outstanding amount	$385.0 million	$350.0 million
Optional Exchange Date	25 May 2026	25 May 2029 25 Aug 2029 25 Nov 2029 25 Feb 2030
Mandatory Conversion[1]	25 May 2028	25 Feb 2032

1. Conversion to a variable number of shares.

Loan notes - SPV

SPV interest bearing liabilities are initially recognised at fair value calculated net of directly attributable transaction costs, and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of comprehensive income over the period of the contract using the effective interest rate method.

Key estimates and assumptions

Subordinated debt valuation

Subordinated debt is recognised at fair value and is valued by reference to the 'ask' price observable in the market at balance date.

The change recognised in the Statement of comprehensive income in respect of valuation changes for the year ended 30 June 2024 was a loss of $15.0 million (30 June 2023: loss of $4.6 million).

Note 15 Reserves and retained earnings

	30 June 2024 $m	30 June 2023 $m
Share-based payments reserve		
Balance at the beginning of the year	(39.0)	(51.8)
Share-based payments for the year	19.6	16.8
Releases from share-based payments reserve	(10.8)	(9.6)
Tax in equity	3.8	5.6
Balance at the end of the year	**(26.4)**	**(39.0)**
Cash flow hedge reserve – loan assets		
Balance at the beginning of the year	0.2	—
(Loss)/Gain on cash flow hedges	(0.2)	0.2
Balance at the end of the year	**—**	**0.2**
Foreign currency translation reserve		
Balance at the beginning of the year	(13.7)	(3.2)
(Loss)/gain on translation of foreign entities[1]	(30.0)	(6.3)
Gain/(loss) on hedge of net investment in foreign entities[1]	28.6	(4.2)
Balance at the end of the year	**(15.1)**	**(13.7)**
Adjusted controlling interests reserve[2]		
Balance at the beginning of the year	16.7	5.7
Change in holdings in controlled entities	6.4	11.0
Balance at the end of the year	**23.1**	**16.7**
Total reserves	**(18.4)**	**(35.8)**
Retained earnings		
Balance at the beginning of the year	1,429.6	1,418.7
Profit attributable to equity holders	129.9	171.4
Dividends paid	(172.1)	(160.5)
Total retained earnings	**1,387.4**	**1,429.6**

1. Net of tax.
2. Represents equity in subsidiaries that is not attributable, directly or indirectly, to the parent company.

Accounting policy

Share-based payments reserve

An expense is recognised over the vesting period of share-based payments granted to employees. This expense is based on the valuation of the equity benefits conferred at the grant date. When an instrument is granted, and an expense incurred, there is a corresponding increase in the share-based payments reserve directly in equity.

The total of this reserve is net of any gain or loss realised on the disposal of forfeited shares held within the schemes. On vesting of the award and delivery of shares to employees, they are subsequently recognised as an increase in contributed equity and a reduction in the share-based payment reserve at an average acquisition price, which may be higher or lower than the initial recognised valuation price.

Foreign currency translation reserve

This reserve is used to record foreign exchange differences arising from the translation of the foreign subsidiaries. It also includes the effective portion of fair value changes on foreign exchange derivative contracts designated as hedges of a net investment in a foreign entity.

Adjusted controlling interests reserve

This reserve relates to changes arising from movements in the ownership interests in entities already controlled by the Group. The difference between the fair value of the consideration paid/received for the change in holding and the change in the Group's share of the net assets of the entity is recorded in this reserve.

Cash flow hedge reserve – loan assets

This comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Notes to the financial statements continued

Note 16 Finance costs

	30 June 2024 $m	30 June 2023 $m
Interest expense[1]	701.1	487.4
Interest expense – lease liabilities	1.4	1.3
Interest expense – loan notes - SPV	10.6	8.2
Interest expense – property trusts	3.3	3.8
Interest expense – Challenger Capital Notes 2, 3 and 4	45.3	44.6
Other finance costs	5.0	4.0
Total finance costs	**766.7**	**549.3**

1. Interest expense includes $455.3 million (30 June 2023: $340.5 million) external unit holders' liabilities finance costs, representing the return to the external unit holders on assets held in the consolidated external unit holder liability investment trusts. The amount is a function of the performance of the underlying guaranteed index plus the agreed margin. The amount is an expense/(income) when the performance of the underlying guaranteed index plus the agreed margin is positive/(negative).

Accounting policy

Finance costs represent interest incurred on interest bearing financial liabilities (primarily external unit holders' liabilities return, repurchase agreements, the securitised RMBS issued by the consolidated Special Purpose Vehicles (SPVs), subordinated debt, bank loans and other borrowings) and are recognised as an expense in the period in which they are incurred.

Note 17 Dividends paid and proposed

Dividends proposed	Amount per share Cents	Total amount $m
For the year ended 30 June 2024		
Final dividend determined in respect of the year ended 30 June 2024	13.5	93.3
Dividends declared and paid		
Final dividend determined in respect of the year ended 30 June 2023	12.0	82.3
Interim dividend determined in respect of the year ended 30 June 2024	13.0	89.8
Total dividends paid by the Group[1]		**172.1**

1. Refer to Note 13 Contributed equity for details of the dividend policy.

Dividend franking credits

Franking credits available to shareholders are $233.8 million (30 June 2023: $287.7 million), based on a tax rate of 30%. The amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking debits that will arise after the end of the reporting period from the refund of current assets for income tax and franking debits in respect of accrued interest on Challenger Capital Notes 3 and 4.

The impact of the proposed dividend will be to reduce the balance of the franking account by $38.5 million. All dividends are franked at a tax rate of 30%.

Note 18 Earnings per share

	30 June 2024 cents	30 June 2023[1] cents
Basic earnings per share	19.0	25.0
Diluted earnings per share	18.5	24.6
	$m	**$m**
Profit attributable to ordinary shareholders	129.9	171.4
Total earnings used in the calculation of diluted earnings per share[2]	**129.9**	**171.4**
Number of shares	Number	Number
Weighted average of ordinary shares issued	690,222,781	684,575,248
Weighted average of Treasury shares	(5,620,591)	(2,514,397)
Weighted average ordinary shares for basic earnings per share	**684,602,190**	**682,060,851**
Adjusted for potential ordinary shares:		
Weighted average effect of Challenger Performance Plan	16,137,717	15,039,064
Weighted average ordinary shares for diluted earnings per share[2]	**700,739,907**	**697,099,915**

1 Comparative information has been restated to reflect the impact of transition to AASB 17.
2 With the restatement of the prior year balances, the interest on Notes and CLC Subordinated Notes for the diluted calculation for prior year are considered non-dilutive.

Accounting policy

Basic earnings per share is calculated by dividing the total profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The weighted number of ordinary shares outstanding is net of Treasury shares held by the Challenger Performance Plan (CPP) Trust or under CPP deferred share purchase agreements in respect of equity incentive plan awards to employees.

Accounting treatment of Capital Notes and subordinated debt

Challenger Capital Notes 3 and 4 and subordinated debt are an effective source of funding for Challenger.

Each of the Capital Notes 3 and 4 and subordinated debt have convertibility features which would result in these instruments converting to ordinary shares under certain circumstances, including APRA determining CLC to be non-viable.

Challenger may choose to redeem or resell (rather than convert) all or some of the notes for their face value at a future date, subject to APRA approval and market conditions.

Under AASB 133 ***Earnings per Share***, convertible debt is considered dilutive whenever the interest per potential ordinary share for each of these instruments is less than Challenger's basic EPS for the year. As such, a test is required at each reporting period to determine if they are included in the dilutive share count.

Diluted earnings per share is calculated by dividing the total adjusted profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive shares that may be converted under the terms of Challenger Capital Notes 3 and 4 (Notes), CLC Subordinated Notes and shares granted under the CPP.

The dilutive share count for Challenger's convertible debt (Challenger Capital Notes 3 and 4 and subordinated debt) is based on the following formula:

$$\frac{\text{Face value of debt}}{\text{Conversion factor x Challenger's 20-day VWAP share price}}$$

The conversion factor on all Challenger's convertible debt is 99% of the weighted average Challenger share price over the last 20 days of trading (subject to a minimum VWAP floor) in each reporting period.

An assessment of the dilutive impact of convertible securities is usually done by reference to the determination as to whether the interest received would be more or less than the earnings per share and whether it would be rational for a holder to receive coupon from the convertible security or dividends from holding the shares.

The profit attributable to ordinary shareholders is adjusted by interest on Notes and CLC Subordinated Notes for the diluted calculation when the Notes and CLC Subordinated Notes are considered non-dilutive. In the current and prior year, neither are considered dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes to the financial statements continued

Section 5: Risk management

This section outlines how financial risk is managed within the Group and provides additional information about how the overall risk management program seeks to minimise potentially adverse financial effects associated with key financial risks. This section also provides disclosures on the fair values of assets and liabilities of the Group, the valuation techniques used in determining the fair value of those assets and liabilities, and the sensitivities of assets categorised as Level 3 instruments to reasonably possible changes in valuation assumptions.

Note 19 Financial risk management

Governance and risk management framework

The Group's activities expose it to a variety of financial risks, such as market risk (including currency risk, interest rate risk, inflation risk, equity price risk and credit spread risk), credit default risk and liquidity risk. The management of these risks is fundamental to the Group's business and to building shareholder value. The Board is responsible, in conjunction with senior management, for understanding the risks associated with the activities of the Group and implementing structures and policies to adequately monitor and manage those risks.

The Board is responsible, in conjunction with senior management and all staff members, for the management of risks associated with the business and implementing structures and policies to adequately monitor and manage these risks.

The Board has established the Group Risk Committee (GRC) and the Group Audit Committee (GAC) to assist in the discharge of certain responsibilities. In particular, the GRC assists the Board in setting the risk appetite and ensuring the Group has an effective risk management framework incorporating management, operational and financial controls.

The Executive Risk Management Committee (ERMC) is an executive committee, chaired by the Chief Risk Officer (CRO), which assists the GRC, GAC and Board in the discharge of their risk management obligations by implementing the Board-approved risk management framework.

The Group's Risk division has day-to-day responsibility for monitoring the implementation of the framework with oversight, analysis, monitoring and reporting of risks. The CRO provides regular reporting to the GRC and the Board.

The Group's principal financial instruments consist of cash and cash equivalents, receivables, derivatives, investment assets at fair value through profit and loss, payables, life contract liabilities and other interest bearing financial liabilities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instruments, are disclosed in 'Section 1: Basis of preparation and overarching significant accounting policies' and are included in the relevant notes to the financial statements.

Market risk

Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises (among others) interest rate risk (due to fluctuations in market interest rates), price risk (due to fluctuations in the fair value of equities and other alternatives or credit spreads) and currency risk (due to fluctuations in foreign currency exchange rates).

Interest rate risk

Interest rate risk is the risk of fluctuations in the Group's earnings and equity arising from movements in market interest rates, including changes in the absolute levels of interest rates, the shape of the yield curve, the margin between the different yield curves and the volatility of interest rates.

It is the Group's policy to minimise the impact of interest rate movements on debt servicing capacity, Group profitability, business requirements and company valuation. The amount of drawn net recourse corporate interest bearing liabilities, and their duration is determined with reference to the annual budget and the most current forecasts. The Group's strategy is to have no interest rate hedges with a duration of greater than five years and targets average hedge duration of three years.

CLC's market risk policy is approved by the CLC Board and sets out the relevant risk limits for interest rate exposure. It is CLC's policy to minimise the impact of interest rate movements on its projected future cash flows. The management of the risks associated with life investment and life insurance contracts, including interest rate risk, is subject to the prudential requirements of the Life Act and APRA. This includes satisfying capital adequacy requirements, which in turn include consideration of how the interest rate sensitivity of assets and liabilities are matched.

For the SPV entities, the impact of a rising/falling Bank Bill Swap Rate (BBSW) results in an increase/decrease in the cost of funding and therefore on the profit of the trusts. This interest rate risk is mitigated by actively adjusting the interest rates charged to borrowers if a sustained adverse differential to the benchmark is evidenced. SPV entities are also exposed to the risks arising from borrowers fixing the rates on their mortgage.

Note 19 Financial risk management continued

Interest rate sensitivity

The Group's sensitivity to movements in interest rates in relation to the value of investment assets and liabilities (excluding impacts from insurance contracts liabilities which are disclosed in Note 9) is shown in the table below. It is assumed that the change happens at the Statement of financial position date and that there are concurrent movements in interest rates and parallel moves in the yield curve. All material underlying exposures and related hedges are included in the analysis.

The impact on profit and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

As shown below, 100 basis point (1%) movements in interest rates would have a minimal impact on the Group's financial position.

	Change in variable	Profit/(loss) 30 June 2024 $m	Change in equity 30 June 2024 $m	Profit/(loss) 30 June 2023 $m	Change in equity 30 June 2023 $m
Non-loan exposure	+100bps	(3.6)	(3.6)	0.7	0.7
	-100bps	3.6	3.6	(0.7)	(0.7)
Loan exposure	+100bps	(0.2)	(0.2)	(0.1)	(0.1)
	-100bps	0.2	0.2	0.1	0.1
Total	**+100bps**	**(3.8)**	**(3.8)**	**0.6**	**0.6**
	-100bps	**3.8**	**3.8**	**(0.6)**	**(0.6)**

Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Group is exposed to equity price risk on its holdings in equity securities, which include listed and unlisted equity investments, infrastructure investments, property securities and alternative investments. Alternative investments include exposure to equity markets through absolute return strategies and insurance-related investments, with both expected to have a low correlation to credit and equity markets. The Group is also exposed to credit spread risk on its fixed income securities.

Where a fair value approach is available, the Group has fair valued all equities and fixed income securities held to back life contract liabilities.

Equity risks will arise as a natural result of CLC's Asset Allocation Plan. Equity prices can be driven by a range of risk factors specific to an individual exposure, including broad macroeconomic and instrument-specific factors that may be uncorrelated with broader equity markets. The Group's primary tools for managing investment price risks are CLC's ICAAP and the Asset Allocation Plan.

Equity price risk sensitivity

The potential impact of movements in the market value of listed and unlisted equities on the Group's Statement of comprehensive income and Statement of financial position is shown in the below sensitivity analysis.

The impact on profit and equity is post-tax at a rate of 30%. The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period.

As shown below, a 10% movement in equity prices would have a material impact on the consolidated Group's financial position. It is assumed that the relevant change occurs as at the reporting date.

Equities and other alternatives	Change in variable	Profit/(loss) 30 June 2024 $m	Change in equity 30 June 2024 $m	Profit/(loss) 30 June 2023 $m	Change in equity 30 June 2023 $m
Property securities	+10%	7.0	7.0	6.3	6.3
	-10%	(7.0)	(7.0)	(6.3)	(6.3)
Infrastructure investments	+10%	6.9	6.9	7.5	7.5
	-10%	(6.9)	(6.9)	(7.5)	(7.5)
Other equities and alternative assets	+10%	257.6	248.0	179.3	172.9
	-10%	(257.6)	(248.0)	(179.3)	(172.9)
Total assets	**+10%**	**271.5**	**261.9**	**193.1**	**186.7**
	-10%	**(271.5)**	**(261.9)**	**(193.1)**	**(186.7)**

Credit spread risk sensitivity

The Group is exposed to price movements resulting from credit spread fluctuations through its fixed income securities (net of subordinated debt) and policy liabilities. As at 30 June 2024, a 50 basis point increase/decrease in credit spreads would result in a post-tax (at 30%) unrealised loss/gain in the Statement of comprehensive income and equity of $126.1 million in respect of fixed income securities partially offset by an unrealised gain/loss of $63.8 million in respect of policy liabilities (30 June 2023: $124.9 million fixed income securities, $56.8 million policy liabilities).

Notes to the financial statements continued

Note 19 Financial risk management continued

Currency risk

It is the Group's policy to seek to minimise the impact of movements in foreign exchange rates on Statement of financial position items contributing to CLC's regulatory capital base, with the exception of exposures arising from currency overlay positions. Currency exposure arises primarily as a result of investments in Europe (including the United Kingdom), Japan and the United States, and US dollar liabilities reinsured from MS Primary in Japan. As a result, currency risk arises primarily from fluctuations in the value of the Euro, British pound, Japanese yen, and US dollar against the Australian dollar. In order to manage foreign currency exchange rate risk, the Group has entered into foreign currency derivatives.

In addition, the Group has exposure to foreign exchange risk upon consolidation of its foreign currency denominated controlled entities and materially mitigates this by designating foreign currency derivatives as hedges of net investments in foreign entities in equity to match its foreign currency translation reserve exposure. Effectiveness is monitored on a regular basis to ensure that the hedge remains effective and any ineffective portion of the hedge is recognised directly in the Statement of comprehensive income.

The analysis in the currency risk table shows the impact on the Statement of comprehensive income and equity of a movement in the Group's major foreign currency exposure exchange rates against the Australian dollar using the net exposure at the balance date. All underlying exposures and related hedges are included in the analysis.

A sensitivity of 10% has continued to have been applied as it still reflects a reasonable measurement given the current level of exchange rates and the volatility observed. The impact on profit and equity is post-tax at a rate of 30%.

The risks faced and methods used in the sensitivity analysis are the same as those applied in the comparative period. As shown in the table below, a 10% movement in foreign currency exchange rates would have minimal impact on the Group's financial position.

The following table details the Group's net exposure to foreign currency as at the reporting date in Australian dollar equivalent amounts.

	GBP $m	USD $m	Euro $m	JPY $m	Other $m
30 June 2024					
Investment assets	521.0	4,842.8	1,813.2	364.5	3.4
Investment liabilities	—	(1,750.8)	—	(346.4)	—
Foreign currency contracts and cross-currency swaps	(496.4)	(2,823.1)	(1,780.7)	35.8	—
Net exposure in Australian dollars	**24.6**	**268.9**	**32.5**	**53.9**	**3.4**
30 June 2023					
Investment assets	542.4	3,885.8	1,500.5	388.9	4.5
Investment liabilities	(1.7)	(1,898.0)	(0.8)	(0.1)	—
Foreign currency contracts and cross-currency swaps	(536.9)	(1,972.8)	(1,499.4)	(379.5)	(1.5)
Net exposure in Australian dollars	**3.8**	**15.0**	**0.3**	**9.3**	**3.0**

	Movement in variable against $	Profit/(loss) 30 June 2024 $m	Change in equity 30 June 2024 $m	Profit/(loss) 30 June 2023 $m	Change in equity 30 June 2023 $m
British pound (GBP)	+10%	1.8	1.8	0.3	0.3
	-10%	(1.8)	(1.8)	(0.3)	(0.3)
US dollar (USD)	+10%	18.8	18.8	1.0	1.0
	-10%	(18.8)	(18.8)	(1.0)	(1.0)
Euro (EUR)	+10%	2.3	2.3	—	—
	-10%	(2.3)	(2.3)	—	—
Japanese yen (JPY)	+10%	3.7	3.9	0.3	0.7
	-10%	(3.7)	(3.9)	(0.3)	(0.7)
Other	+10%	0.3	0.3	0.3	0.3
	-10%	(0.3)	(0.3)	(0.3)	(0.3)
Total	**+10%**	**26.9**	**27.1**	**1.9**	**2.3**
	-10%	**(26.9)**	**(27.1)**	**(1.9)**	**(2.3)**

Note 19 Financial risk management continued

Credit default risk

The Group makes use of external ratings agencies (Standard & Poor's, Fitch, Moody's or other reputable credit ratings agencies) to determine credit ratings. Where a counterparty or debt obligation is rated by multiple external ratings agencies, the Group will use Standard & Poor's ratings where available. All credit exposures with an external rating are also rated internally and cross-referenced to the external rating, if applicable. Where external credit ratings are not available, internal credit ratings are assigned by appropriately qualified and experienced credit personnel who operate separately from the risk originators.

Each business unit is responsible for managing credit risks that arise with oversight from a centralised credit risk management team.

Credit exposure by credit rating

The table below provides information regarding the maximum credit risk exposure of the Group in respect of the major classes of investment assets by equivalent credit rating. The maximum credit exposure is deemed to be the carrying value of the asset, not including any collateral or other credit protection in place. The analysis classifies the assets according to internal or external credit ratings. Assets rated investment grade are those rated by Standard & Poor's at BBB- or above, with non-investment grade therefore being below BBB-.

	Investment grade				Non-inv. grade		
	AAA	AA	A	BBB		Other	Total
30 June 2024	$m	$m	$m	$m	$m	$m	$m
Cash and cash equivalents	573.2	—	—	—	—	—	573.2
Receivables	515.0	111.8	80.8	21.9	96.2	64.3	890.0
Loan assets	296.8	6.3	0.6	—	—	1.4	305.1
Fixed income securities (held at fair value)	8,782.7	5,293.7	1,997.1	2,390.5	3,688.9	354.2	22,507.1
Derivative assets	—	503.4	79.6	0.1	—	—	583.1
Total assets with credit exposures	**10,167.7**	**5,915.2**	**2,158.1**	**2,412.5**	**3,785.1**	**419.9**	**24,858.5**
30 June 2023							
Cash and cash equivalents	593.4	—	—	—	—	—	593.4
Receivables	77.3	185.8	276.3	26.3	77.8	53.6	697.1
Loan assets	112.2	69.0	81.8	89.4	—	22.5	374.9
Fixed income securities (held at fair value)	7,831.0	4,820.1	1,732.4	2,561.0	3,354.7	152.6	20,451.8
Derivative assets	—	487.2	113.9	—	—	—	601.1
Financial leases	—	0.1	2.0	1.4	7.0	14.4	24.9
Bank assets held for sale[1]	3.2	48.2	27.4	51.5	—	74.8	205.1
Total assets with credit exposures	**8,617.1**	**5,610.4**	**2,233.8**	**2,729.6**	**3,439.5**	**317.9**	**22,948.3**

1. Bank assets held for sale excludes non-financial assets in the Bank and therefore have no credit default risk.

Loan assets

Mortgage assets – SPVs are funded via securitised residential mortgage-backed securities (RMBS). As a result, the Group is not exposed to significant credit risk on these assets as this is borne by the RMBS holder.

Credit risk provisioning is determined through the application of AASB 9 ***Financial Instruments*** and its requirements using the expected credit loss model. Refer to Note 8 Loan assets for further details on the recognition of expected credit losses.

Collateral held over assets

In the event of a default against any of the mortgages in any SPV, the trustee has the legal right to take possession of the secured property and sell it as a recovery action against settlement of the outstanding account mortgage balance. At all times of possession, the risks and rewards associated with ownership of the property are held by the trustee on behalf of the RMBS holder.

Concentration risk

The credit risk framework includes an assessment of the counterparty credit risk in each business unit and at a total Group level. The Group has no significant concentrations of credit risk at the Statement of financial position date.

Notes to the financial statements continued

Note 19 Financial risk management continued

Credit default risk continued

Ageing of amortised cost investment assets

The table below gives information regarding the carrying value of the Group's investment assets measured at amortised cost. The analysis splits these assets by those that are not past due and those that are past due (including an ageing analysis at the Statement of financial position date).

Amortised cost investment assets	Not past due $m	Past due 0-1 months $m	Past due 1-3 months $m	Past due 3-6 months $m	Past due 6+ months $m	Total $m
30 June 2024						
Receivables	885.8	0.3	0.6	0.8	2.5	890.0
Loan assets[1]	219.7	46.5	13.9	9.0	16.0	305.1
Total amortised cost investment assets	**1,105.5**	**46.8**	**14.5**	**9.8**	**18.5**	**1,195.1**
30 June 2023						
Receivables	694.7	0.4	0.2	0.1	1.7	697.1
Loan assets[1]	313.9	23.0	15.0	4.2	18.8	374.9
Finance leases	24.9	—	—	—	—	24.9
Total amortised cost investment assets	**1,033.5**	**23.4**	**15.2**	**4.3**	**20.5**	**1,096.9**

1. Past due balances where the Group considers that principal and interest plus any associated costs will be recovered in full.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. This may result from the inability to sell investment assets at their fair values; a counterparty failing on repayment of a contractual obligation; the inability to generate cash inflows as anticipated; or an unexpected increase in cash outflows.

The Group aims to ensure that it has sufficient liquidity to meet its obligations on a short, medium and long-term basis. In setting the level of sufficient liquidity, the Group considers new business activities in addition to current contracted obligations. It considers minimum cash requirements; collateral and margin call buffers; APRA and Australian Financial Services Licence (AFSL) requirements; cash flow forecasts; associated reporting requirements; other liquidity risks; and contingency plans.

The basis of the approach to liquidity management is to target sufficient liquidity to meet all cash requirements of the Group over an ensuing 12-month period which ensures that the regulatory guidelines set out in ASIC Regulatory Guide 166 ***Licensing: Financial requirements for holders of an AFSL*** are met.

Life

The Life liquidity management policy is approved by the CLC Board and sets out liquidity targets and mandated actions depending on actual liquidity levels relative to those targets. Detailed forecast cash positions are reported regularly to the Asset Liability Committee (ALCo) (previously Financial Risk Committee (FRC)). The Board had established the FRC and the Investment Committee (IC) from July 2019. The IC was a committee of investment professionals from within CLC and represents the first line. The FRC was a committee of professionals mainly from the Risk Management division that is independent of the investment team of CLC. The FRC represented the second line of defence for CLC and CBL. From 1 July 2024, FRC and IC were replaced by the ALCo to assume the responsibilities of FRC and IC, including to identify, monitor and report on financial risk. The ALCo is an executive committee chaired by the CRO and is responsible for driving the required actions to ensure that risks are managed in accordance with the Board approved policies.
At the reporting date, all requirements of the CLC Board-approved liquidity management policy were satisfied.

Maturity profile of undiscounted financial liabilities

The table on the following page summarises the maturity profile of the Group's undiscounted financial liabilities. This is based on contractual undiscounted repayment obligations. Totals differ to the amounts in the Statement of financial position by the amount of time value of money discounting reflected in the Statement of financial position values.

Note 19 Financial risk management continued

Maturity profile of undiscounted financial liabilities continued

Maturing profile of undiscounted financial liabilities	1 year or less $m	1-3 years $m	3-5 years $m	>5 years $m	Total $m
30 June 2024					
Payables	1,139.6	6.5	7.6	—	1,153.7
Interest bearing financial liabilities	5,735.1	681.7	596.2	563.0	7,576.0
External unit holders' liabilities	3,832.6	1,001.0	522.7	—	5,356.3
Life investment contract liabilities	4,396.4	3,488.2	1,616.7	1,531.9	11,033.2
Derivative liabilities	229.4	98.6	132.5	106.3	566.8
Total undiscounted financial liabilities	**15,333.1**	**5,276.0**	**2,875.7**	**2,201.2**	**25,686.0**
30 June 2023					
Payables	833.9	5.2	15.6	—	854.7
Interest bearing financial liabilities	4,266.0	1,025.5	606.4	552.1	6,450.0
External unit holders' liabilities	4,100.9	1,167.9	—	—	5,268.8
Life investment contract liabilities	4,315.5	3,889.0	1,391.3	1,382.5	10,978.3
Derivative liabilities	220.2	88.2	113.7	189.2	611.3
Total undiscounted financial liabilities	**13,736.5**	**6,175.8**	**2,127.0**	**2,123.8**	**24,163.1**

Notes to the financial statements continued

Note 20 Fair values of investment assets and liabilities

Fair value determination and classification

Fair value reflects the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The majority of the Group's financial instruments are held in the statutory funds of the Company backing its life investment and life insurance liabilities and are designated as at fair value through profit and loss where this is permitted under AASB 9 *Financial Instruments*.

Financial instruments measured at fair value are categorised under a three-level hierarchy, reflecting the availability of observable market inputs when estimating the fair value. If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level that is significant to the fair value measurement. The three levels are set out below.

1. Unadjusted quoted prices in active markets are the valuation inputs for identical assets or liabilities (i.e. listed securities).
2. Valuation inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) are used.
3. There are valuation inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The unobservable inputs into the valuation of the Group's Level 3 assets and liabilities are determined based on the best information available, including the Group's own assessment of the assumptions that market participants would use in pricing the asset or liability. Examples of unobservable inputs are estimates about the timing and amount of cash flows, discount rates, earnings multiples and internal credit ratings.

Valuation techniques

The majority of the Group's listed and unlisted fixed income securities, over-the-counter derivative financial instruments and interest bearing liabilities including the subordinated debt issuance are classified as Level 2. This recognises the availability of a quoted price but not from an active market as defined by the accounting standard.

Fixed income securities where market observable inputs are not available are classified as Level 3. The Group's derivative financial instruments are traded over the counter so, while they are not exchange traded, there is a market observable price. All of the listed fixed income securities have prices determined by a market.

Externally rated unlisted fixed income securities are valued by applying market observable credit spreads on similar assets with an equivalent credit rating and are classified as Level 2. Internally rated fixed income securities are classified as Level 3 as the determination of an equivalent credit rating is a significant non-observable input.

Equity, infrastructure and property securities that are exchange traded are generally classified as Level 1. Where quoted prices are available, but are not from an active market, they are classified as Level 2. If market observable inputs are not available, they are classified as Level 3. Valuations can make use of cash flow forecasts discounted using the applicable yield curve, earnings multiple valuations or, for managed funds, the net assets of the trust per the most recent financial report.

External unit holders' liabilities are valued at the face value of the amounts payable, being an approximation of fair value, and classified as Level 2. The portion of life investment contract liabilities classified as Level 2 represents products or product options for which the liability is determined based on an account balance, rather than a discounted cash flow as applied to the rest of the portfolio (classified as Level 3).

Cash and cash equivalents are carried at amortised cost. To determine a fair value where the asset is liquid or maturing within three months, the fair value is approximated to the carrying amounts. This assumption is applied to liquid assets and other short-term investment assets and liabilities.

The mortgage SPVs have total equity attributable to residual income unitholders (RIU) at amortised cost of nil (2023: nil). The fair value of this RIU holders' asset is $5.5 million (2023: $11.8 million) and would be classified as Level 3 in the fair value hierarchy.

Challenger Capital Notes 3 and 4 have carrying values (inclusive of unamortised issue costs) of $382.6 million and $344.3 million respectively. The fair value of these notes is $401.6 million and $361.1 million respectively and they are classified as Level 1 in the fair value hierarchy.

Note 20 Fair values of investment assets and liabilities continued

Valuation process

For financial instruments and investment properties categorised within Level 3 of the fair value hierarchy, the valuation process applied in valuing such instruments is governed by the CLC Practice Note on Investment Asset and Financial Liability Valuation. The Practice Note outlines the Valuation Committee's responsibilities in the governance of the valuation of investment assets and financial liabilities for the purposes of financial reporting. All significant Level 3 financial instruments are referred to the Valuation Committee, which generally meets monthly, or more frequently if required.

All financial instruments and investment properties carried at fair value are measured on a recurring basis. Refer Note 6 Investment assets and Note 7 Investment property for further details on the valuation process applied to unlisted financial instruments and investment properties.

The table below summarises the financial instruments and investment properties measured at fair value at each level of the fair value hierarchy as at the Statement of financial position date.

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
30 June 2024				
Derivative assets	—	583.1	—	583.1
Fixed income securities[1]	—	20,527.8	1,979.3	22,507.1
Equity and alternative assets	20.7	3,355.1	387.2	3,762.9
Infrastructure investments[1]	—	—	264.2	264.2
Hedged commodities	550.9	—	—	550.9
Property securities	—	—	100.3	100.3
Investment property[2]	—	126.6	2,799.7	2,926.3
Total assets	**571.6**	**24,592.6**	**5,530.7**	**30,694.8**
Derivative liabilities	—	566.8	—	566.8
Interest bearing financial liabilities[3]	762.7	418.0	—	1,180.7
External unit holders' liabilities	—	5,356.3	—	5,356.3
Life investment contract liabilities	—	39.3	9,854.4	9,893.7
Total liabilities	**762.7**	**6,380.4**	**9,854.4**	**16,997.5**
30 June 2023				
Derivative assets	—	601.1	—	601.1
Fixed income securities[1]	—	18,562.8	1,889.0	20,451.8
Equity and alternative assets	1.0	2,457.3	205.9	2,664.2
Infrastructure investments[1]	—	—	284.1	284.1
Hedged commodities	827.9	—	—	827.9
Property securities	—	—	89.3	89.3
Investment property[2]	—	—	3,269.2	3,269.2
Total assets	**828.9**	**21,621.2**	**5,737.5**	**28,187.6**
Derivative liabilities	1.9	609.4	—	611.3
Interest bearing financial liabilities[3]	754.0	403.0	—	1,157.0
External unit holders' liabilities	—	5,268.8	—	5,268.8
Life investment contract liabilities	—	37.7	9,817.8	9,855.5
Total liabilities	**755.9**	**6,318.9**	**9,817.8**	**16,892.6**

1. The Group has exposures to structured entities (entities designed so that voting or similar rights are not the dominant factor in determining who controls the entity, for example when any voting rights relate purely to administrative tasks) via investments in asset-backed finance vehicles (where it may act as a lender or purchaser of notes and/or residual income units) and securitisations (such as mortgages, finance leases and other types of collateralised vehicles). The Company assesses, at inception and at each reporting date, whether a structured entity should be consolidated based on the accounting policy. The maximum exposure to loss is limited to the reported fair value of the underlying securities plus any guaranteed undrawn commitments to the counterparties. At 30 June 2024, the carrying value of asset-backed financing assets was $204.2 million (30 June 2023: $18.4 million) with no undrawn commitments (30 June 2023: nil) and securitisations was $9,744.1 million (30 June 2023: $9,105.3 million) plus no undrawn commitments (30 June 2023: $28.3 million).
2. Investment property held for sale is classified as Level 2 where the valuation is based on an agreed contract price. Refer to Note 7 Investment property for valuation techniques and key unobservable inputs.
3. Not all the interest bearing liabilities are included within the fair value determination and classification table as a number of interest bearing liabilities are valued at amortised cost.

Notes to the financial statements continued

Note 20 Fair values of investment assets and liabilities continued

Level 3 reconciliation

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 of the fair value hierarchy during the year:

	30 June 2024		30 June 2023	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Balance at the beginning of the year	5,737.5	9,817.8	5,971.8	9,610.0
Fair value movements	(380.5)	388.3	(133.3)	264.8
Acquisitions	8,256.3	4,155.7	3,255.2	5,112.6
Maturities and disposals	(7,965.6)	(4,507.4)	(3,277.1)	(5,169.6)
Transfers to other categories[1,2]	(117.0)	—	(79.1)	—
Balance at the end of the year[3]	**5,530.7**	**9,854.4**	**5,737.5**	**9,817.8**
Unrealised losses included in the Statement of comprehensive income for assets and liabilities held at the Statement of financial position date	(380.5)	(388.3)	(133.3)	(264.8)

1. The Group transfers between levels of the fair value hierarchy when there is a change in the observability of the pricing inputs or a change to valuation methodology.
2. Transfers to/from other categories are due to changes in the market observability of inputs used in the valuation of financial instruments and investment property. There were no transfers between Level 1 and Level 2 during the reporting period. There were $19 million transfers into Level 3 from Level 2 (30 June 2023: $4.5million) and $136 million transfers out of Level 3 into Level 2 (30 June 2023: $83.6 million) during the reporting period.

Level 3 sensitivities

The following table shows the sensitivity of Level 3 financial instruments to a reasonably possible change in alternative assumptions in respect of the non-observable inputs into the fair value calculation:

	Level 3 value[1] $m	Positive impact $m	Negative impact $m	Valuation technique	Reasonably possible change in non-observable input[2,3,4]
30 June 2024					
Fixed income securities	1,979.3	13.8	(27.7)	Discounted cash flow	Primarily credit spreads
Equity and alternative assets	387.2	19.9	(20.8)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Infrastructure investments	264.2	3.7	(3.8)	Discounted cash flow, external financial report	Primarily discount rate on cash flow models
Property securities	100.3	5.0	(5.0)	External financial report	5% change in valuation
Investment contract liabilities	(9,854.4)	6.9	(6.9)	Discounted cash flow	Primarily expense assumptions
Investment property	2,799.7	108.4	(92.0)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Total Level 3	**(4,323.7)**				
30 June 2023					
Fixed income securities	1,889.0	12.3	(31.7)	Discounted cash flow	Primarily credit spreads
Equity and alternative assets	205.9	12.9	(13.5)	Discounted cash flow, external financial report	Mortality rate, 5% change in valuation
Infrastructure investments	284.1	4.1	(4.0)	Discounted cash flow, external financial report	Primarily discount rate on cash flow models
Property securities	89.3	4.5	(4.5)	External financial report	5% change in valuation
Investment contract liabilities	(9,817.8)	7.7	(7.7)	Discounted cash flow	Primarily expense assumptions
Investment property	3,269.2	157.2	(111.8)	Market capitalisation, discounted cash flow	Primarily capitalisation rate
Total Level 3	**(4,080.3)**				

1. The fair value of the asset would increase/decrease if the credit spread, discount rate or expense assumptions decrease/increase or if other inputs increase/decrease. The fair value of the liability would increase/decrease if the discount rate decreases/increases or expense assumptions increase/decrease.
2. Specific asset valuations will vary from asset to asset, as each individual industry profile will determine appropriate valuation inputs to be utilised.
3. The effect of a change to reflect a reasonably possible alternative assumption was calculated by moving the credit band by one tier, adjusting the discount rates by between 50bps and 100bps, adjusting property capitalisation rates by 25bps (Australia) or 10bps (Japan), adjusting credit spreads by 50bps, changing the valuation of the unlisted schemes by 5% and adjusting the expense assumption allocation splits by 10%.
4. The movements in non-observable inputs at 30 June 2024 are largely unchanged from 30 June 2023.

Note 21 Collateral arrangements

Accounting policy

CLC receives collateral, where it is considered necessary, when entering into certain financial arrangements. The amount of collateral required is subject to management's credit evaluation of the counterparty which is performed on a case-by-case basis. As at 30 June 2024, $126.8 million (30 June 2023: $103.0 million cash received from third parties - derivative credit support payables) cash received from third parties as collateral is recorded in payables and $101.0 million (30 June 2023: $106.9 million rehypothecated securities — collateral assets repledged) of collateral assets received from counterparties was repledged by the Company to third parties.

Except in the event of default, collateral received can be called back by the counterparty in accordance with the financial arrangement. CLC is required to pledge collateral, as part of the standard terms of transactions, when entering into certain financial arrangements. Cash paid to third parties as collateral is recorded in receivables. Other investment assets transferred as collateral are not derecognised from the Statement of financial position as the risks and rewards of ownership remain with CLC. As at the reporting date, the fair value of cash and investment assets pledged are as follows:

Collateral pledged as security	30 June 2024 $m	30 June 2023 $m
Cash	162.9	391.2
Other investment assets	8,510.5	7,165.7
Total collateral pledged	**8,673.4**	**7,556.9**

Notes to the financial statements continued

Section 6: Group structure

This section provides details and disclosures relating to the parent entity of the Group, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure for related parties is also provided in this section.

Refer to Note 29 Contingent liabilities, contingent assets and credit commitments for details of any contingent liabilities applicable to the parent entity.

Note 22 Parent entity

Company	30 June 2024 $m	30 June 2023 $m
Statement of comprehensive income		
Dividends and interest from controlled entities	193.6	214.3
Finance costs	(45.3)	(45.6)
Profit before income tax	148.3	168.7
Income tax benefit	1.0	0.9
Total comprehensive income for the year	**149.3**	**169.6**
Statement of financial position		
Assets		
Cash and cash equivalents	2.4	2.3
Receivables	2,065.7	1,922.8
Investment asset – fixed income securities[1]	735.0	735.0
Current tax asset	1.9	8.8
Deferred tax assets	2.9	3.8
Investment in controlled entities	2,493.4	2,474.1
Total assets	**5,301.3**	**5,146.8**
Liabilities		
Payables	924.5	779.9
Interest bearing financial liabilities	726.9	725.0
Total liabilities	**1,651.4**	**1,504.9**
Net assets	**3,649.9**	**3,641.9**
Equity		
Contributed equity	2,566.3	2,543.6
Share-based payments reserve	(93.0)	(101.6)
Retained earnings	1,176.6	1,199.9
Total equity	**3,649.9**	**3,641.9**

1. Investment asset – fixed income securities relates to the subscription by the Company of notes issued by CLC that qualify as Additional Tier 1 capital of CLC.

Note 23 Controlled entities

The table below presents the hierarchical structure of Challenger Limited showing its controlled entities that form the main composition of the Group as at 30 June 2024:

Entity name[1]	Principal activity
Challenger Limited	
Challenger Group Holdings Limited	Corporate
Challenger Group Services Pty Ltd	Corporate
Challenger Treasury Limited	Corporate
Challenger Japan Holdings Pty Limited	Corporate
Artega Investment Administration Pty Limited	Corporate
Challenger Funds Management Holdings Pty Limited	Funds Management
Fidante Partners Holdings Pty Limited	Funds Management
Fidante Partners Holdings Europe Limited (incorporated in the UK)	Funds Management
Challenger Investment Partners Limited	Funds Management
Challenger Life Company Holdings Limited	Life
Challenger Life Company Limited	Life

1. Challenger's percentage holding of the above entities is 100% with the exception of Artega (80% holding), and all are incorporated in Australia unless otherwise stated.

A list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year are included in the Consolidated entity disclosure statement.

Accounting policy

Controlled entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition method of accounting is applied on acquisition or initial consolidation. This method ascribes fair values to the identifiable assets and liabilities acquired. The difference between the net fair value acquired and the fair value of the consideration paid (including the fair value of any pre-existing investment in the entity) is recognised as either goodwill on the Statement of financial position or a discount on acquisition through the Statement of comprehensive income.

Principles of consolidation

The financial statements consolidate the financial information of controlled entities. An entity is controlled when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Statement of financial position date and the accounting policies of controlled entities are consistent with those of the Company. The Company assesses, at inception and at each reporting date, whether an entity should be consolidated based on the accounting policy.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full. Non-controlling interests, where they exist, represent the share in the net assets of subsidiaries attributable to equity interests not owned directly or indirectly by the Group.

Notes to the financial statements continued

Note 24 Disposal of subsidiary

Sale of Challenger Bank

On 30 April 2024, Challenger Limited announced that it successfully completed the sale of Challenger Bank Limited to Heartland Group Holdings Limited.

The Group received total consideration of $114.4 million. The carrying amount of net assets disposed was $94.1 million, with a profit on sale of $20.3 million recognised in the Statement of comprehensive income.

As part of the sale, the company has entered into a transitional services agreement with Heartland for a period of twelve months. The impact of this arrangement is not expected to be material.

Gain on disposal

	30 April 2024 $m
Cash consideration[1]	114.4
Less: carrying value of net assets of the Bank	(94.1)
Total gain on disposal	**20.3**

1. Inclusive of a $1.3 million reduction to initial consideration of $115.7 million in respect of purchase price adjustments.

Net assets disposed

The assets and liabilities disposed by the Bank are set out in the table below:

Assets	30 April 2024 $m
Cash and cash equivalents	265.8
Investment securities	334.2
Loan assets	631.7
Receivables	3.0
Deferred tax asset	0.7
Other assets	0.7
Total assets	**1,236.1**
Liabilities	
Payables	12.3
Provisions	1.9
Deposits from customers	1,125.5
Interest bearing liabilities	2.3
Total liabilities	**1,142.0**
Net assets disposed on sale	**94.1**

Bank Income statement — Discontinued Operation

For the period/year ended	30 April 2024 $m	30 June 2023[1] $m
Revenue	20.7	15.3
Expenses	(12.5)	(21.0)
Finance costs	(16.1)	(5.4)
Loss before income tax	**(7.9)**	**(11.1)**
Income tax benefit	3.3	3.1
Loss after income tax on Discontinued Operation	**(4.6)**	**(8.0)**

1. Differs from note 4 due to the segment note representing a business unit view.

Bank cash flow statement

For the period/year ended	30 April 2024 $m	30 June 2023 $m
Net cash from operating activities	413.8	(65.0)
Net cash from investing activities	(204.6)	167.1
Net cash from financing activities	(1.5)	(84.8)
Net cash inflow from Discontinued Operation	**207.7**	**17.3**

Note 25 Investment in associates and joint ventures

Associates

Name of company	Principal activity	Country of domicile	30 June 2024 %[1]	30 June 2023 %[1]	30 June 2024 $m	30 June 2023 $m
Alphinity Investment Management Pty Ltd	Funds Management	Australia	30	30	3.8	1.6
Ardea Investment Management Pty Ltd	Funds Management	Australia	37	30	32.5	27.1
Ares Australia Management Pty Ltd	Funds Management	Australia	—	35	—	0.5
Bentham Asset Management Pty Ltd	Funds Management	Australia	49	49	0.5	0.7
Cultiv8 Funds Management Pty Ltd	Funds Management	Australia	36	36	1.9	1.5
Eiger Capital Pty Ltd	Funds Management	Australia	40	40	1.0	1.0
Greencape Capital Pty Ltd	Funds Management	Australia	45	45	37.7	38.1
Lennox Capital Partners Pty Ltd	Funds Management	Australia	40	40	1.8	1.8
Merlon Capital Partners Pty Ltd[2]	Funds Management	Australia	30	30	—	1.9
Novaport Capital Pty Ltd	Funds Management	Australia	49	49	—	0.4
Ox Capital Management Pty Ltd	Funds Management	Australia	40	40	3.8	3.2
Resonance Asset Management Limited	Funds Management	UK	35	—	0.9	0.7
Wavestone Capital Pty Ltd	Funds Management	Australia	33	33	2.7	2.2
Total investment in associates					**86.6**	**80.7**
Lending JV Holdco Pty Ltd[3]	Lending	Australia	50	50	—	1.2
Total investment in joint ventures					**—**	**1.2**
Total investment in associates and joint ventures[4]					**86.6**	**81.9**

1. Represents voting rights percentages.
2. Merlon Capital Partners was held for sale at 30 June 2024 and sold to the founders on 12 July 2024.
3. The Lending JV is equally owned by Challenger and Apollo (NYSE:APO).
4. Investment in associates and joint ventures is all considered non-current.

	30 June 2024 $m	30 June 2023 $m
Movements in carrying amount of investment in associates and joint ventures		
Opening balance	81.8	74.9
Acquisition of investments in associates[1]	4.0	1.2
Share of joint venture net profit	(0.3)	(0.1)
Share of associates' net profit	31.8	25.3
Dividends and net capital redemptions	(29.4)	(19.5)
Impairment of investment in associates	(1.3)	—
Carrying amount at the end of the year	**86.6**	**81.8**
Share of associates' and joint ventures' profit or loss		
Profit after tax for the year	**31.5**	**25.3**
Share of the associates' and joint ventures' Statement of financial position		
Current assets	44.4	39.8
Non-current assets	5.0	6.0
Total assets	**49.4**	**45.8**
Current liabilities	22.3	20.6
Non-current liabilities	2.7	2.7
Total liabilities	**25.0**	**23.3**
Net assets	**24.4**	**22.5**

1. Relates to investment in Ardea Investment Management Pty Ltd.

Notes to the financial statements continued

Note 25 Investment in associates and joint ventures continued

Accounting policy

Associates are entities over which the Group has significant influence of the entities' financial and operating policies but not control. Investments in associates, other than those backing life contracts, are accounted for under the equity method whereby investments are carried at cost adjusted for post-acquisition changes in the Group's economic share of the net assets of the entity.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates' financial reports are used to apply the equity method and both the financial year end date and accounting policies of associate and joint venture entities are consistent with those of the Group. The consolidated Statement of comprehensive income reflects the economic share of the results of operations of associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes in the Statement of changes in equity.

Key estimates and assumptions

An assessment is performed at each Statement of financial position date to determine whether there is any indication of impairment and whether it is necessary to recognise any impairment loss against the carrying value of the net investment in associates.

The Group determines the dates of obtaining or losing significant influence of another entity based on an assessment of all pertinent facts and circumstances that affect the ability to significantly influence the financial and operating policies of that entity.

Note 26 Related parties

Key Management Personnel

The Directors and key executives of Challenger Limited during the year were as follows:

Directors[1]	
Current Directors	
Duncan West	Independent Chair
Nicolas Hamilton	Managing Director and Chief Executive Officer
Lisa Gray (appointed 9 November 2023)	Independent Non-Executive Director
John M Green	Independent Non-Executive Director
Masahiko Kobayashi[2]	Non-Independent Non-Executive Director
Matthew Michelini (appointed 9 November 2023)	Non-Independent Non-Executive Director
Dr Heather Smith	Independent Non-Executive Director
JoAnne Stephenson	Independent Non-Executive Director
Melanie Willis	Independent Non-Executive Director
Former Directors	
Steven Gregg (resigned 26 October 2023)	Former Independent Non-Executive Director

1. Where an individual held a KMP role for part of either the current or prior reporting period, refer to the 'Key Management Personnel' section of the Remuneration report for further details.
2. Hiroyuki Iioka is an Alternate Director to Masahiko Kobayashi.

Key executives	
Current KMP	
Nicolas Hamilton	Managing Director and Chief Executive Officer
Anton Kapel	Chief Executive, Life & Solutions
Victor Rodriguez	Chief Executive, Funds Management
Alexandra Bell	Chief Financial Officer

Note 26 Related parties continued

Controlled entities and associates

Unless an exception applies under relevant legislation, transactions between commonly controlled entities within the Group (except where otherwise disclosed) are conducted on an arm's length basis under normal commercial terms and conditions. The Group's interests in controlled entities are disclosed in Note 23 Controlled entities.

Other related parties

During the year, there were transactions between the Group and Challenger-sponsored managed funds for the provision of investment management, transaction advisory and other professional services.

Transactions were also entered into between the Group and associated entities (refer to Note 25 Investment in associates and joint ventures) for the provision of distribution and administration services.

The Group earned fee income during the year of $67.7 million (2023: $72.5 million) from transactions entered into with non-controlled funds and associates. Transactions are conducted on an arm's length basis under normal commercial terms and conditions.

A subsidiary of the Group is party to a reinsurance arrangement with Mitsui Sumitomo Primary Life Insurance Company Limited (MSP) which is a subsidiary of one of Challenger Limited's substantial shareholders, MS & AD Insurance Group Holdings Inc. The arrangement had premium inflows of $708.8 million (30 June 2023: $740.9 million) offset by annuity and death payments of $574.5 million (30 June 2023: $520.4 million) and reinsurance commission fees paid $60.3 million (30 June 2023: $53.4 million).

Loans to Directors and key executives

There were no loans made to Directors or key executives as at 30 June 2024 (30 June 2023: nil).

Group products

From time to time, Directors or key executives of the Company or their related entities may purchase products from the Group. These purchases are on the same arm's length terms and conditions as those offered to other employees or customers.

Total remuneration of Key Management Personnel and Non-Executive Directors[1]

KMP and Non-Executive Directors	Short-term benefits $	Post-employment benefits $	Share-based payments $	Other benefits $	Total $
Non-Executive Directors					
2024	**1,720,927**	**126,637**	**—**	**—**	**1,847,564**
2023	1,866,423	126,460	—	—	1,992,883
KMP					
2024	**4,920,519**	**109,595**	**3,630,898**	**53,217**	**8,714,229**
2023	4,781,261	106,439	2,825,481	13,395	7,726,576
All KMP and Non-Executive Directors					
2024	**6,641,446**	**236,232**	**3,630,898**	**53,217**	**10,561,793**
2023	6,647,684	232,899	2,825,481	13,395	9,719,459

1. No termination payments were made to KMPs or NEDs, while in their capacity, during the year.

Notes to the financial statements continued

Section 7: Other items

This section provides information that is less significant in understanding the financial performance and position of the Group perhaps due to lack of movement in the amount or the overall size of the balance. Nevertheless, these items assist in understanding the Group or are required under the Australian or International Accounting Standards, the Corporations Act 2001 and/or the Corporations Regulations 2001.

Note 27 Goodwill and other intangible assets

	30 June 2024 $m	30 June 2023 $m
Goodwill	**579.9**	**579.9**
Other intangible assets		
Software at cost	20.6	22.4
Less: accumulated amortisation	(19.0)	(18.3)
	1.6	**4.1**
Commercial agreement	3.9	3.9
Less: accumulated amortisation	(0.7)	(0.5)
	3.2	**3.4**
Total other intangible assets	**4.8**	**7.5**

	Goodwill		Software		Commercial agreement	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Balance at the beginning of the year	579.9	579.9	4.1	6.6	3.4	0.7
Additions[1]	—	—	—	0.2	—	3.0
Disposals	—	—	(1.8)	—	—	—
Amortisation expense	—	—	(0.7)	(2.7)	(0.2)	(0.3)
Balance at the end of the year	**579.9**	**579.9**	**1.6**	**4.1**	**3.2**	**3.4**

1. In the prior year, Fidante Partners entered into a commercial agreement with Proterra Investment Partners Asia.

Accounting policy

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the fair value of the consideration for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit, or group of units, to which the goodwill is allocated, represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates.

When the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised and allocated first to reduce the carrying amount of any goodwill allocated to that CGU, then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. Impairment losses recognised for goodwill are not subsequently reversed.

CGUs within the Group are mostly business operations.

When goodwill forms part of a CGU (or group of CGUs) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Other intangible assets

Other intangible assets acquired are recorded at cost less accumulated amortisation and impairment losses. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition.

Amortisation is calculated based on the timing of projected cash flows over the estimated useful lives.

Note 27 Goodwill and other intangible assets continued

Accounting policy continued

Software-as-a-Service (SaaS)

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. As such the Group does not receive a software intangible asset at the contract commencement date. The Group does not have control over the software nor can it restrict others' access to the benefits of the software.

The following outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Accounting treatment	Costs
Recognise as an operating expense over the term of the service contract	– Fee for use of application software
Recognise as an operating expense as the service is received	– Configuration costs – Customisation costs – Data conversion and migration costs – Testing costs – Training costs

Key estimates and assumptions

Goodwill recoverable amounts

The Group assesses whether goodwill is impaired at least annually in accordance with the accounting policy. The recoverable amount of each CGU is determined based on value in use calculations that utilise cash flow projections based on financial forecasts approved by senior management which cover an appropriate time horizon. In determining these cash flow projections, management considers:

- current and expected performance of each CGU;
- Board and management-approved budgets and strategic plans; and
- changes in Australian and international economic and market environments.

The cash flow projections determined by management are discounted using an appropriate discount rate. The determination of the discount rate is a matter of judgement and is based on a number of factors, including a theoretical calculation, observation of third party reports and discount rates used by comparable financial services companies.

The relevant assumptions in deriving the value of the CGU are as follows:

- the budgeted net profit after tax for each CGU for each year within the cash flow projection period;
- the discount rate; and
- growth rates, which are consistent with long-term trends in the industry segments in which the CGUs operate.

The derived values in use for each CGU are in excess of the carrying values of goodwill.

The following CGUs represent the carrying amounts of goodwill:

			Discount rate		
CGU	30 June 2024 $m	30 June 2023 $m	30 June 2024 %	30 June 2023 %	Cash flow horizon (years)
Life	452.3	452.3	9.4	10.0	3
Funds Management	127.6	127.6	9.4	9.7	3
Total	**579.9**	**579.9**			

Sensitivity to change in assumptions

Management is of the view that reasonable changes in the key assumptions, such as an increase in the discount rate by 1% or a change in projected cash flows of 5%, would not cause the respective recoverable amounts for each CGU to fall short of the carrying amounts as at 30 June 2024. All goodwill is non-current.

Other intangible assets amortisation

Useful lives of intangible assets used in the calculation of the amortisation expense are examined on an annual basis and where applicable, adjustments are made on a prospective basis.

Intangible	Useful Life	Depreciation method
Goodwill	Indefinite	Not applicable
Software	3-10 years	Straight-line basis over its useful life; usually a period of five years
Commercial agreement	5-10 years	Straight-line basis over the life of the intangible, based on the terms of the agreement

Notes to the financial statements continued

Note 28 Lease assets and liabilities

Right-of-use lease asset

	30 June 2024 $m	30 June 2023 $m
Cost	48.5	46.8
Less: accumulated depreciation	(28.6)	(22.5)
Right-of-use lease asset	**19.9**	**24.3**

	Office premises[1]		Property, plant and equipment[2]	
	30 June 2024 $m	30 June 2023 $m	30 June 2024 $m	30 June 2023 $m
Balance at the beginning of the year	24.2	28.8	0.1	0.2
Additions	1.8	1.3	—	—
Depreciation expense	(6.1)	(5.9)	(0.1)	(0.1)
Balance at the end of the year	**19.9**	**24.2**	**—**	**0.1**

1. The Group has entered into commercial leases for the rental of properties where it is not in the best interests of the Group to purchase these properties. These leases have terms ranging between one (1) and 12 years with remaining lease terms of between 1 and 5 years at 30 June 2024. Renewal terms are included in the contracts. Renewals are at the specific option of the entity that holds the lease.
2. Property, plant and equipment relates to leases for photocopying equipment.

Lease liabilities

Maturity analysis of contractual discounted cash flows	30 June 2024 $m	30 June 2023 $m
Amounts due in less than one year	8.9	8.9
Amounts due between one and two years	9.7	8.8
Amounts due between two and five years	27.8	31.0
Amounts due in greater than five years	0.4	6.0
Total lease liabilities	**46.8**	**54.7**
Current	8.9	8.9
Non-current	37.9	45.8
Total lease liabilities[1]	**46.8**	**54.7**

1. Refer to Note 16 for interest expense on lease liabilities and the Statement of cash flows for total cash outflow for leases.

Accounting policy

Right-of-use lease assets

The Group recognises right-of-use lease assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use lease assets are measured at cost, less any accumulated depreciation and impairment losses, and less any adjustments for any remeasurement of lease liabilities. The cost of right-of-use lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use lease assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use lease assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Note 28 Lease assets and liabilities continued

Accounting policy continued

Significant judgement in determining the lease term of contracts with renewal

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not exercise) the option to renew.

Note 29 Contingent liabilities, contingent assets and credit commitments

Warranties

Over the course of its corporate activity, the Group has given, as a seller of companies, including the sale of Challenger Bank Limited to Heartland, and as a vendor of assets, including real estate properties, warranties to purchasers on several agreements that are still outstanding as at 30 June 2024. At the date of this report, no material claims against these warranties have been received by the Group.

Parent entity guarantees and undertakings

The Company has extended the following guarantees and undertakings to entities that form part of the Group:

1. a guarantee supporting the corporate banking facility and certain other financial commitments, such as hedging arrangements;
2. letters of support in respect of certain subsidiaries in the normal course of business. The letters recognise the Company's intention to provide support to those subsidiaries so that they can continue to meet their obligations;
3. Australian Financial Services Licence deeds of undertaking as an eligible provider; and
4. guarantees to support contractual commitments on warranties to certain third parties.

Third party guarantees

Bank guarantees have been issued by third party financial institutions on behalf of the Group and its subsidiaries for items in the normal course of business, such as rental contracts. The amounts involved are not considered to be material to the Group.

Contingent future commitments

CLC has made capital commitments to external counterparties for future investment opportunities such as development or investment purchases. As at 30 June 2024, there are potential future commitments totalling $1,438.0 million (30 June 2023: $955.5 million) in relation to these opportunities.

The Group has made capital commitments to associates to subscribe for up to $7.2 million (30 June 2023: $9.1 million) of non-redeemable preference shares to enable them to meet their working capital requirements. Contractual obligations for future property repairs and maintenance are in place but cannot be quantified until required.

Subsidiary guarantees

CLC has provided a guarantee to a third party regarding the performance of its subsidiary in respect of certain reinsurance arrangements.

Notes to the financial statements continued

Note 29 Contingent liabilities, contingent assets and credit commitments continued

Contingent tax assets and liabilities

From time to time the Group has interactions and matters under review, audit or dispute with the Australian Taxation Office in relation to the taxation treatments of various matters including reportable tax positions.

Any potential tax liability resulting from these interactions is only provided for when it is probable that an outflow will occur and a reliable estimate of the amount can be made.

Analysis of credit commitments	30 June 2024 $m	30 June 2023 $m
Contracted capital expenditure		
Amounts due in less than one year	1.8	8.9
Amounts due between one and two years	1.4	0.9
Amounts due between two and five years	3.4	0.9
Amounts due in greater than five years	12.6	12.6
Total capital expenditure commitments	**19.2**	**23.3**
Non-cancellable operating leases – Group as lessor		
Amounts due in less than one year	(162.3)	(184.5)
Amounts due between one and two years	(142.9)	(158.6)
Amounts due between two and five years	(341.2)	(354.5)
Amounts due in greater than five years	(556.2)	(614.0)
Total operating leases – Group as lessor	**(1,202.6)**	**(1,311.6)**
Net commitments owed to Group	**(1,183.4)**	**(1,288.3)**

Other information

In the normal course of business, the Group enters into various contracts that could give rise to contingent liabilities in relation to performance obligations under those contracts. At the date of this report, the possibility of any outflow in settlement is remote.

Operating leases

Group as lessor

Investment properties owned by the Group are leased to third parties under operating leases. Lease terms vary between tenants and some leases include percentage rental payments based on sales volumes.

Contracted capital expenditure commitments

These represent amounts payable in relation to capital expenditure commitments contracted for at the Statement of financial position date but not recognised as liabilities. They primarily relate to the investment property portfolio and property, plant and equipment.

Other contracted commitments

This represents amounts payable in relation to fitout commitments and acquisition of investment properties that have exchanged prior to the balance date and will settle subsequent to the balance date.

Note 30 Employee entitlements

	30 June 2024 $m	30 June 2023 $m
Annual leave	8.0	9.5
Long service leave	9.4	10.7
Employee[1] entitlements provision	**17.4**	**20.2**

1. The total number of employees of the Group at 30 June 2024 was 676 (30 June 2023: 817) on a full-time equivalent (FTE) basis.

Accounting policy

Superannuation funds

Obligations for contributions to superannuation funds are recognised as an expense in the Statement of comprehensive income as they are incurred. The Group does not hold or pay into any defined benefit superannuation schemes on behalf of employees.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the Statement of financial position date, are recognised in respect of employees' services up to the Statement of financial position date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the Statement of financial position date. The estimated future cash outflows are discounted using yields from Australian corporate bonds which have durations to match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows, such as expected future salary increases, experience of employee departures and period of service, are included in the measurement.

Share-based payment transactions

Long-term equity-based incentive plan

The Group has an employee share incentive plan for the granting of non-transferable share rights to executives and senior employees. Shares in the Company held by the employee share trust are classified as Treasury shares and presented in the Statement of financial position as a deduction from equity.

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an option pricing model.

In accordance with Australian Accounting Standards, the cost of equity-settled transactions is recognised in the Statement of comprehensive income, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

When an employee's employment is terminated during the vesting period, their share rights are treated as vesting at the date of termination of employment except to the extent that there is an explicit or implied service condition that extends to the end of the performance period.

At the Company level, the cost of Treasury shares is recognised as a reduction in equity. On vesting of the award, they are subsequently recognised as an increase in equity and a reduction in share-based payment reserve at an average acquisition price.

The cumulative expense or investment recognised for equity-settled transactions at each Statement of financial position date reflects the extent to which the vesting period has expired and the best estimate of the number of awards that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. This results in the share-based payment expense being recognised in the Statement of comprehensive income and an increase in equity being recognised even if the market performance conditions are not met at the vesting date and the share rights ultimately lapse.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled during the vesting period (other than an award cancelled when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Notes to the financial statements continued

Note 30 Employee entitlements continued

Employee share acquisition plan

Share-based compensation benefits are provided to employees via the Challenger Performance Plan (CPP). The Group has formed a trust to administer the Group's employee share acquisition plan (CPP Trust).

The CPP Trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Through contributions to the CPP Trust, the Group typically purchases shares in the Company on market. Shares acquired are held by the CPP Trust and are disclosed as Treasury shares and are deducted from contributed equity.

In such deferred contracts, changes in the fair value arising from variations in market rates do not affect the amount of cash to be paid or the number of Challenger shares to be received, and these contracts are classified as equity instruments. Changes in the fair value of an equity instrument are not recognised in the financial statements. The liability to the third party is recorded on the balance sheet at present value and the discount is unwound through the Statement of comprehensive income over the duration of the contract.

Deferred Performance Share Rights (DPSRs)

This instrument is a performance right which gives a right to a fully paid share in the Company at the end of the vesting period. The vesting period is typically between one and four years on existing awards.

The table below sets out the details of the DPSRs granted under the CPP and their movements.

The DPSR instruments were replaced with Restricted Shares instruments (refer below) in 2021, and since then, no new DPSRs have been issued.

Grant date	Latest date for vesting[1]	Reference price $	Fair value at grant $	Outstanding at 1 July 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 June 2024
7 Sep 2020	1 Sep 2024	4.010	3.35	319,175	—	—	—	319,175
7 Sep 2020	1 Sep 2023	4.010	3.50	319,175	—	(319,175)	—	—
11 Nov 2019	1 Sep 2023	6.633	6.94	15,377	—	(15,377)	—	—
9 Sep 2019	1 Sep 2023	6.633	5.93	198,094	—	(198,094)	—	—
Total				**851,821**	**—**	**(532,646)**	**—**	**319,175**

1. At the date of vesting, fully paid shares are transferred to the individual and released from the CPP Trust.

Restricted Shares (RS)

A Restricted Share is a beneficial interest in a fully paid ordinary Challenger share acquired for zero consideration. RS are subject to disposal restrictions and vest subject to satisfaction of an employment condition.

RS provide an entitlement to vote and a right to dividends.The table below sets out the details of the RS granted in current and prior periods and movements on those awards in the year.

Grant date	Expected date for vesting	Reference price $	Fair value at grant $	Outstanding at 1 July 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 June 2024
8 Sep 2023	1 Sep 2027	6.420	6.32	—	92,455	—	—	92,455
8 Sep 2023	1 Sep 2026	6.420	6.32	—	139,165	—	—	139,165
8 Sep 2023	1 Sep 2025	6.420	6.32	—	542,549	—	(14,757)	527,792
8 Sep 2023	1 Sep 2024	6.420	6.32	—	542,503	—	(19,079)	523,424
9 Dec 2022	1 Dec 2023	7.130	7.20	28,050	—	(28,050)	—	—
9 Sep 2022	1 Sep 2026	6.260	6.33	108,268	—	—	(11,741)	96,527
9 Sep 2022	1 Sep 2025	6.260	6.33	143,034	—	—	(11,741)	131,293
9 Sep 2022	1 Sep 2024	6.260	6.33	522,872	—	—	(9,202)	513,670
9 Sep 2022	1 Sep 2023	6.260	6.33	522,872	—	(522,872)	—	—
8 Sep 2021	1 Sep 2025	6.440	6.36	157,244	—	—	—	157,244
8 Sep 2021	1 Sep 2024	6.440	6.36	157,244	—	—	—	157,244
8 Sep 2021	1 Sep 2023	6.440	6.36	235,895	—	(235,895)	—	—
Total				**1,875,479**	**1,316,672**	**(786,817)**	**(66,520)**	**2,338,814**

Note 30 Employee entitlements continued

Accounting policy continued

Hurdled Performance Share Rights (HPSRs)

This instrument is a performance share right that gives a right to a fully paid share in the Company at certain vesting dates, subject to the achievement of performance conditions based on total shareholder returns (TSR). The HPSRs are awarded based on a range of criteria reflecting, in addition to current year performance, the longer-term ability of an employee to add significant value to Challenger and for retention purposes. The award of HPSRs ensures longer-term alignment of interests between Challenger and its employees.

For grants made between 1 July 2015 and 30 June 2019, subject to continued employment and meeting the absolute TSR performance target, two-thirds of a HPSR award will be eligible to commence vesting on the third anniversary and the final third on the fourth anniversary following grant. For grants from 1 July 2019, subject to continued employment and meeting the absolute TSR performance target, a HPSR award is eligible to commence vesting on the fourth anniversary and is subject to a final cumulative test based on a higher absolute TSR reflective of another year of compound growth based on a higher absolute TSR reflective of another year of compound growth on the fifth anniversary.

This change has the effect of increasing the vesting period. Furthermore, as the absolute TSR performance target is a market-based vesting condition, the related share-based payment expense is recognised over the vesting period even if the target is ultimately not met and the HPSR does not vest.

In 2024, the Board introduced an additional performance measure of Culture that comprises 25% of the HPSR award value. The decision to introduce the measure reflects the requirements under CPS 511 ***Remuneration***. If the target ranges are met or exceeded, the Board will determine the vesting outcome, ranging between 50% and 99.9%. As Culture is considered a non-market-based performance condition, it is not discounted for the probability of vesting in accordance with AASB 2 ***Share-based Payment***.

The table below sets out details of the HPSRs granted under the CPP during 2024 and movements on previous issues.

Grant date	Expected date for vesting[1]	Reference price $	Fair value at grant $	Outstanding at 1 July 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 30 June 2024
8 Nov 2023	1 Sep 2027	6.420	5.12	—	130,695	—	—	130,695
8 Nov 2023	1 Sep 2027	6.420	2.81	—	392,085	—	—	392,085
8 Sep 2023	1 Sep 2027	6.420	5.50	—	827,078	—	(35,124)	791,954
8 Sep 2023	1 Sep 2027	6.420	3.24	—	2,481,166	—	(105,366)	2,375,800
9 Dec 2022	1 Sep 2026	7.130	4.45	149,760	—	—	—	149,760
10 Nov 2022	1 Sep 2026	7.120	4.39	814,015	—	—	—	814,015
9 Sep 2022	1 Sep 2026	6.260	3.59	2,845,392	—	—	(366,712)	2,478,680
23 Mar 2022	1 Sep 2025	5.901	4.37	27,949	—	—	—	27,949
8 Sep 2021	1 Sep 2025	6.440	3.59	2,860,443	—	—	(226,718)	2,633,725
10 May 2021	1 Sep 2024	4.880	2.64	104,353	—	—	(26,594)	77,759
2 Nov 2020	1 Sep 2024	4.752	2.58	848,268	—	—	—	848,268
7 Sep 2020	1 Sep 2024	4.010	1.87	5,073,276	—	—	(106,894)	4,966,382
9 Dec 2019	1 Sep 2023	6.729	4.22	432,483	—	—	—	432,483
11 Nov 2019	1 Sep 2023	6.729	4.42	90,618	—	—	—	90,618
9 Sep 2019	1 Sep 2023	6.633	3.10	2,631,547	—	—	(5,889)	2,625,658
11 Sep 2018	1 Sep 2021	10.368	4.56	819,019	—	—	(819,019)	—
11 Sep 2018	1 Sep 2022	10.368	3.94	479,112	—	—	(479,112)	—
Total				**17,176,235**	**3,831,024**	**—**	**(2,171,428)**	**18,835,831**

1. At the date of vesting, fully paid shares are transferred to the individual and released from the CPP Trust.

Notes to the financial statements continued

Note 30 Employee entitlements continued

Key estimates and assumptions

Share-based payments

The Group measures the cost of equity-settled transactions with employees granted during the year by reference to the fair value of the share rights at the date at which they are granted. The fair values are determined by independent external valuers using a Black-Scholes model for DPSRs and a Monte Carlo simulation model for HPSRs which utilises the TSR share price hurdles. A discounted cash flow methodology is used to determine the fair value of RS. Key inputs into the valuation models for equity awards granted during the year are as follows:

Input[2]	08 Sep 2023 RS RS	08 Sep 2023 HPSR HPSR[1,4]	08 Sep 2023 HPSR HPSR[1,5]	8 Nov 2023 HPSR HPSR[1,4]	8 Nov 2023 HPSR HPSR[1,5]
Dividend yield (%)	3.5	3.5	3.5	3.5	3.5
Risk-free rate (%)	3.78 - 3.85	3.78 - 3.85	3.78 - 3.85	4.16 - 4.24	4.16 - 4.24
Volatility[3] (%)	n/a	34	n/a	33	n/a
Valuation ($)	6.32	3.24	5.50	2.81	5.12

1. Staggered deferred vesting applies to these grants.
2. Prior to 1 July 2021, deferred STI awards were delivered as DPSRs.
3. Forecast volatility rate implied from historic trend. Volatility is only applicable to HPSRs.
4. Inputs for the TSR performance condition.
5. Inputs for the culture performance condition.

Note 31 Remuneration of auditor

Amounts received or due and receivable by Ernst & Young (Australia) relating to:	30 June 2024 $	30 June 2023 $
Full-year audit and half-year review of the Group financial report	2,290,190	2,235,464
Other audit services – audit and review of trusts and funds	768,363	721,815
Other assurance services	753,230	1,618,085
Other services in relation to the Group		
– taxation services	35,000	45,000
– other services	52,729	—
	3,899,512	**4,620,364**
Amounts received or due and receivable by other overseas member firms of Ernst & Young (Australia) for:		
Fees for auditing the financial report of any controlled entities	364,209	407,403
Other services in relation to the Group		
– taxation services	55,966	91,500
	420,175	498,903
Total auditor remuneration[1]	**4,319,687**	**5,119,267**

1. Auditor's remuneration for the Group is paid by Challenger Group Services Limited, a wholly owned entity within the Group.

Note 32 Subsequent events

At the date of this financial report, no matter or circumstance has arisen that has, or may, significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years which has not already been reflected in this report.

6.3 Consolidated entity disclosure statement

Set out below is a list of entities that are consolidated in this set of Consolidated financial statements at the end of the financial year.

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax resident
Challenger Limited (Parent)	**Body corporate**	**Australia**	**100%**	**Australia**
255 Finance Group Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Investments Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Pty Ltd	Body corporate	Australia	100%	Australia
255 Finance Services Pty Ltd	Body corporate	Australia	100%	Australia
839 Collins Trust	Trust	N/A	N/A	Australia
Arise Finance Trust	Trust	N/A	N/A	Australia
Arise Residential Mortgage Trust No 1	Trust	N/A	N/A	Australia
Artega Investment Administration Pty Limited[1]	Body corporate	Australia	80%	Australia
Belconnen Property Trust	Trust	N/A	N/A	Australia
CDPG Australia Pty Limited	Body corporate	Australia	100%	Australia
Challenger Adelaide St. Trust	Trust	N/A	N/A	Australia
Challenger Australia Listed Property Holding Trust	Trust	N/A	N/A	Australia
Challenger Bourke Trust	Trust	N/A	N/A	Australia
Challenger Bunbury Trust	Trust	N/A	N/A	Australia
Challenger Channel Court Trust	Trust	N/A	N/A	Australia
Challenger Childers Square Trust	Trust	N/A	N/A	Australia
Challenger CKT Holding Trust	Trust	N/A	N/A	Australia
Challenger Clarence St. Trust	Trust	N/A	N/A	Australia
Challenger Diversified Property Trust 1	Trust	N/A	N/A	Australia
Challenger DPG France II SAS	Body corporate	France	100%	France
Challenger East Arm Logistics Trust	Trust	N/A	N/A	Australia
Challenger East Arm Logistics Trust No.2	Trust	N/A	N/A	Australia
Challenger Enhanced Index Fund (AS)[2]	Trust	N/A	N/A	Australia
Challenger Financial Services Group	Trust	N/A	N/A	Australia
Challenger Financial Services Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Funds Management (Asia) Pte Ltd	Body corporate	Singapore	100%	Singapore
Challenger Funds Management Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Gateway Palmerston Trust	Trust	N/A	N/A	Australia
Challenger Golden Grove Trust	Trust	N/A	N/A	Australia
Challenger Group Holdings Limited	Body corporate	Australia	100%	Australia
Challenger Group Pty Limited	Body corporate	Australia	100%	Australia
Challenger Group Services Pty. Ltd.	Body corporate	Australia	100%	Australia
Challenger Guernsey Trust	Trust	N/A	N/A	Australia
Challenger High Yield Fund	Trust	N/A	N/A	Australia
Challenger Holdco2 Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Holdco3 Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Home Loan Corporation Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Index Plus Fund[2]	Trust	N/A	N/A	Australia
Challenger Investment Partners Limited	Body corporate	Australia	100%	Australia
Challenger Investment Solutions Management Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Japan Holdings Kabushiki Kaisha	Body corporate	Japan	100%	Japan
Challenger Japan Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Japan Retail Trust 1	Trust	N/A	N/A	Australia
Challenger Japan Retail Trust 2	Trust	N/A	N/A	Australia
Challenger Kabushiki Kaisha	Body corporate	Japan	100%	Japan
Challenger Karratha Trust	Trust	N/A	N/A	Australia
Challenger Lennox Trust	Trust	N/A	N/A	Australia
Challenger Life CDI Nominees Pty Ltd[3]	Body corporate	Australia	100%	Australia

Consolidated entity disclosure statement continued

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax resident
Challenger Life Collateral Holding Trust	Trust	N/A	N/A	Australia
Challenger Life Company Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Life Company Limited	Body corporate	Australia	100%	Australia
Challenger Life Debt Investments (Europe) Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Life Fund Investments Trust	Trust	N/A	N/A	Australia
Challenger Life Fund Property Investments Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Life Investments UK Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Life MN Trust	Trust	N/A	N/A	Australia
Challenger Life Nominees No.2 Pty Ltd[3]	Body corporate	Australia	100%	Australia
Challenger Life Nominees No.3 Pty Limited[3]	Body corporate	Australia	100%	Australia
Challenger Life Nominees Pty Ltd[3]	Body corporate	Australia	100%	Australia
Challenger Life OFI Trust	Trust	N/A	N/A	Australia
Challenger Life OFI Trust – UK branch	Trust	N/A	N/A	United Kingdom
Challenger Life Subsidiary Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Management Services (UK) Limited	Body corporate	United Kingdom	100%	United Kingdom
Challenger Millennium NPL Trust	Trust	N/A	N/A	Australia
Challenger Millennium Series 2007-1E Trust	Trust	N/A	N/A	Australia
Challenger Millennium Series 2007-2L Trust	Trust	N/A	N/A	Australia
Challenger Millennium Series 2013-1 Trust	Trust	N/A	N/A	Australia
Challenger Millennium Warehouse F Trust	Trust	N/A	N/A	Australia
Challenger Millennium Warehouse NPF Trust	Trust	N/A	N/A	Australia
Challenger Mortgage Management Pty Ltd[3]	Body corporate	Australia	100%	Australia
Challenger Non-Conforming Finance Pty Ltd	Body corporate	Australia	100%	Australia
Challenger North Rocks Trust	Trust	N/A	N/A	Australia
Challenger Northbourne Trust	Trust	N/A	N/A	Australia
Challenger NZ Millennium Series 2007-AP Trust	Trust	N/A	N/A	New Zealand
Challenger Performance Plan	Trust	N/A	N/A	Australia
Challenger Property Trust No. 25	Trust	N/A	N/A	Australia
Challenger Property Trust No. 28	Trust	N/A	N/A	Australia
Challenger Property Trust No. 32	Trust	N/A	N/A	Australia
Challenger Property Trust No. 33	Trust	N/A	N/A	Australia
Challenger Property Trust No. 36	Trust	N/A	N/A	Australia
Challenger Retirement and Investment Services Limited	Body corporate	Australia	100%	Australia
Challenger Seattle Trust	Trust	N/A	N/A	Australia
Challenger Securitisation Management Pty Ltd[3]	Body corporate	Australia	100%	Australia
Challenger Special Servicing Pty Ltd	Body corporate	Australia	100%	Australia
Challenger Titanium Series Warehouse C Trust	Trust	N/A	N/A	Australia
Challenger Treasury Limited	Body corporate	Australia	100%	Australia
Challenger UK Tank Storage Holding Trust	Trust	N/A	N/A	Australia
Challenger USPF II Trust	Trust	N/A	N/A	Australia
Challenger Wholesale Finance Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Wind Holdings Pty Limited	Body corporate	Australia	100%	Australia
Challenger Wind Trust	Trust	N/A	N/A	Australia
CLC Global High Yield Credit Trust	Trust	N/A	N/A	Australia
CLC Leveraged Loan Trust	Trust	N/A	N/A	Australia
CLS US Holdings, LLC	Body corporate	United States	100%	Australia
CMM NIM Trust No. 2	Trust	N/A	N/A	Australia
CPHIC Investments Pty Ltd	Body corporate	Australia	100%	Australia
Crown Domestic Sovereign Bond Trust[2]	Trust	N/A	N/A	Australia
Discovery House Trust	Trust	N/A	N/A	Australia
Fidante Partners (Guernsey) Limited	Body corporate	Guernsey	100%	Guernsey

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax resident
Fidante Partners AAM Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners AB	Body corporate	Sweden	100%	Sweden
Fidante Partners Alphinity Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Ardea Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Bentham Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Cultiv8 Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Eiger Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Europe Limited	Body corporate	United Kingdom	100%	United Kingdom
Fidante Partners FME Holdings Limited	Body corporate	United Kingdom	100%	United Kingdom
Fidante Partners Holdco1 Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Holdings (Guernsey) Ltd	Body corporate	Guernsey	100%	United Kingdom
Fidante Partners Holdings Europe Limited	Body corporate	United Kingdom	100%	United Kingdom
Fidante Partners Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Lennox Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Limited[3]	Body corporate	Australia	100%	Australia
Fidante Partners Merlon Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners NovaPort Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Ox Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Services Limited[3]	Body corporate	Australia	100%	Australia
Fidante Partners System Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Fidante Partners Wavestone Holdings Pty Limited	Body corporate	Australia	100%	Australia
Fidante Partners Whitehelm Holdings Pty Ltd	Body corporate	Australia	100%	Australia
GIR StatePlus Trust[2]	Trust	N/A	N/A	Australia
Godo Kaisha Master TK	Partnership	N/A	N/A	Japan
Godo Kaisha Master TK Two	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK One	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Two	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Three	Partnership	N/A	N/A	Japan
Godo Kaisha Sub TK Four	Partnership	N/A	N/A	Japan
Index Plus - CSC Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - Fiducian Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - IOOF Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - LGS Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Index Plus - TAL Life Enhanced Mandate Fund[2]	Trust	N/A	N/A	Australia
Interstar Millennium Series 2002-1G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2003-3G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-1E Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-2G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-4E Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2004-5 Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2005-1G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2005-2L Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2005-3E Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-1 Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-2G Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-3L Trust	Trust	N/A	N/A	Australia
Interstar Millennium Series 2006-4H Trust	Trust	N/A	N/A	Australia
Interstar NZ Millennium Series 2004-A Trust	Trust	N/A	N/A	New Zealand
Kabushiki Kaisha C & K	Body corporate	Japan	100%	Japan
Kudu Investment Partners I, Lp	Partnership	N/A	N/A	United States
Lease Collateral No.2 Pty Ltd	Body corporate	Australia	100%	Australia

Consolidated entity disclosure statement continued

Entity name	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax resident
Lease Collateral Pty Ltd[3]	Body corporate	Australia	100%	Australia
Lease Funding Management Pty Ltd	Body corporate	Australia	100%	Australia
Non Conforming Challenger Funding Trust No 1	Trust	N/A	N/A	Australia
Oaklands Hill Pty Ltd	Body corporate	Australia	100%	Australia
Offshore Reinsurer (Bermuda) Company Limited	Body corporate	Bermuda	100%	Australia
Orde Warehouse Trust G	Trust	N/A	N/A	Australia
Recfin Investment Trust	Trust	N/A	N/A	Australia
Recfin Series 2016-1 Trust	Trust	N/A	N/A	Australia
Specialised Finance Warehouse Trust 1	Trust	N/A	N/A	Australia
Specialised Finance Warehouse Trust 2	Trust	N/A	N/A	Australia
The Liberty Group Consortium Pty Ltd	Body corporate	Australia	100%	Australia
TLGH Pty Limited	Body corporate	Australia	100%	Australia
US LLC Holdings Pty Ltd	Body corporate	Australia	100%	Australia
US LLC Investments LLC	Body corporate	United States	100%	United States
Whole Loan Trust No. 1	Trust	N/A	N/A	Australia

1. Participant of a joint venture in the consolidated entity.
2. CLC consolidates the funds due to control over the trust and the existence of a total return swap. CLC has no percentage holding in the funds.
3. Trustee of a trust in the consolidated entity.

6.4 Directors' declaration

In accordance with a resolution of the Directors of Challenger Limited, we declare that, in the opinion of the Directors:

a) the financial statements and notes of Challenger Limited and its controlled entities (the Group) are in accordance with the *Corporations Act 2001* (Cth), including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 (Cth);

b) the financial statements and notes of the Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, which is disclosed in Section 1(i) Basis of preparation and statement of compliance;

c) the consolidated entity disclosure statement required by section 295(3A) of the ***Corporations Act 2001*** (Cth) is true and correct;

d) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

e) this declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the ***Corporations Act 2001*** (Cth) for the financial year ended 30 June 2024.

On behalf of the Board

D West
Independent Chair

12 August 2024

N Hamilton
Managing Director and Chief Executive Officer

12 August 2024

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
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Independent Auditor's Report to the Shareholders of Challenger Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Challenger Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. **Initial Application of AASB 17**

Financial report reference: Section 1 (iii)

Why significant to the audit	How our audit addressed the key audit matter
Effective 1 July 2023, the Group transitioned to the new accounting standard AASB 17 *Insurance Contracts*, which replaced AASB 4 *Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The Group retrospectively applied AASB 17 to insurance contracts issued from 1 July 2022. The 2023 comparative figures as presented in the consolidated financial statements have been restated for the adoption of AASB 17. The Group has evaluated the requirements of AASB 17 *Insurance Contracts* and exercised significant judgement to develop accounting policies and determine appropriate methodologies in order to comply with AASB 17 *Insurance Contracts*. In particular, the determination of the measurement models to apply under the standard, the transition approaches adopted, the determination of coverage units for contractual service margin release, risk adjustment, computation of loss component on onerous contracts and the determination of the discount rates. Accordingly, we have identified the Initial Application as a key audit matter. The standard also has an impact on the disclosures in the notes to the financial statements.	Our audit procedures included the following: ▸ Assessed the significant judgements to determine the relevant accounting policies against the requirements of AASB 17 *Insurance Contracts*. This included judgements used to determine the measurement models to apply, the transition approaches adopted, coverage units for contractual service margin release, risk adjustment, identification of onerous contracts and discount rates used. ▸ Evaluated the application of the measurement model for insurance contracts. This included assessing the derivation and application of underlying significant assumptions used to derive the fulfilment cash flows, assessing the resulting fulfilment cash flows and assessing the related contractual service margin. ▸ Evaluated the appropriateness of the methodology used by management to determine the risk adjustment and assessed the application of this methodology to derive the risk adjustment. ▸ Evaluated the appropriateness of the methodology used by management to calculate the loss component on onerous contracts and assessed the application of this methodology to derive the loss component. ▸ Assessed the adequacy of the financial statement disclosures related to the transition included in the notes to financial statements in accordance with the requirements of AASB 17 *Insurance Contracts*. Where appropriate, we involved our life insurance actuarial specialists in the above procedures. We assessed the adequacy of the disclosures included in the notes to the financial statements.

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2. Valuation of Life Contract Liabilities
Financial report reference: Note 9

Why significant to the audit	How our audit addressed the key audit matter
The Group recognised a life contract liabilities of $15,279 million as at 30 June 2024. The valuation methodology to estimate the liabilities adopted by the Group involves complex and subjective judgments about future events. Key assumptions used in the Group's model to determine the value of the life contract liabilities include: ▸ Discount rates ▸ Inflation ▸ Maintenance expenses ▸ Mortality rates and redemptions These assumptions, along with policy information, are used as inputs to the Group's model to calculate the Life Contract Liabilities. This was a key audit matter due to the value of the balance relative to total liabilities and the degree of judgment and estimation uncertainty associated with the valuation.	Our audit procedures included an assessment of the effectiveness of relevant controls over assumptions and policy information used as inputs into the Group's model. Our audit procedures also included the following in the evaluation of the assumptions used by the Group: ▸ Assessed the Group's governance process and controls to determine the methodology and assumptions. ▸ Evaluated the results of the experience investigations carried out by the Group to determine whether they supported the assumptions. ▸ Assessed the movements in modelled profit margins and best estimate liabilities for insurance risk transactions. For a sample of life insurance and investment contract policies, we performed an independent recalculation of the life contract liability valuations. In conjunction with our IT specialists, we assessed whether policy information was extracted accurately from the Group's underlying administration system into the valuation process. Where appropriate, we involved our life insurance actuarial specialists in the above procedures and overall assessment of the valuation methodology, key assumptions and models deriving the valuation of the life contract liabilities. We assessed the adequacy of the disclosures included in the notes to the financial statements.

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3. Valuation of Level 3 Investment and Property Assets

Financial report reference: Note 20

Why significant to the audit	How our audit addressed the key audit matter
The Group holds a portfolio of assets carried at fair value of $5,531 million as at 30 June 2024, for which an observable market value is not readily available. These assets are classified as Level 3 assets within the fair value hierarchy of the financial report, which include fixed income securities, equity and other alternatives, infrastructure investments, property securities, and investment property. Level 3 assets require judgment to be applied in determining their fair value, as the valuation inputs for these assets are not based on observable market transactions or other readily available market data. Management exercised judgment to arrive at their best estimates of fair value of these assets. There is complexity in this process, as well as uncertainty associated with the valuation and modelling methodologies and the assumptions adopted. This was a key audit matter due to the value of the balance relative to total assets and the degree of judgment and estimation uncertainty associated with the valuations.	Our audit procedures included the following: ▸ Assessed the Group's controls over the valuation of Level 3 assets. ▸ Tested the mathematical accuracy of the valuation models and assessed consistency with the Group's documented methodology and assumptions. ▸ Assessed the Group's valuation and modelling methodologies as well as key judgmental inputs used in the year-end valuations, including the discount rate and the terminal value. ▸ Evaluated the key assumptions associated with property valuations and agreed key inputs to tenancy schedules. We assessed the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations. ▸ Evaluated the suitability of the property valuation methodology across the portfolio based on the type of asset. We considered the reports of the independent valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. ▸ Obtained valuation statements provided by external investments managers in respect of unit trusts and alternate funds. We assessed the valuations of investments as provided by external investment managers, including an assessment of the reliability of the information received and the appropriateness of the underlying valuation method. Where appropriate, we involved our securities and real estate valuation specialists in the above procedures. We assessed the adequacy of the disclosures included in the notes to the financial statements.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 81 to 89 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Challenger Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Sydney
12 August 2024

7.1 Investor information

Substantial shareholders

The number of shares held by substantial shareholders and their associates, based on the latest substantial shareholder notifications, and the 20 largest individual shareholders are as follows:

Substantial shareholders as at 31 July 2024	Number of shares	% of issued capital
Apollo Global Management, Inc. / Athene Life Reinsurance Ltd[1]	139,026,658	20.12
MS&AD Insurance Group Holdings Inc[1]	104,353,125	15.10
20 largest individual shareholders as at 31 July 2024		
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	230,189,070	33.31
2. CITICORP NOMINEES PTY LIMITED	168,550,874	24.39
3. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	107,173,380	15.51
4. NATIONAL NOMINEES LIMITED	16,046,849	2.32
5. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	14,259,497	2.06
6. ARGO INVESTMENTS LIMITED	5,440,311	0.79
7. BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	4,779,123	0.69
8. BNP PARIBAS NOMS PTY LTD	4,628,676	0.67
9. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING A/C>	4,510,930	0.65
10. MUTUAL TRUST PTY LTD	3,033,914	0.44
11. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,798,249	0.40
12. CPU SHARE PLANS PTY LTD <CGF RSU CONTROL A/C>	2,740,355	0.40
13. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,632,220	0.38
14. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,856,302	0.27
15. CPU SHARE PLANS PTY LTD <CGF PERFORMANCE PLAN A/C>	1,737,602	0.25
16. UBS NOMINEES PTY LTD	1,678,465	0.24
17. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,667,460	0.24
18. CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	1,402,536	0.20
19. NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	1,268,065	0.18
20. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,201,811	0.17
Total 20 largest individual shareholders – issued capital	**577,595,689**	**83.56**
Total remaining shareholders balance	**113,532,596**	**16.44**

1. Number of shares for substantial shareholders as at 31 July 2024 available at the time of releasing this report.

Distribution of shares (as at 31 July 2024)

Range	Number of shareholders	Number of shares	% of issued capital
1 – 1,000	15,437	6,919,996	1.00
1,001 – 5,000	13,868	33,174,985	4.80
5,001 – 10,000	2,937	21,036,002	3.04
10,001 – 100,000	1,834	37,455,709	5.42
100,001 and over	77	592,541,593	85.74
Total	**34,153**	**691,128,285**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 7.0400 per unit	72	1,097	23,704

ASX listing

Challenger Limited shares are listed on the ASX under code CGF. Share price details and company information can be accessed via either the Company website:

› **challenger.com.au** or the ASX website:› **asx.com.au**

Voting rights

On a show of hands, every member present at the meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Investor information continued

Buy-back

There is currently no market buy-back.

On market acquisitions for employee incentive schemes during the financial year ended 30 June 2024

During the year, 1.7 million Challenger Limited ordinary shares were purchased on market to satisfy entitlements under Challenger's employee incentive schemes.

Top 20 noteholders of Challenger Capital Notes 3 as at 31 July 2024

20 largest individual noteholders as at 31 July 2024		Number of notes	% of issued notes
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	281,460	7.31
2.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	257,985	6.70
3.	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS>	114,262	2.97
4.	DIOCESE DEVELOPMENT FUND -CATHOLIC DIOCESE OF PARRAMATTA	112,177	2.91
5.	CITICORP NOMINEES PTY LIMITED	86,131	2.24
6.	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	74,507	1.94
7.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	52,673	1.37
8.	IOOF INVESTMENT SERVICES LIMITED <IOOF IDPS A/C>	49,500	1.29
9.	MUTUAL TRUST PTY LTD	46,525	1.21
10.	EASTCOTE PTY LTD <THE VAN-LIESHOUT FAMILY A/C>	41,600	1.08
11.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	38,008	0.99
12.	VISION AUSTRALIA FOUNDATION <VISION AUSTRALIA CREDIT A/C>	35,000	0.91
13.	NATIONAL NOMINEES LIMITED	31,248	0.81
14.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	27,775	0.72
15.	BERNE NO 132 NOMINEES PTY LTD <2853115 A/C>	22,500	0.58
16.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	21,811	0.57
17.	MF INVESTMENTS NO 1 PTY LTD	21,493	0.56
18.	GCF INVESTMENTS PTY LTD	20,000	0.52
19.	SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	18,430	0.48
20.	MR DAVID FOX <THOMAS J BERESFORD WI A/C>	17,600	0.46
Total 20 largest individual noteholders – issued notes		**1,370,685**	**35.62**
Total remaining noteholders balance		**2,479,315**	**64.38**

Distribution of notes (as at 31 July 2024)

Range	Number of holders	Number of notes	% of notes
1 – 1,000	4,063	1,342,266	34.86
1,001 – 5,000	427	864,843	22.46
5,001 – 10,000	30	221,324	5.75
10,001 – 100,000	20	655,683	17.03
100,001 and over	4	765,884	19.90
Total	**4,544**	**3,850,000**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 105.6500 per unit	5	22	86

Top 20 noteholders of Challenger Capital Notes 4 as at 31 July 2024

20 largest individual noteholders as at 31 July 2024		Number of notes	% of issued notes
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	266,412	7.61
2.	BNP PARIBAS NOMINEES PTY LTD <HUB24 CUSTODIAL SERV LTD>	231,388	6.61
3.	CITICORP NOMINEES PTY LIMITED	98,975	2.83
4.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	75,259	2.15
5.	BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS>	58,269	1.66
6.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	52,874	1.51
7.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	34,494	0.99
8.	TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS &	29,270	0.84
9.	BERNE NO 132 NOMINEES PTY LTD <684168 A/C>	28,280	0.81
10.	IOOF INVESTMENT SERVICES LIMITED <IISL NAL ISMA 2 A/C>	27,998	0.80
11.	NATIONAL NOMINEES LIMITED	25,656	0.73
12.	NORA GOODRIDGE INVESTMENTS PTY LTD	24,443	0.70
13.	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	24,338	0.70
14.	IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	20,651	0.59
15.	G C F INVESTMENTS PTY LTD	20,000	0.57
16.	ACRES HOLDINGS PTY LTD <NOEL EDWARD KAGI FAMILY A/C>	19,300	0.55
17.	IOOF INVESTMENT SERVICES LIMITED <IISL NAL ISMA 1 A/C>	16,800	0.48
18.	IOOF INVESTMENT SERVICES LIMITED <IOOF IDPS A/C>	16,160	0.46
19.	BOWEN FAMILY SUPER CO PTY LTD <BOWEN FAMILY SUPER FUND A/C>	15,150	0.43
20.	SKYPLAZA INVESTMENTS PTY LTD	15,000	0.43
Total 20 largest individual noteholders – issued notes		**1,100,717**	**31.45**
Total remaining noteholders balance		**2,399,283**	**68.55**

Distribution of notes (as at 31 July 2024)

Range	Number of holders	Number of notes	% of notes
1 – 1,000	3,557	1,164,502	33.27
1,001 – 5,000	452	927,121	26.49
5,001 – 10,000	33	247,270	7.06
10,001 – 100,000	23	663,307	18.95
100,001 and over	2	497,800	14.23
Total	**4,067**	**3,500,000**	**100.00**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 105.4500 per unit	5	0	0

ASX listing

Challenger Capital Notes 3 are listed on the ASX under the trade symbol CGFPC. Challenger Capital Notes 4 are listed on the ASX under the trade symbol CGFPD. Note price details can be accessed via the ASX website:

› asx.com.au

Voting rights

Challenger Capital Notes 3 and 4 do not confer any voting rights in the Company but if they are exchanged or converted for ordinary shares in accordance with their terms of issue, then the voting rights of the ordinary shares will be the same as for ordinary shares.

Shareholder queries

For any administrative matters in respect of your Challenger Limited shareholding or noteholding, please contact the Company's share registrar, Computershare: Computershare Investor Services Pty Limited 6 Hope St, Ermington NSW 2115.

Telephone: 1800 780 782 Website: **› computershare.com.au**

To assist with all enquiries, please quote your unique Security Reference Number (SRN) and your current address when dealing with Computershare.

7.2 Additional Information

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE IN AUSTRALIA

Level 2
5 Martin Place
Sydney NSW 2000

Telephone: 02 9994 7000

Investor services: 13 35 66

DIRECTORS

Duncan West (Chair)

Nicolas Hamilton (Managing Director and Chief Executive Officer)

Lisa Gray

John M Green

Masahiko Kobayashi

Matthew Michelini

Heather Smith

JoAnne Stephenson

Melanie Willis

COMPANY SECRETARY

Linda Matthews

WEBSITE

challenger.com.au

MANAGE YOUR SHAREHOLDING AT COMPUTERSHARE INVESTOR SERVICES

Computershare Investor Services Pty Limited

6 Hope St
Ermington NSW 2115

Telephone: 02 8234 5000

computershare.com.au

AUDITOR

Ernst & Young

200 George Street
Sydney NSW 2000

GO ELECTRONIC

Challenger can deliver all of your shareholder communications electronically, by updating your details via Computershare Investor Services.

ONLINE DIGITAL VERSION OF THIS REPORT

The 2024 Annual Report is available at:

challenger.com.au/annualreport2024