# Sustainability Report and Sustainability Supplement
2026

Life. Well lived.

# Sustainability Report 2026

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## Introduction

This Report has been prepared for the same reporting entity, reporting period and presentation currency as Challenger's consolidated financial statements for the year ended 30 June 2026.

In this Report, an entity is controlled when Challenger is exposed to or has rights to returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Controlled entities are consolidated from the date on which Challenger Limited has control and ceases to be consolidated from the date on which control is transferred out of Challenger.

This Report was authorised for issue in accordance with a resolution of the directors on 18 August 2026.

## Statement of compliance

This Report has been prepared in accordance with *AASB S2 Climate-related Disclosures* (AASB S2), the mandatory *Australian Sustainability Reporting Standard* (ASRS) issued by the *Australian Accounting Standards Board* (AASB).

## Transitional relief

In preparing this Report, Challenger has applied first year transition relief from the following requirements:

- Provision of comparative information for all amounts disclosed in the reporting period and comparative information for narrative and descriptive climate-related financial information.
- Disclosure of Scope 3 greenhouse gas (GHG) emissions information.

## Judgements, estimates and assumptions

In the process of preparing this Report, Challenger has used data and assumptions that align with those used in the 2026 financial statements, where possible. This Report uses estimates for certain amounts which cannot be measured directly, particularly in instances when sustainability information relates to forward-looking information or involves data limitations.

Challenger has exercised judgement in a number of areas, including the process of identifying climate-related risks and opportunities and identifying material information to report. Overall, Challenger's approach identifies reasonable effects under credible future conditions, while recognising that estimates will be refined as data quality and availability improves.

The most critical judgements made by Challenger in preparing this Report are described within each section.

## Independent auditor's review report to the shareholders of Challenger Limited

The Independent auditor reviewed selective sustainability information included in Challenger's 2026 Sustainability Report. The auditor provided limited assurance over: Governance per Paragraph 6; Strategy (risk and opportunities) per Subparagraphs 9(a), 10(a) and 10(b); and Scope 1 and 2 emissions per subparagraphs 29 (a)(ii) to (v) of AASB S2. The Independent auditor's review report to the shareholders of Challenger Limited is included on pages 48 to 51 of the Challenger 2026 Annual Report.

# 1. Governance

## 1.1 Business governance

At Challenger, good corporate governance is led from the top. The Challenger Limited Board guides Challenger's strategic direction and endorses key policies and frameworks to assist management in delivering results for its stakeholders. The Board ensures appropriate governance and oversight in the management of the business. This includes the management of environmental, social, governance (ESG) and sustainability risks, including climate-related risks and opportunities that may impact Challenger's business model and value chain, with oversight provided by Challenger's Group Risk Committee (GRC).

## 1.2 Roles and responsibilities for Governance

### Key committees that support Board oversight of climate matters

| | |
|---|---|
| **Group Audit Committee (GAC) and Group Risk Committee (GRC)** | Assist in discharging Challenger's risk management responsibilities. In particular, the GRC assists the Board in setting the appropriate risk appetite and ensuring that there is an effective risk management framework which informs and guides strategy and operational decisions that management make in delivering Challenger's strategy and purpose. The GRC considers ESG matters regularly and in June 2026 updated its charter to state that it has ultimate oversight of climate-related risks and opportunities. The GAC provides oversight of regulatory reporting requirements, including Challenger's compliance with AASB S2. |
| **Group People and Remuneration Committee (GPRemCo) and Nomination Committee** | Provides oversight of people and remuneration policies and practices, including the identification of KPIs including those linked to ESG, which determines the quantum and composition of variable executive remuneration. The Nomination Committee assists the Board to ensure that it maintains an effective composition and size. |
| **Asset and Liability Committee (ALCo)** | Provides oversight of the management of assets and liabilities of Challenger Limited, including the endorsement to the relevant risk committee of the Challenger Life Company Limited (CLC) Asset Allocation Plan, the Challenger Limited and CLC Internal Capital Adequacy Assessment Process and evaluation of certain transactions to be entered into by CLC. The ALCo is responsible for the identification and monitoring of financial risks of Challenger, providing effective challenge to activities and decisions that have a material impact on Challenger's risk profile. The ALCo is also responsible for identifying transactions that may have a material impact on Challenger's reputation or external reporting processes. |
| **Group Transactions Sub-committee (GTSc)** | Evaluates the business case for corporate development activities of Challenger, other than CLC, to determine whether a transaction should proceed to execution or be escalated to the CEO or Board for approval. The GTSc is a subcommittee of the ALCo and assesses material climate-related risks and opportunities associated with relevant transactions, including how these factors may influence the firm's strategic direction and long-term sustainability objectives. |
| **ESG Steering Committee (ESGCo)** | Provides governance and oversight to Challenger in relation to the implementation of the climate-related risk and opportunity framework. The ESGCo assists Management in developing and setting Challenger's ESG strategy, including assessing climate-related risks and opportunities. During the reporting period, The ESGCo considered trade-offs that balanced regulatory compliance and disclosure quality against resourcing and data constraints, while sustaining a focus on emerging issues such as nature, AI governance and modern slavery. The ESGCo, through the Chair, provides updates to Management and GRC to communicate progress of Challenger's ESG program. The ESGCo is chaired by the General Manager, Corporate Affairs and Sustainability andincludes senior executives from across the business, including CLC's Chief Investment Officer, representatives from Risk, Funds Management, Finance, and the Responsible Investment team. |
| **Climate Risk Working Group** | Implements Challenger's approach to identifying, assessing and managing climate-related risks and opportunities in its first reporting year. The Working Group is made up of representatives from Financial Risk, Operational Risk, Finance, Corporate Affairs, Sustainability, Legal, Company Secretariat and Responsible Investment. It has undertaken a series of qualitative and quantitative risk assessments, ensuring Challenger's operating context, governance and strategy are considered. |

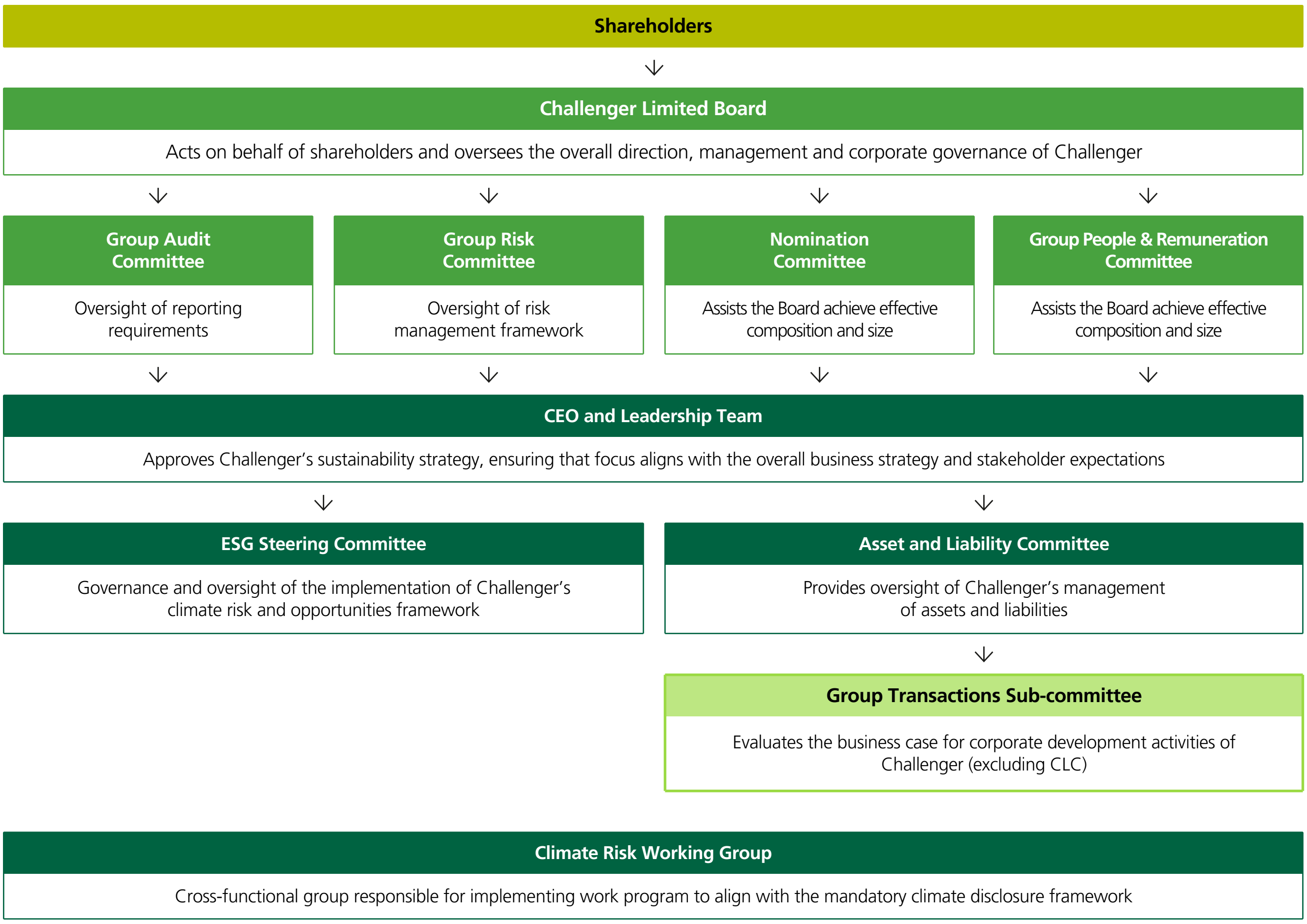
## Management responsibilities

The CEO has delegated authority from the Board to, together with the Executive Leadership Team, implement Challenger's strategy and oversee risks and opportunities for the business. The Leadership Team approves Challenger's sustainability strategy, ensuring that focus aligns with the overall business strategy and stakeholder expectations.

### Key roles that are delegated to executives to support Board oversight

| | |
|---|---|
| **Chief Executive Officer (CEO)** | Responsible for climate-related matters at highest level and ensuring climate-related matters are embedded into Challenger's core values and long-term strategy. |
| **Chief Financial Officer (CFO)** | Responsible for incorporating climate-related matters into financial practices, financial reporting (including climate-related financial disclosures) and disclosure activities for alignment to financial reporting. |
| **Chief Risk Officer (CRO)** | Responsible for identifying, assessing and managing risk across Challenger, including those related to climate, and for integration of climate risk into the overall Risk Management Framework to reduce the potential magnitude and consequence. |
| **General Manager, Corporate Affairs and Sustainability** | Responsible for setting and implementing Challenger's sustainability strategy to reflect the most material environmental, social and governance opportunities for the business and leading on sustainability reporting and disclosures. |

## 1.3 Governance of climate strategy and targets




Challenger has an established governance structure with clear lines of responsibility. Challenger's Board is responsible for overall climate-related leadership including setting and overseeing strategies designed to respond to climate-related risks and opportunities, approving targets and ongoing risk management.

The General Manager Corporate Affairs and Sustainability provides an ESG Update to the GRC on a quarterly basis, including progress and changes relating to its climate-related targets. Regular reporting on the identified climate-related risks and opportunities will form part of the quarterly update from FY27.

# 1. Governance continued

## Controls and procedures used by management to support oversight of climate matters

The ESGCo is responsible for the management and oversight of Challenger's material ESG matters including climate-related risks and opportunities. The committee meets monthly and oversees all climate-related business activities, including judgements and decisions relating to Challenger's approach to climate matters.

## 1.4 Climate-related skills and experience

The Board skills matrix and its underlying criteria are reviewed and if applicable, updated annually, with each Board member undertaking a self-assessment of their skills for review by the Nomination Committee. A Sustainability indicator assesses the Board's understanding of community expectations, relevant regulatory developments and disclosure requirements on sustainability issues, including climate risk and opportunities.

The Board skills matrix detailed on page 21 of the Directors' report shows that Board members have an advanced level of competency across areas of expertise relevant to sustainability, including understanding of global and national developments in climate change risk, climate change impacts and policy responses.

In FY26, the GRC was briefed by the Chair of the ESGCo on ESG legislation and regulations and received reports on Challenger's climate risk work program, including the outcomes of its climate scenario analysis and the assessment of the climate-related risks and opportunities identified. The Board received a briefing on disclosure of climate-related risks and opportunities, delivered by Challenger's third party assurance provider in April 2026.

## 1.5 Remuneration systems

Sustainability considerations are incorporated into Challenger's leadership performance framework, including for the CEO and are considered in remuneration outcomes. This includes assessment of ESG integration across the business and consideration by GPRemCo in reviewing executives' individual and collective accountability for the management of risk across the business.

Challenger does not currently use specific climate-related performance metrics in executive remuneration and there was no adverse or favourable impact to leadership remuneration linked to Challenger's identified climate-related risks and opportunities during the current reporting period.

# 2. Strategy

## 2.1 About Challenger Limited

Challenger creates value by supporting Australian retirees to have financial security for a better retirement. It does this through providing retirement income products that deliver secure, reliable income to customers, enabling them to have peace of mind to spend throughout retirement. Challenger also provides investment options to institutional and retail customers with strategies across equities, fixed income and alternative assets. Fidante is Challenger's active investment management platform, through which Challenger shares its strategic, operational and distribution expertise with investment managers (affiliates).

### Challenger Life

Challenger Life is Australia's leading provider of retirement income[1]. It's a multi-award-winning Life Company providing guaranteed[2] income to ensure that customers have more confidence to spend in retirement.

challenger

### Funds Management

Challenger Investment Management is one of Australia's largest fixed income originators, managing assets for Challenger Life and third-party clients.

challenger
Investment Management

Fidante is one of Australia's largest multi-affiliate platforms. Fidante provides a range of non-investment services, including distribution, to the affiliates. The affiliates manage a broad range of active investment strategies across equities, fixed-income and alternatives.

fidante

### Challenger's value chain

Challenger's financial statements and sensitivity analysis were used to identify financially material business areas to stress under climate scenarios and time horizons. At the time this analysis was performed, the segments of the value chain considered most relevant to assessing climate-related risks and opportunities were the Challenger Life and Funds Management businesses and Challenger's customers, employees and suppliers. Within Challenger Life, exposures to direct real estate and fixed income investments, including in asset-backed securities such as mortgages and automotive financing, were considered material to the assessment. Subsequent to the analysis, Challenger announced the merger of its Fidante business with Channel Capital, which is expected to complete in 1H27. Following completion, Challenger will no longer hold operational control of Fidante.

**Upstream** →

**Capital and stakeholders Challenger relies on**

**Customers**
Retail Investors
Institutional Investors

**People and partners**
Employees
Financial advisers
Distribution partners
Service providers and suppliers

**Capital providers**
Debt providers
Reinsurance partners
Investment counterparties
Shareholders

**Our Business** →

**How Challenger creates value**

**Corporate operations**

**Challenger Life**

**Funds Management**

**Downstream**

**Outcomes and beneficiaries**

**Customers**
Financial security in retirement
Reliable income streams

**Investors & Shareholders**
Sustainable returns
Long-term value creation

**Broader Community**
Employment
Taxes paid
Community investment

### Challenger's position on climate

Challenger understands that climate change is one of the biggest challenges facing society now and for future generations. It is a shared global challenge that needs to be addressed by governments, businesses and individuals. With a focus on providing customers with financial security for retirement, Challenger understands that climate change will disproportionately impact older Australians.

Challenger is determined to ensure what it does as a business supports the wellbeing of older Australians today and into the future. This includes working with relevant stakeholders to find ways to reduce risks and create a more resilient economy as well as minimising the impact of Challenger's business activities on the environment.

More detail about Challenger's voluntary sustainability initiatives and reporting is included in the 2026 Sustainability Supplement on page 52.

# 2. Strategy continued

## 2.2 Climate scenario analysis

Qualitative and quantitative climate change scenario analysis was undertaken in August 2025 to assess Challenger's regional exposures to various climate stressors and the likelihood of those stressors being realised.

A set of macro-economic and narrative-driven climate stressors were identified, based on the likelihood of a material interaction with Challenger's fixed income exposures. These exposures were grouped based on three different underlying counterparty types:

| | |
|---|---|
| **Corporate** | Bonds and securitised products linked to financial and non-financial institutions, reflecting credit risk, sectoral dynamics, and exposure to market and transition conditions. |
| **Household:** | Securitised lending products linked to households, sensitive to consumer credit conditions and physical climate risks. |
| **Government:** | Bonds issued by sovereigns and semi-sovereigns, typically viewed as low-risk benchmark securities tied to fiscal policy and macroeconomic strength. |

## Judgements applied to Challenger's climate scenario analysis

| Judgement | Reference | Uncertainty | Rationale |
|---|---|---|---|
| Determination of the climate-related risks and opportunities that are reasonably expected to impact Challenger and its value chain. | Section 2.3 | Ratings used to forecast the likelihood and consequences of future climate scenarios. | Likelihood and consequence ratings used to inform Challenger's decision-making are based on expert judgement rather than precise forecasts, using climate scenarios, portfolio sensitivity analysis and diversification effects to estimate potential financial impacts where data is limited.<br>For risks expected to intensify or interact over time such as physical damage, insurance availability and operational disruption, increasing consequence ratings have been used instead of detailed modelling. |
| Assessing climate impacts on Challenger's liabilities. | Section 2.3 | Long-term scenario analysis for forecasting the impacts of climate change on the valuation of insurance and investment contract liabilities (annuities) held on Challenger's balance sheet. | The impact of climate change on future mortality and morbidity experience is uncertain and could result in either increases or decreases in annuity liabilities, depending on how climate-related risks and adaptation measures affect longevity outcomes over time.<br>Given current limitations to data and modelling unique to the annuities and life insurance sector, no specific allowance has been made for the impact of climate change on annuitant mortality or morbidity assumptions. Challenger will continue to assess emerging evidence and consider enhancements to its modelling and assumptions as data quality and analytical capabilities develop. |
| Determination of Challenger's resilience to material climate-related risks and opportunities. | Section 2.4 | Uncertainty of long-term scenario analysis for financial forecasting. | Scenario analysis requires the use of deterministic and path-dependent forecasts of financial performance over extended horizons (beyond 10 years), which are subject to significant uncertainty. Challenger's strategy, asset mix and operating model are expected to evolve materially over the long-term, specifically in response to the following factors:<br>– Business survival rates and industry structures, which are subject to significant change over multi-decade periods;<br>– Climate outcomes, which are dependent on a wide range of external variables, including policy, technology and market responses and are inherently uncertain. |

## Key climate-related scenarios considered

To support a fuller view of the potential climate impacts upon Challenger's business strategy, The Climate Risk Working Group assessed the proportion of Challenger's business activities, including assets, that will experience the effects of the most material climate-related risks and opportunities. The climate stressors used include extreme weather events, climatic shifts and the transition to a lower-carbon economy. The degree of the severity of an event is defined by the probability, frequency and/or intensity of the event.

Challenger used two long-term climate scenarios developed by the Network for Greening the Financial System (NGFS), one which considers a future state with high transition risk (Net Zero 2050) and one with high physical risk (Current Policies). The scenarios were selected to enable Challenger to assess a range of plausible economic and environmental outcomes.

### NGFS Scenarios

| | Net Zero 2050 | Current Policies |
|---|---|---|
| **Temperature** | **1.5 degrees Celsius** | **3 degrees Celsius or greater** |
| **Scenario description** | This scenario aligns with the Paris Agreement and considers the implications of an orderly and ambitious transition with lower physical risks.<br>Global warming is limited to 1.5°C through stringent climate policies and innovation, reaching global net zero $Co_2$ emissions around 2050. | This scenario considers the long-term physical risks to the economy and financial system if our current path continues, leading to a "hot house world".<br>Emissions grow until 2080 leading to about 3°C of warming and severe physical risks, including irreversible changes such as sea level rise. |
| **NGFS assumptions** | – Immediate and smooth transition.<br>– Moderate variation in policy action.<br>– Locked-in physical impacts.<br>– Rapid technology change.<br>– By 2050, renewables and biomass supply the majority of global primary energy. | – Severe physical impacts.<br>– No transition impacts are captured, as no new policies are introduced.<br>– Low variation in policy action.<br>– Slow technology change.<br>– Fossil fuels remain the dominant source of primary energy through to 2050 and beyond. |
| **Additional regional considerations**[1] | – Resources and primary production account for more than 60% of Australia's exports and are highly sensitive to international policy changes to address climate change.<br>– China faces severe economic exposures to physical and transition impacts that can amplify domestic downturns for Australia. | – Australia faces drastic shifts in bushfires, droughts, heatwaves and flooding which are particularly impactful to resources and primary production industries due to large geographic footprints. |

1 Source: Oxford Economics Australia, *Economic Scenarios for Australia's Insurance Climate Vulnerability Assessment: A Project for the Australian Prudential Regulation Authority on behalf of the Council of Financial Regulators*, March 2025.

# 2. **Strategy** continued

## Climate scenario analysis

Building on the qualitative assessment of Challenger's climate-related risks and opportunities, additional analysis was undertaken to quantify the potential impacts on investment returns across the Challenger Life and Challenger Investment Management portfolios, under the two NGFS climate scenarios detailed above: Net Zero 2050 and Current Policies.

The projected effect on cumulative investment returns to 2050 remains modest under both climate scenarios, underpinned by limited exposure to highly climate-exposed industries and a substantial allocation to more resilient asset classes.

Due to the inherent complexity of Challenger's value chain and the uncertainty of assessing possible financial outcomes over the medium and long-term, the quantitative information used by Challenger during the current reporting period would not be sufficiently reliable and has therefore not been disclosed. The ratings below were derived through qualitative scenario analysis rather than quantitative modelling, informed by financial consequence criteria in Challenger's risk management framework.

| | Net Zero | | | Current Policies | | |
|---|---|---|---|---|---|---|
| **Climate-related risk or opportunity** | **Short** | **Med** | **Long** | **Short** | **Med** | **Long** |
| Acute and chronic weather events cause damage to assets and impact asset insurability (Physical) | Moderate | Moderate | Neutral | Moderate | High | High |
| An increase in sustainable investing shifts capital away from carbon intensive assets (Transition) | High | High | Moderate | Moderate | Neutral | Neutral |
| Rapid sector transition increases potential for stranded assets (Transition) | High | High | Moderate | Moderate | Moderate | High |
| Negative stakeholder perceptions of Challenger's climate approach (Transition) | High | High | High | Moderate | Neutral | Neutral |
| Climate-aligned investment products (opportunity) | High | High | Moderate | Moderate | Neutral | Neutral |
| Investments that help promote transition activities (opportunity) | High | High | Moderate | Moderate | Neutral | Neutral |

Potential impact: Neutral (little or no material impact) Moderate (meaningful but manageable impact) High (significant material impact)

## 2.3 Climate-related risks and opportunities

### Challenger's approach to analysing climate-related risks and opportunities

Challenger has identified the key climate-related risks and opportunities, both physical and transition, that could reasonably be expected to affect the business and value chain over the short, medium or long-term.

The Climate Risk Working Group defined Challenger's key climate-related risks and opportunities for approval by the GRC. This assessment was informed by the results of qualitative climate scenario analysis, targeted quantitative scenario analysis and Challenger's existing risk management framework. In undertaking this assessment, potential impacts to Challenger's business model and value chain were considered, together with mitigation and adaptation efforts intended to respond to those potential impacts. Specifically:

- Thirteen climate stressors were mapped across short, medium and long-term horizons under two climate scenarios developed by the Network for Greening the Financial System (NGFS), one which considers a future state with high transition risk (Net Zero 2050) and one with high physical risk (Current Policies). These stressors were validated through cross-functional engagement and reviewed against Challenger's full risk register.
- To determine materiality of climate stressors with potential for a financial impact on Challenger, specialists from the Financial Risk team reviewed quantitative analysis showing potential impacts of climate scenarios to expected investment returns for the investment assets in the Challenger's Life portfolio.
- The Operational Risk team reviewed existing operational risks in Challenger's risk register and mapped them to climate stressors with potential for a non-financial impact on Challenger.
- The Corporate Affairs, Investment and Strategy teams reviewed the extensive list of climate-related opportunities and identified those with the greatest materiality to Challenger's business and value chain.

**Business Model & Value Chain Mapping**

Identify financial and strategic drivers of business success across Challenger's operations and value chain through stakeholder engagement.

**Climate Stressor Identification**

Identify macroeconomic and narrative-driven climate stressors relevant to the business under different climate scenarios.

**Climate Impact Assessment (Scenario driven)**

Model the behaviour of each stressor under a Net Zero (1.5°C) and Current Policies (3°C) scenario to assess short, medium and long-term impacts.

**Implications & Materiality**

Prioritise and validate key climate stressors through engagement with key stakeholders across the business.

## Understanding anticipated financial effects

Focused quantitative analysis was used to assess potential impacts on the business, including modelling used to understand how selected NGFS scenarios could affect Challenger's investment portfolios in the short, medium and long-term. The results of this analysis indicated that the identified climate-related risks and opportunities were not expected to have a material effect on Challenger's financial position, operating results or cash flow given its current portfolio composition.

Challenger has focused on providing meaningful qualitative insights while continuing to strengthen its capability to expand quantitative analysis in the future, subject to data availability and accuracy.

## Time horizons

Challenger has tracked the climate-related risks and opportunities that impact its business model and value chain over the short, medium and long-term. Challenger uses the following time horizons in its climate-related assessments, which are aligned to the time horizons used for strategic business planning processes.

| | |
|---|---|
| **Short-term (0–3 years)** | Focusing on the business strategy cycle. |
| **Medium-term (3–10 years)** | Focusing on the asset lifecycle for a large proportion of assets. |
| **Long-term (10+ years)** | Focusing on longer-duration asset lifecycle. |

# 2. Strategy continued

## Climate-related risks

Challenger has identified the following climate-related risks that could be reasonably expected to affect its prospects.

### Physical risk

| Risk 1 | Acute and chronic weather events cause damage to assets and impact asset insurability | |
|---|---|---|
| **Description** | Acute or extreme weather events (i.e., floods, bushfires and cyclones) directly damage assets, infrastructure, real estate and other collateral within Challenger's portfolio and value chain. Chronic and ongoing climate hazards (i.e., sea level rise, erosion and drought) result in assets located in high-risk areas becoming uninsurable or too costly to insure. | |
| **Timeframe** | Short-term – Medium-term – Long-term | |
| | **Enterprise and operations** | **Investments and holdings** |
| **Anticipated impacts on Challenger's business model** | – Disruption to Challenger services and business activities increases risk of reputational damage, potentially impacting customer satisfaction and reducing inflows for Challenger Life (annuities) and fees for Challenger Investment Management and Fidante.<br>– Damage to owned, secured or leased real estate used by Challenger in its business activities reduces system availability and increases recovery time and costs. | – Damage to infrastructure and real estate within the Challenger Life portfolio results in losses, increased insurance costs or insurance exclusion, ultimately leading to a reduction in asset value.<br>– Increased probability of mortgage default in Australian households and related losses leads to higher credit risk and extension risk within the Challenger Life asset-backed securities and whole loan mortgage portfolio. |
| **Anticipated impacts on Challenger's value chain** | – Damage to owned, secured or leased real estate occupied by third parties that provide critical infrastructure and services to Challenger (e.g. data centres), reduces system availability and increases recovery time and costs. | – More frequent, severe and unpredictable weather events damage properties owned and used by Challenger investee companies. This in turn raises repair costs, drives adaptation spend, lowers occupancy rates and reduces asset comparability and valuation.<br>– Investee companies within the Challenger Life portfolio and Funds Management businesses experience heightened volatility in investment returns, particularly where assets lack sufficient resilience to withstand or adapt to physical impacts of climate change.<br>– Acute or extreme weather events affect household income, impacting the performance of mortgage-backed assets, collateral values and over time, mortality assumptions relevant to Challenger annuity liabilities. |
| **Current and anticipated financial effects** | Physical damage to real estate and infrastructure can contribute to increased insurance and operating costs and impact portfolio returns for Challenger Life and Funds Management businesses. However, Challenger's diversified portfolio structure and business model, combined with risk controls in place for relevant exposures, mean acute and chronic weather events do not currently impact Challenger's prospects or those of its value chain and they are are not expected to significantly do so over the medium and long-term. | |

## **Climate-related risks** continued

### Transition risks

| **Risk 1** | An increase in sustainable investing shifts capital away from carbon-intensive assets | |
|---|---|---|
| **Description** | Fast-paced decarbonisation at a societal and sector level accelerates investor demand for sustainable assets. Capital providers increasingly integrate climate into decision making, influencing capital access risks and opportunities. | |
| **Timeframe** | **Short-term** | **Medium-term** **Long-term** |
| | **Enterprise and operations** | **Investments and holdings** |
| **Anticipated impacts on Challenger's business model** | – Rapid market decarbonisation requires Challenger to modify product offerings, pricing structures and distribution strategies across Challenger Life, Challenger Investment Management and Fidante, to remain competitive and sustain inflows and fee revenue. | – Shifting investor preferences and competitive pressures, driven by demand for climate-aligned products, cause losses for carbon intensive assets within the Challenger Life and Challenger Investment Management portfolios, including assets linked to the production or financing of automotive.<br>– Investors, customers and financial advisers prefer products with demonstrable climate outcomes, influencing capital flows away from Challenger products without these attributes. |
| **Anticipated impacts on Challenger's value chain** | – For service providers to Challenger, increased expectations for climate-aligned products and services rapidly and significantly increase demand for climate-related data, reporting, policies and governance. | – Underlying investees that are slow to transition to more climate resilient business models or delay the development of sustainable investment solutions, including entities linked to or financing the automotive sector, experience reduction in uptake or reduced inflows. This could lead to lower income for the Challenger Life portfolio or Challenger Investment Management and Fidante businesses. |
| **Current and anticipated financial effects** | Across the value chain, delayed transition by investees may affect the performance or attractiveness of certain assets. These factors may influence capital flows, investment returns and operating costs if not appropriately managed.<br>A substantial share of the Challenger Life portfolio is invested in sectors expected to remain resilient throughout the transition. This diversified exposure and Challenger's investment processes constrain any flow-through effects, meaning that this risk does not currently impact Challenger's prospects or those of its value chain and it is not expected to significantly do so over the short and medium-term. | |

# 2. **Strategy** continued

## **Transition risks** continued

| **Risk 2** | Rapid sector transition increases potential for stranded assets | |
|---|---|---|
| **Description** | Assets impacted by changes in weather events, climate policy or technological disruption fail to meet evolving mandatory standards and lose collateral value, increasing potential losses and impacting liquidity. | |
| **Timeframe** | Short-term – Medium-term | Long-term |
| | **Enterprise and operations** | **Investments and holdings** |
| **Anticipated impacts on Challenger's business model** | – Challenger has assessed anticipated impacts of the potential for stranded assets on its business model and does not consider this risk to be material to its enterprise or operations. | – Dependence on revenues from Challenger Life investments within carbon-intensive sectors exposes Challenger to rapid repricing and stranding of those assets.<br>– Physical climate impacts or transition-driven obsolescence for fixed income assets that rely on automotive and machinery require costly adaptation measures, reducing returns.<br>– Market desirability of impacted property assets with the Challenger Life portfolio is reduced, leading to value impairment, capital lock-in and reduced liquidity. |
| **Anticipated impacts on Challenger's value chain** | – Challenger has assessed anticipated impacts of the potential for stranded assets on its value chain model and does not consider this risk to be material to its enterprise or operations. | – Assets held by Challenger Life investees, Challenger Investment Management investors and Fidante affiliates fail to meet evolving mandatory standards. Requirements relating to energy or fuel efficiency, obsolescence as part of the transition or assets exposed to increasing physical risk may drive decreases to collateral value, leading to potential outflows and loss of income for these entities. |
| **Current and anticipated financial effects** | – Stranded assets may influence capital flows, investment returns and operating costs, however the exposure of the Challenger Life and Funds Management portfolios to carbon intensive sectors is currently considered low, reducing vulnerability to asset stranding, credit deterioration or abrupt repricing.<br>– A high proportion of the Challenger Life portfolio is in fixed income assets, with exposure of five years or less, limiting potential for impacts from stranded asset outcomes. Additionally, a substantial share of the Challenger Life portfolio is invested in sectors expected to remain resilient throughout the transition.<br>– This transition risk does not currently have a significant financial impact on Challenger's prospects those of its value chain, and its is not expected to significantly do so over the short and medium-term. | |

## Climate-related risks continued

### Transition risks continued

| Risk 3 | Negative stakeholder perceptions of Challenger's climate approach | |
|---|---|---|
| **Description** | External perceptions of Challenger's climate approach – including compliance, risk management and messaging – negatively impacts trust, brand reputation and client confidence across Challenger's underlying funds and financial services. | |
| **Timeframe** | Short-term Medium-term Long-term | |
| | **Enterprise and operations** | **Investments and holdings** |
| **Anticipated impacts on Challenger's business model** | – Lost opportunities to partner with superannuation funds and financial advisor groups.<br>– Misalignment with stakeholder expectations impacts Challenger's reputation, increasing legal and regulatory scrutiny of climate-related conduct and negatively impacting the following value drivers: Brand strength; Customer trust; Uptake of products and services; and Attracting and retaining talent. | – Annuity customers, Challenger Investment Management investors or Fidante affiliates may favour providers with more explicit or differentiated climate positions, leading to reduced product inflows, higher redemptions, loss of partnerships, reduced fees or at a corporate level, shareholder activism.<br>– Challenger Limited shareholders divest their holdings, adversely impacting its share price. |
| **Anticipated impacts on Challenger's value chain** | – Changing expectations require Challenger's suppliers and outsourced service providers to meet higher climate-related standards including stronger contractual obligations, disclosure requirements and assurance processes.<br>– Insufficient climate policies or reporting capability increases operational disruption and compliance risk for Challenger's suppliers. | – Investors of Challenger's affiliates and investee entities increase redemptions and seek alternative providers with stronger climate policies, reducing flows and funds under management. |
| **Current and anticipated financial effects** | Across Challenger's value chain, reduced product inflows, higher redemptions, loss of partnerships and reduced fee income could impact revenue and investment flows and constrain growth opportunities and profitability.<br>However, demand for Challenger's various products is driven by a range of factors beyond climate positioning, including risk-adjusted returns, product features and the provision of long-term income certainty. As a result, Challenger considers the likelihood of these risks translating into significant financial impacts on Challenger's prospects or that of its value chain to be low currently as well as over the short and medium-term. | |

# 2. **Strategy** continued

## Climate-related opportunities

Challenger has identified the following climate-related opportunities that could be reasonably expected to affect its prospects.

| **Opportunity 1** | Climate-aligned investment products |
|---|---|
| **Description** | Increased investor demand for products and funds with attributes that support decarbonisation. |
| **Timeframe** | Short-term Medium-term Long-term |
| **Potential benefits for Challenger** | – Expand and diversify product suites across Challenger, potentially increasing sales and product uptake and diversifying revenue streams.<br>– Further align Challenger service offerings with shifting investor and customer expectations. |
| **Potential benefits for Challenger's value chain** | – Challenger investees experience increased client demand and improved access to capital due to climate-aligned investment products. |
| **Current and anticipated financial effects** | – Over time, a broader product mix may reduce concentration risk for Challenger, supporting more diversified earnings and enabling Challenger to capture structural growth in sustainable investment markets and improved risk/return outcomes for relevant portfolios. |

| **Opportunity 2** | Investments that help promote transition activities |
|---|---|
| **Description** | Investment in companies and projects that support climate transition and help maximise risk-adjusted returns. |
| **Timeframe** | Short-term Medium-term Long-term |
| **Potential benefits for Challenger** | – Increase revenue growth, diversification and resilience.<br>– Improve risk/return outcomes for Challenger investment portfolios.<br>– Position portfolios toward climate-aligned sovereign, household and corporate exposures. |
| **Potential benefits for Challenger's value chain** | – Investees and affiliates with climate-aligned sovereign, household and corporate exposures can attract premium pricing and strengthen credit quality against shifts in market appetite. |
| **Current and anticipated financial effects** | – Improve portfolio credit quality and resilience as market preferences evolve, while potentially supporting premium pricing for assets aligned with transition objectives.<br>– Should investor allocations increasingly favour transition aligned assets, Challenger may benefit from stronger inflows and improved risk-adjusted returns. This would lead to more durable revenue growth as it would be driven by changing capital allocation patterns rather than by product expansion alone. |

# 2.4 Climate resilience

## Climate-related risk and opportunity integration into business strategy

Leveraging the scenario analysis described in Section 2.2, Challenger's internal risk management and strategic decision-making processes consider potential impacts of climate-related risks and opportunities on business operations, strategy and financial planning. Noting that there is a high degree of inherent uncertainty associated with long-term climate pathways and the dynamic nature of business models, scenario analysis has determined Challenger's strategy to have a high degree of resilience to climate impacts, as summarised below.

| Climate-related risk or opportunity | Challenger strategic response and mitigation | |
|---|---|---|
| | **Enterprise and operations** | **Investments and holdings** |
| **Physical risk 1: Acute and chronic weather events cause damage to assets and impact asset insurability** | – Challenger implements coordinated resilience and risk mitigation measures across its own real estate footprint and technology systems landscape, aimed at reducing the likelihood and severity of climate-related asset damage. | – Challenger takes ESG risks, including climate risks, into consideration in its investment decision-making and ownership practices and when appointing third party managers to act on its behalf. Specifically, Challenger Investment Management investment teams consider ESG risks and opportunities at all stages of the investment lifecycle, including buying, retaining or selling investments. As part of the due diligence process for the Challenger Investment Management portfolio, investment and credit teams assign all assets an ESG risk rating, which incorporates physical risk considerations, where material.<br>– Fidante conducts due diligence when partnering with new affiliates, which includes assessment of how those affiliates assess, measure and monitor climate-related risks and opportunities at an entity and portfolio level. |
| **Transition risk 1: An increase in sustainable investing shifts capital away from carbon-intensive assets** | – Challenger monitors customer-led demand trends and broader themes to identify investment or product opportunities that align with the overall business strategy. | – Product governance and investment processes require Challenger's investment teams to actively engage with borrowers, particularly those undertaking private lending, to advocate for improvements to their ESG practices where deficiencies are identified.<br>– Challenger also engages with the investment managers and third parties for which it has or is considering an investment in, to understand their ESG risk management capabilities. |
| **Transition risk 2: Rapid sector transition increases potential for stranded assets** | – Challenger's product governance processes require consideration of climate-related risks and opportunities as part of new or changed products. | – Challenger engages with the companies and investment managers in which it invests, or is considering for investment, in relation to their ESG risk management capabilities.<br>– Challenger actively engages with borrowers, particularly in its private lending activities, to advocate for changes to improve ESG practices where deficiencies are identified. |
| **Transition risk 3: Negative stakeholder perceptions of Challenger's climate approach** | – Established risk management, stewardship and engagement practices support transparent communication with stakeholders regarding Challenger's approach to managing climate-related risks and opportunities.<br>– Together, these factors mitigate reputational risk and reduce the likelihood that negative stakeholder perceptions result in material impacts on capital flows, partnerships or financial performance. | – Challenger's funding sources and distribution partnerships are diversified, reducing reliance on any single investor segment or channel.<br>– Challenger typically holds minority interests in investee entities, limiting the extent to which investee level climate outcomes or controversies may be directly attributed to Challenger.<br>– The Challenger Life portfolio is highly diversified, with limited exposure to carbon intensive sectors. This reduces the extent to which Challenger's financial performance or reputation is associated with high emissions activities that may attract heightened scrutiny. |
| **Opportunity 1: Climate-aligned investment products** | Challenger Management assesses opportunities for climate-aligned products and investment activities that deliver customer and shareholder value as part of ongoing product development processes. | |
| **Opportunity 2: Investments that help promote transition activities** | Ongoing investment policy enhancements and collaboration between sustainability and investment teams support the oversight of climate-related implications for Challenger's business strategy, including the potential for strategic investments that help promote transition activities. | |

# 3. Risk

**Challenger maintains a robust risk management framework that underpins its operating divisions and reflects a disciplined approach to risk taking. The framework distinguishes between risks that are actively pursued to generate economic value and those that are minimised due to their potential to erode long-term value. This disciplined approach is central to protecting customers, supporting sustainable business operations and delivering sustainable shareholder outcomes.**

## 3.1 Integration into Challenger's risk management framework

Climate-related risks as detailed in Section 2.3 fall into two categories: physical risks and transition risks. Both have the potential to affect business operations, either directly or indirectly via the value chain. During the current reporting period, Challenger continued to monitor and manage climate-related risks via existing risk management frameworks.

## 3.2 Risk governance

The Board is responsible for overseeing Challenger's risk management framework, ensuring it remains effective and appropriately aligned with Challenger's strategic objectives and stakeholder expectations. Climate-related risks are assessed and managed within Challenger's broader risk appetite framework and are prioritised based on their potential impact on Challenger's strategy, financial position and stakeholders.

### Risk and opportunity prioritisation

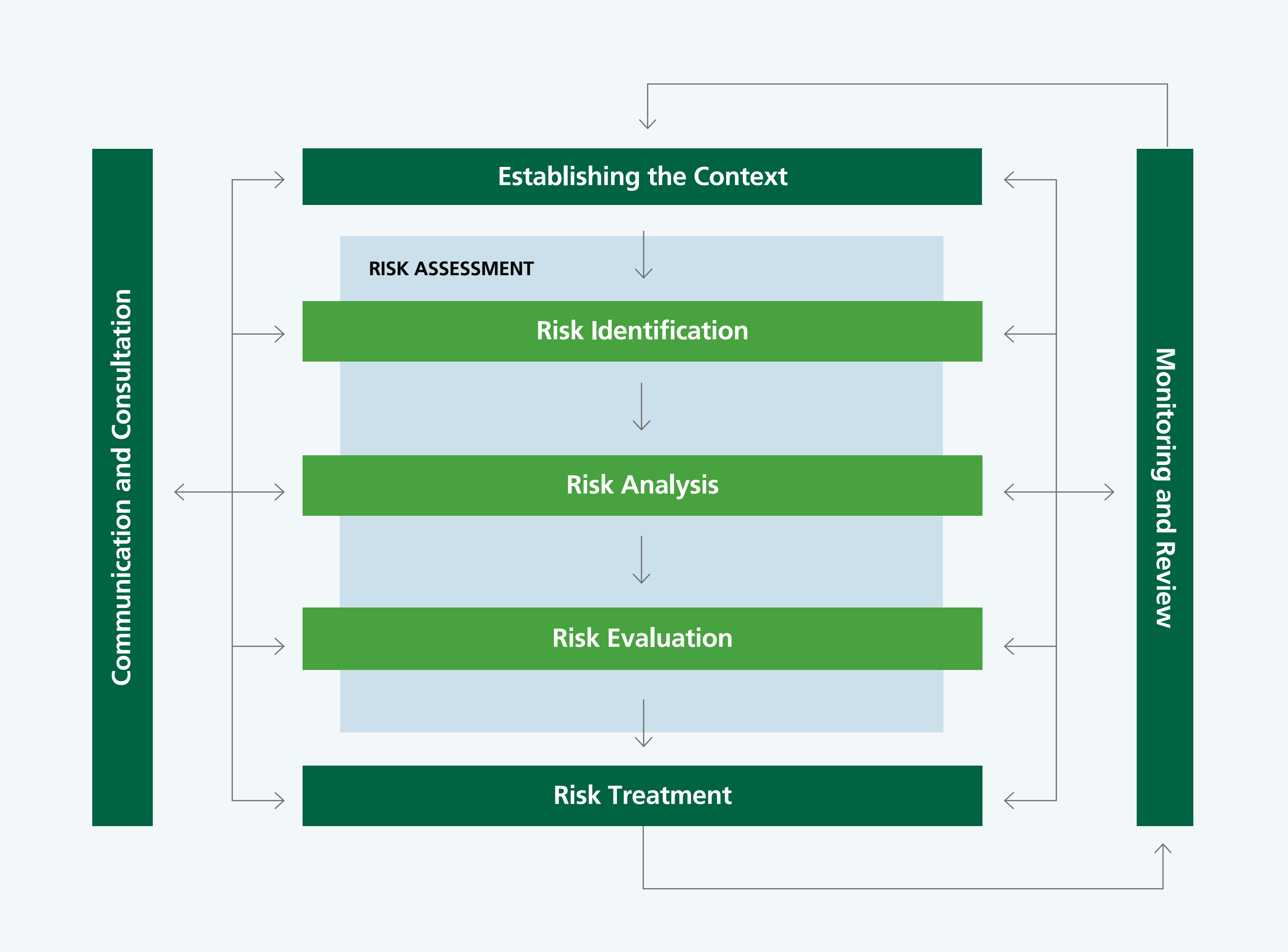
The risks identified through the climate-related risk and opportunity assessment have been assessed using Challenger's existing risk assessment criteria within the governance risk and compliance system. Where relevant, climate stressors have been mapped to existing operational risks to support this assessment. Impacts have been evaluated based on their potential severity and likelihood to Challenger's business model, strategy and financial position, consistent with Challenger's risk management framework.

### Risk and opportunity monitoring

Climate-related investment risks are governed through Challenger's existing investment governance frameworks. ESG considerations are incorporated into Challenger's investment processes through the Responsible Investment Policy, which is approved by the Board and reviewed annually.

Fidante operates a delegated investment management model under which investment decisions are made by affiliated managers, each of which maintains its own ESG framework aligned with Challenger's Responsible Investment Policy and risk management expectations, including for climate-related investment risks; Fidante provides oversight through responsible investment policies, due diligence, engagement and reporting, with material climate-related risks escalated through governance processes to inform Challenger's risk oversight and reporting.

As detailed in Section 2.4, product development processes and collaboration between sustainability and investment teams supports the oversight of climate-related opportunities. This includes monitoring the potential for strategic products or investments that help promote transition activities.




## Continuous improvement and reassessment

Risks, including climate-related risks where relevant, are reviewed periodically through Challenger's established executive and Board risk governance processes. Climate-related risks continue to be monitored through Challenger's risk register where they are reflected in existing operational or strategic risks.

Challenger's Responsible Investment Policy was revised in this period, to articulate Challenger's ongoing obligations in accordance with AASB S2 disclosure requirements and the *Corporations Act 2001*. Currently, Challenger does not maintain a standalone process for monitoring climate-related opportunities within the risk management framework.

# 4. Metrics and targets

## Judgements and uncertainties relating to Challenger's metrics and targets

| Judgement | Reference | Uncertainty | Rationale |
|---|---|---|---|
| Calculation of GHG emissions. | Section 4.1 | Emissions measurement uncertainty | In calculating its GHG emissions, Challenger uses proxy data and emission factors that rely on assumptions, data from third-parties and methodologies outside of Challenger's control. Changes to methodologies and data availability used to calculate emissions may alter outcomes for Challenger's GHG emissions over time. |
| Determination of Scope 1 and Scope 2 emission reduction targets. | Section 4.1 | Measuring Challenger's progress towards interim Scope 1 and 2 emission reduction targets. | Achievement of Challenger's operational emissions reduction targets is subject to uncertainty, as outcomes rely on factors beyond Challenger's direct control, including supplier decarbonisation pathways, data quality and availability, technological developments and broader market and regulatory conditions. |
| Determination of assets vulnerable to climate-related transition risk. | Section 4.4 | Classification of transition-vulnerable assets. | Challenger has mapped investment portfolio exposures to either industry sectors or asset class benchmarks to determine the susceptibility to climate-related policy, regulatory, technology and market changes over the short, medium and long-term horizons. Whilst this provides a reasonable proxy, actual vulnerability would vary by individual asset exposure depending on sector, geography and underlying asset characteristics. |
| Determination of assets vulnerable to climate-related physical risk. | Section 4.4 | Assessment of physical climate exposure. | Challenger's exposure to physical risk primarily relate to third-party managed non-debt assets, the assessment for which relies on the availability and quality of asset-level information, climate hazard data and regional methodologies. |
| Calculation of climate-related vulnerability metrics. | Section 4.4 | Climate risk measurement uncertainty. | In calculating its vulnerability to climate-related risks, Challenger has made judgements regarding the extent to which physical climate hazards may affect asset values or business activities. Ongoing revisions to methodologies, external climate datasets and assumptions regarding future climate conditions may result in changes to Challenger's climate vulnerability metrics in future reporting periods. |

## 4.1 Methodology for the calculation of GHG emissions

Challenger aligns its emissions report to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004). Challenger applies the operational boundary approach to measuring its Scope 1 and 2 emissions as it reflects the parts of the business where it has decision-making authority and the ability to influence emissions-related activities. Using this approach, Challenger reports operational emissions from the Challenger Life and Funds Management businesses and excludes Fidante affiliates, which have direct operational responsibility for their own emissions activities.

### Scope 1 emissions

Challenger calculated its Scope 1 emissions during the current reporting period considering:

- Direct emissions from combustion of gas within Challenger's Sydney office.
- Fugitive emissions from refrigerants, including fridges, freezers, ice machines, display cabinets and supplementary air conditioning used in Challenger's offices throughout Australia and in London.

Emissions were calculated using global warming potential values from the Intergovernmental Panel on Climate Change Sixth Assessment Report, National Greenhouse Accounts factors and NABERS commercial refrigeration leakage rates.

### Scope 2 emissions

Challenger Scope 2 emissions consider purchased electricity from office locations in Sydney, Melbourne, Adelaide, Brisbane and Perth, where it has operational control or is responsible for paying the electricity invoice. Emissions from electricity purchased and consumed in Australia are calculated using the National Greenhouse Accounts Factors 2025.

Challenger calculated electricity-related Scope 2 emissions using both the market-based and location-based methods. The market-based method is adopted as the primary method for the organisational footprint, as it enables the recognition of emissions reductions achieved through voluntary renewable energy purchases evidenced by the Large-scale Generation Certificates (LGCs).

### Challenges for the measurement of emissions

Consistent with the transitional provisions of AASB S2, Challenger has elected not to include quantitative Scope 3 greenhouse gas emissions within its mandatory disclosures for this reporting period. Challenger has voluntarily disclosed Scope 3 emissions in prior years and continues to do so in the Sustainability Supplement within the Annual Report; however, this first year of mandatory reporting is being used to strengthen governance, data quality, documentation and assurance readiness across Scope 3 categories. This is intended as a one-time transitional measure and Scope 3 emissions will form part of Challenger's mandatory climate metrics in FY27.

## 4.2 Greenhouse gases: 2026 results

### Scope 1 and 2

#### 2026 greenhouse gas emissions

| | | FY26 | | FY25 | |
|---|---|---|---|---|---|
| **Emissions** | **Units** | **Activity data** | **$tCO_2$-e** | **Activity data** | **$tCO_2$-e** |
| **Scope 1** | | | | | |
| **Company facilities** | | | | | |
| Natural gas[1] | GJ | 31.0 | 1.6 | 40.1 | 2.4 |
| Refrigerants | kg | 48.2 | 7.0 | 51.4 | 7.1 |
| **Total Scope 1** | | | **8.6** | | **9.5** |
| **Scope 2** | | | | | |
| **Purchased electricity, steam, heating & cooling for own use** | | | | | |
| Electricity use – grid (market-based method)[2] | MWh | 731.0 | 0.0 | 820.9 | 5.7 |
| *Electricity use – grid (location based method)* | *MWh* | *731.0* | *469.6* | *820.9* | *543.0* |
| **Total Scope 2** | | | **0.0** | | **5.7** |
| **Total Scope 1 and 2 emissions** | | | **8.6** | | **15.3** |
| Procured removal offsets[3] | Credits | 9.0 | (9.0) | 16.0 | (16.0) |
| **Total net Scope 1 and 2 emissions** | | | **0.0** | | **0.0** |

1 In FY26, additional data became available on previously uncaptured refrigerant emissions from supplementary air conditioning units installed by Challenger. This has been included for FY26 and prior years from FY23 onward have been recalculated accordingly.

2 Electricity-related emissions were assessed using the market-based method, as recognises emissions reductions achieved through voluntary renewable energy purchases evidenced by Large-scale Generation Certificates (LGCs) and removal offsets. These LGCs were procured and voluntarily surrendered by Challenger in August 2026.

3 Australian Carbon Credit Units (ACCUs) issued by the Clean Energy Regulator for carbon sequestration projects that remove GHGs from the atmosphere, were procured to neutralise residual Scope 1 and 2 emissions from Challenger-controlled operations. Offset values for FY25 have been updated to reflect additional carbon removal credits purchased in FY26, to compensate for the prior-year refrigerant restatement and to support Challenger's net zero claim on Scope 1 and 2 emissions for FY25. These ACCUs were procured and voluntarily surrendered by Challenger in August 2026.

# 4. Metrics and targets continued

## 4.3 Climate-related targets

### Scope 1 and 2 targets and performance

Challenger measures and manages its Scope 1 and 2 emissions and since 2024 has committed to mitigate and reduce these emissions via its Operational Emissions Reduction Plan. Challenger's long-term ambition focuses on credible decarbonisation first, with selective use of offsets in line with global best practice and stakeholder expectations for specific emission sources.

The commitments detailed below are aligned with the Paris Agreement and support Challenger's ambition to achieve net zero emissions in its own business operations by 2050. Alignment of these targets and methodologies against the latest climate science has not been validated by a third-party.

During FY26, Challenger revised its Operational Emissions Reduction Plan to include additional commitments from FY27 onwards. No changes were made to the targets in place for the current reporting period.

| Target (year) | Methodology and metric used to measure progress | FY26 performance | FY25 performance |
|---|---|---|---|
| **Achieve net zero in operations for scope 1 and 2 (FY25) by purchasing carbon removal credits for residual scope 1 & 2 emissions** | Offset Scope 1 related emissions by FY25.<br>Eliminate Scope 2 emissions by FY25. | Maintained net zero across Scope 1 and 2 emissions by:<br>– procuring renewable electricity for tenancy power across Challenger's Australian operations;<br>– and procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions. | Achieved net zero across Scope 1 and 2 emissions by:<br>– procuring renewable electricity for tenancy power across Challenger's Australian operations;<br>– and procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions. |
| **Eliminate all Scope 1 emissions (FY30)** | Remove all fossil-fuel powered sources from offices within Challenger's operational control by FY30. | Secured fully electrified premises to be used as Challenger's Sydney offices (commencing FY28). | Included emissions-related requirements in scope for Challenger office relocation (Sydney only). |

## 4.4 Assets or business activities vulnerable to climate-related transition and physical risks

In FY26, assets within the Challenger Life portfolio identified as potentially vulnerable to climate-related transition risks represented less than 2% of its assets. These exposures primarily relate to investments in coal and manufactured fuels, oil and gas and fossil-based utilities that may be affected by changes in climate policy, regulation, technology and market preferences associated with the transition to a lower-emissions economy.

Challenger has not identified a material concentration of assets directly exposed to physical climate hazards that would be expected to have a material effect on its prospects. Physical climate-related risks primarily arise through third-party managed non-debt assets within investment portfolios rather than Challenger's corporate operations.

## 4.5 Other cross-industry metrics

The table below summarises Challenger's other climate-related metrics for the reporting period, in accordance with disclosure requirements.

| Metrics | Amount ($) | % of total | Explanation |
|---|---|---|---|
| **Climate-related costs** | — | —% | No material climate-related cost were identified in FY26. |
| **Capital deployment** | — | —% | No capital expenditure, financing or investment was directed towards climate-related risks or opportunities in FY26. |
| **Internal carbon price** | N/A | N/A | Challenger does not apply an internal carbon price to its decision-making process. |
| **Remuneration** | — | —% | No portion of executive remuneration was directly linked to climate-related considerations during the current reporting period. |

# Directors' declaration

In the opinion of the directors of Challenger Limited (the Company), I state that the Company has taken reasonable steps to ensure that the substantive provisions of the Sustainability Report of the Company and its subsidiaries for the year ended 30 June, 2026, as presented on pages 27 to 46, are in accordance with the *Corporations Act 2001*, including:

(a) Complying with Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures and any further requirements determined under section 296C(2) of the *Corporations Act 2001*; and

(b) Containing the climate statement disclosures required by section 296D of the *Corporations Act 2001*.

Made in accordance with a resolution of the directors of Challenger Limited pursuant to section 296A(6) of the *Corporations Act 2001*, as modified by section 1707C(2) of the *Corporations Act 2001*.

On behalf of the Board

D West
Independent Chair

18 August 2026

N Hamilton
Managing Director and Chief Executive Officer

18 August 2026

# Sustainability Supplement 2026

**Providing customers with financial security for a better retirement is at the core of our business. 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.**

Through our contemporary and unique business, Challenger supports customers throughout their working lives and retirement, helping to provide them with financial security for a better retirement. Challenger has the country's largest guaranteed retirement income business, providing customers with reliable and secure income streams, for either a fixed term or for life. We also provide investment products to customers through our investments division.

## Our Sustainability Strategy

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

# Challenger's materiality assessment

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

Following a desktop review in 2026, Challenger's list of material topics was revised from ten to nine. 'Employee wellbeing, diversity and inclusion' and 'Talent development' have been integrated into a singular topic covering 'Workforce wellbeing, inclusion and capability.' The change reflects that talent development is an integral component of workforce wellbeing, inclusion and sustainability rather than a standalone ESG issue.

## Sustainable Development Goals

Organisations like Challenger have a role to play in progressing the United Nations Sustainable Development Goals (SDGs), which provide a global blueprint for a more sustainable future.

Challenger has focused its efforts on the areas where it can have the greatest impact through its business activities. Our five priority SDGs have been identified based on how the goals align with our material topics, as well as our policies, processes, initiatives and the way our strategy, products and customer focus contribute to sustainable outcomes.

- **Gender equality**
- **Climate action**
- **Decent work and economic growth**
- **Partnerships for the goals**
- **Reduce inequalities**

# Our nine most 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, AI and innovation

- Using digital technology and AI responsibly and driving innovation to make it easier to do business with us.

## Data privacy, cyber security and AI

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

## Workforce wellbeing, inclusion and capability

- Promoting a diverse and inclusive workplace, in a psychologically safe and fair environment.
- Attracting, developing and retaining talent to ensure Challenger continues to meet customer, regulatory and business expectations.

## 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.

# Responsible investment

Challenger manages

## ~$120 billion

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

**We're committed to continuously improving ESG stewardship effectiveness and outcomes** across all our investment activities

**We assess ESG risks and opportunities** as an integral and fundamental part of our investment processes

## Australia's retirement landscape is undergoing significant change and we recognise the influence our investments and stewardship can have in improving long-term outcomes. Challenger believes that embedding ESG considerations into investment decision-making supports a more sustainable economy, strengthens company performance and drives resilient, risk-adjusted returns over time.

### Challenger's Responsible Investment Policy

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

Responsible Investment Statements for Challenger Life Company (CLC) and Challenger Investment Management (CIM) set out asset class-specific guidance for their respective investment teams, while Fidante affiliates operate under their own ESG frameworks. Challenger's Responsible Investment Policy is aligned to leading global standards, including the Principles for Responsible Investment (PRI), to which Challenger has been a signatory since 2015.

The Board endorses Challenger's approach to ESG integration, with the ESG Steering Committee (ESGCo) supporting the Leadership Team in overseeing its implementation. Investment teams are accountable for embedding ESG considerations into their processes, supported by KPIs for senior investment leaders linked to adherence with the Responsible Investment Statements.

The Responsible Investment team provides support to the Challenger Life Company and Funds Management businesses (which includes CIM and Fidante) by advising on ESG integration, sustainable finance requirements and emerging industry practices in ESG and stewardship.

### Our approach to ESG integration and stewardship

**Challenger considers ESG risks across its investment process, including investment decision making, portfolio structures, responsible ownership practices and the appointment of managers acting on its behalf.**

Engagement is a key mechanism for driving value, enabling our business to influence ESG practices across companies and external managers in a way that reduces risk and enhances outcomes. This helps us deliver on Challenger's purpose of providing customers with financial security for a better retirement.

Investment activities are undertaken through Challenger Life Company and Challenger Investment Management. Other activities are managed by Challenger Kabushiki Kaisha (CKK) in Japan and Challenger Investment Management Solutions, while Fidante affiliates manage assets across listed equities, fixed income and alternative strategies.

**Challenger's environmental, social and governance processes are outlined in detail in our 2026 Sustainability Report.**

### ESG governance

**Challenger Limited Board/Group Risk Committee**

↓ ↑

**Challenger Leadership Team**

↑

**ESG Steering Committee**

↑

**Responsible Investment Policy**

↓ ↓

**Challenger Life Company RI Statement** | **Challenger Investment Management RI Statement**

# **Responsible investment** continued

## Challenger Life Company (CLC)

### CLC manages a diverse investment portfolio across fixed income, real estate, alternatives, equity and infrastructure that utilises both internal and external managers.

Where CLC makes a direct investment, it identifies material ESG factors relevant to the opportunity and will engage with the company to discuss and gain further insight into their ESG processes. This approach aims to reduce the risk of the underlying investment and ultimately improve investment 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 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 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.

## Challenger Investment Management – Fixed Income (CIM)

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

CIM believes that integrating ESG assessments 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.

ESG issues are assessed using CIM's ESG Key Issues Matrix, which identifies the most relevant risks across portfolios. Recognising that ESG risks evolve, the matrix is periodically updated. Given the unique characteristics of each investment, CIM applies a bottom-up approach to assess the materiality of ESG risks on a deal-by-deal basis.

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. CIM considers the materiality of these risks in the context of:

- their impact on the sustainability of the business
- their ability to refinance; and
- the risk of default.

CIM's proprietary ESG risk rating framework evaluates material ESG factors for each potential investment. This assessment is integrated into the investment process and informs pricing, risk layering, and engagement strategies.

### Safeguards for childcare

During FY26, CIM assessed several opportunities in the childcare sector, recognising the importance of strong safeguarding practices in businesses responsible for the care of young children. As part of the due diligence process, the team declined opportunities where historical incidents or control frameworks did not meet expectations.

Through engagement, CIM negotiated enhanced reporting requirements requiring disclosure of any serious incidents to lenders. These measures reflect Challenger's disciplined approach to considering the broader impacts of investments in this essential sector of Australia's economy.

## Fidante

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

Fidante seeks to partner with investment managers who align with its ESG philosophy and are committed to continuous progress in ESG integration practices.

Fidante encourages affiliates to align to Challenger's ESG values and principles, as detailed in Challenger's Responsible Investment Policy. Fidante affiliates are expected to be signatories of the PRI and implement their own ESG frameworks.

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 funds management offerings

**Alphinity Investment Management**

Offers two sustainable funds with a focus on investments with a net positive alignment to the UN Sustainable Development Goals.

**Impax Asset Management**

A specialist asset manager investing in opportunities arising from the transition to a sustainable global economy.

**Proterra Investment Partners Asia**

A private equity fund manager focused on food technologies that contribute to safe, high-quality and sustainable food products.

**Fulcrum Asset Management**

A global macro strategy specialist offering standalone sustainability-focused investment capabilities, in addition to sustainability integration within its flagship strategies.

# Climate change

## Challenger understands that climate change is one of the biggest challenges facing society now and into future generations and is committed to supporting progress in transitioning to a low-carbon economy.

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

This includes working with stakeholders to find ways to reduce risks and create a more resilient economy as well as minimising the impact of Challenger's business on the environment.

**Additional detail on Challenger's approach to assessing climate-related risks and opportunities is included within the Sustainability Report.**

# Our emissions

Challenger continued to measure and disclose greenhouse gas (GHG) emissions reporting for operations and financed emissions across the investment portfolio.

## Scope 1, 2 and 3 operational emissions

### Measurement and assumptions

Challenger applies the operational boundary approach to measuring its Scope 1 and 2 emissions as it reflects the parts of the business where it has decision-making authority and the ability to influence emissions-related activities. This approach reports operational emissions from the Challenger Life and Funds Management businesses and excludes Fidante affiliates, which have direct operational responsibility for their own emissions activities.

Wherever possible, Challenger obtains primary activity data to calculate the emissions of its reportable emissions sources. Where such data is unavailable, secondary data sources such as expenses, modelling or reasonable assumptions are used to ensure completeness of the emissions inventory. For some office locations where activity data is not available, Challenger has used the following methods:

- Extrapolating available data to cover the full reporting period.
- Estimating emissions based on FTE data (e.g., proportional allocation by headcount).
- Applying publicly available tools, such as NABERS reverse calculators, where relevant.

#### Scope 1 emissions

Challenger calculated its Scope 1 emissions during the current reporting period considering direct emissions from its Sydney office.

Emissions were calculated using global warming potential values from the Intergovernmental Panel on Climate Change Sixth Assessment Report, National Greenhouse Accounts factors and NABERS commercial refrigeration leakage rates.

Challenger's gross Scope 1 emissions decreased by 9.5% during FY26, reflecting lower air conditioning refrigerant emissions.

#### Scope 2 emissions

Challenger's Scope 2 emissions include purchased electricity from office locations in Sydney, Melbourne, Adelaide, Brisbane and Perth.

Electricity-related Scope 2 emissions were calculated using both market-based and location-based methods in accordance with the GHG Protocol. The market-based method is adopted as the primary method for the organisational footprint, as it enables the recognition of emissions reductions achieved through voluntary renewable energy purchases evidenced by the Large-scale Generation Certificates (LGCs).

Challenger's gross Scope 2 emissions reduced by approximately 8.5% during FY26 due to lower energy use in its Sydney office.

#### Scope 3 operational emissions

Several enhancements were made to the data used to measure Challenger's operational emissions footprint in FY26.

Key uplifts made to emissions data quality in FY26 include:

- Results from an employee survey were used to model emissions associated with employee commuting. In prior years, average census-based data was used to estimate transport and distance travelled by Challenger employees. The use of survey responses resulted in higher reported activity data and total commuting emissions; however, emissions intensity (kg$CO_2$-e per km commuted) has decreased. The survey also provided updated data on patterns for employees working from home (WFH), resulting in a reduction in WFH-related emissions for the year.
- Emissions from waste were calculated using supplier-provided reporting and data, which is more accurate than the methodology used in the prior year. Approximately 98% of Challenger's waste was recycled in FY26, resulting in lower emissions despite an increase in total waste generated.
- Challenger engaged a new corporate travel booking provider during FY26 which is expected to improve the availability and quality of data required to measure and report on business-related travel.

Challenger's Scope 3 operational emissions increased by 31.6% during FY26. This was due to increased spending on technology services and IT equipment and software as part of ongoing programs to uplift Challenger's customer platform and data and partnering for IT services.

### Climate related targets

Since 2024, Challenger has committed to mitigate and reduce its Scope 1 and 2 emissions with the ambition to achieve net zero across its operational emissions by 2050.

In FY26, Challenger maintained net zero across its Scope 1 and 2 emissions through:

- procuring renewable electricity for tenancy power across our Australian operations; and
- procuring carbon removal offsets for residual Scope 1 emissions and overseas Scope 2 emissions.

#### Case study

#### Project overview: Sunnyside Permanent Planting

During FY26, Challenger contributed to the Sunnyside Permanent Planting Project in Western Australia by purchasing and retiring 1,441 Australian Carbon Credit Units. These were used to balance 100% of emissions associated with our business flights in FY25.

The project is a joint initiative delivered by Forever Carbon Corridors and Yarramoup Aboriginal Corporation to restore cleared farmland with native vegetation.

The involvement of Yarramoup Aboriginal Corporation ensures that Traditional Owners and local First Nations landholders play an active role in managing the project, including land use planning, planting and ongoing stewardship of the site. The project also supports employment and training opportunities, incorporates local knowledge in land management practices and initiatives linked to caring for Country.

This approach reflects the use of high integrity offsets to support emissions reduction activities outside Challenger's direct operations, while we continue to manage and reduce our own footprint over time.

# **Climate change** continued

## FY26 greenhouse gas emissions

| | | FY26 | | FY25 | |
|---|---|---|---|---|---|
| **Emissions** | Units | Activity data | $tCO_2$-e | Activity data | $tCO_2$-e |
| **Scope 1** | | | | | |
| **Company facilities** | | | | | |
| Natural gas | GJ | 31.0 | 1.6 | 40.1 | 2.4 |
| Refrigerants[1] | kg | 48.2 | 7.0 | 51.4 | 7.1 |
| **Total Scope 1** | | | **8.6** | | **9.5** |
| **Scope 2** | | | | | |
| **Purchased electricity, steam, heating & cooling for own** | | | | | |
| Electricity use – grid (market-based method)[2] | MWh | 731.0 | 0.0 | 820.9 | 5.7 |
| *Electricity use – grid (location-based method)[2]* | *MWh – info only* | *731.0* | *469.6* | *820.9* | *543.0* |
| **Total Scope 2** | | | **0.0** | | **5.7** |
| **Total Scope 1 and 2 emissions** | | | **8.6** | | **15.3** |
| Procured removal offsets[3] | Credits | 9 | (9.0) | 16.0 | (16.0) |
| **Total net Scope 1 and 2 emissions** | | | **0.0** | | **0.0** |
| **Scope 3** | | | | | |
| **Purchased goods and services** | | | | | |
| Food and catering[4] | AUD ('000) | 389.1 | 71.5 | 423.8 | 84.2 |
| Brand promotion[4] | AUD ('000) | 3,557.0 | 401.3 | 2,225.2 | 240.1 |
| IT equipment and software[4] | AUD ('000) | 25,706.7 | 3,029.6 | 18,766.0 | 1,949.3 |
| Technology services[4] | AUD ('000) | 38,577.2 | 4,533.7 | 24,247.1 | 2,505.3 |
| Printing | AUD ('000) | 299.9 | 37.4 | 327.2 | 80.9 |
| Business services[4] | AUD ('000) | 33,930.9 | 3,185.0 | 28,299.6 | 2,653.8 |
| Accounting services | AUD ('000) | 6,041.7 | 787.3 | 5,754.0 | 715.8 |
| Insurance | AUD ('000) | 2,685.2 | 96.8 | 2,035.1 | 66.9 |
| Legal services | AUD ('000) | 6,382.6 | 831.8 | 4,094.9 | 509.4 |
| Paper | tonnes | 2.7 | 7.6 | 3.1 | 7.0 |
| **Capital goods** | | | | | |
| PPE – IT equipment and software | AUD ('000) | 31.0 | 2.5 | 151.1 | 19.3 |
| **Fuel and energy-related activities** | | | | | |
| Indirect emissions from natural gas | GJ | 31.0 | 0.4 | 40.1 | 0.5 |
| Indirect emissions from purchased electricity[1] | MWh | 731.0 | 0.0 | 820.9 | 0.0 |
| **Waste generated in operations** | | | | | |
| Waste | tonnes | 60.9 | 0.5 | 5.1 | 0.9 |
| **Business travel** | | | | | |
| Flights | ('000) km | 3,270.4 | 872.6 | 3,551.3 | 1,440.1 |
| Taxis and car hire | AUD ('000) | 114.6 | 35.9 | 241.0 | 27.7 |
| Accommodation | Occ. nights | n/a | 59.6 | 1,202.4 | 36.4 |
| Staff food and catering | AUD ('000) | 136.7 | 25.1 | 162.3 | 32.2 |

1 In FY26, additional data became available on previously uncaptured refrigerant leakage from supplementary air conditioning units installed by Challenger. This has been included for FY26 and prior years from FY23 onward have been recalculated accordingly.
2 Electricity-related emissions were assessed using the market-based method, as recognises emissions reductions achieved through voluntary renewable energy purchases evidenced by Large-scale Generation Certificates (LGCs) and removal offsets. These LGCs were procured and voluntarily surrendered by Challenger in August 2026.
3 Australian Carbon Credit Units (ACCUs) issued by the Clean Energy Regulator for carbon sequestration projects that remove GHGs from the atmosphere, were procured to neutralise residual Scope 1 and 2 emissions from Challenger-controlled operations. Offset values for FY25 have been updated to reflect additional carbon removal credits purchased in FY26, to compensate for the prior-year refrigerant restatement and to support Challenger's net zero claim on Scope 1 and 2 emissions for FY25. These ACCUs were procured and voluntarily surrendered by Challenger in August 2026.
4 Prior year values have been restated to include additional spend categories identified in FY26, to ensure year-on-year comparability.

| Emissions | Units | FY26 Activity data | FY26 $tCO_2$-e | FY25 Activity data | FY25 $tCO_2$-e |
|---|---|---|---|---|---|
| **Employee commuting** | | | | | |
| Staff commute | ('000) km | 4,872.1 | 395.3 | 2,116.6 | 344.8 |
| Working from home | $tCO_2e$ | 81.8 | 81.8 | 119.1 | 119.1 |
| **Upstream leased assets** | | | | | |
| Base building electricity | MWh | 1,179.0 | 53.1 | 569.2 | 60.8 |
| Base building natural gas | GJ | 592.4 | 7.8 | 542.9 | 7.1 |
| Base building diesel | GJ | 37.7 | 3.3 | 0.6 | 0.1 |
| Base building water and wastewater | ML | 5.3 | 9.7 | 5.5 | 10.3 |
| Base building refrigeration | $tCO_2e$ | — | — | 140.6 | 140.6 |
| **Downstream transportation and distribution** | | | | | |
| Postage and couriers | AUD ('000) | 436.7 | 90.3 | 274.0 | 56.9 |
| **Total Scope 3** | | | **14,619.9** | | **11,109.5** |
| **TOTAL EMISSIONS** | | | **14,628.5** | | **11,124.8** |
| Inherited reduction offsets[1] | Credits | 19.4 | (19.4) | 1,579.3 | (1,579.3) |
| Inherited removal offsets | Credits | — | — | — | — |
| **TOTAL OFFSETS** | | | **19.4** | | **1,579.3** |
| **TOTAL NET EMISSIONS** | | | **14,600.5** | | **9,529.5** |

## Notes

1 Inherited reduction offsets include contributions from supply chain members associated with products and services purchased by Challenger. The most significant contribution in FY26 relates to the Sydney Office base build carbon-neutral certification.

# **Climate change** continued

## Scope 3 financed emissions

In FY26, Challenger progressed measurement of its financed GHG emissions (Scope 3, category 15 emissions), from its investment portfolios. We expanded the coverage of financed emissions calculation across the CLC balance sheet, in line with Challenger's organisational boundary assessment. Financed emissions calculations exclude Fidante affiliates, which have direct operational responsibility for their own emissions activities.

The expanded scope now includes Challenger's investments in sovereign bonds, public asset-backed securities and Direct Japanese Real Estate. It does not include exposures to real estate lending or private and uncovered asset backed securities (including mortgage-backed securities and collateralised loan obligations), cash and derivatives positions. This is due to data limitations and the absence of sufficiently mature industry standard methodologies under the Partnership for Carbon Accounting Financials (PCAF) framework.

Challenger will progressively expand its coverage of portfolio emissions as data availability, methodologies and data quality continue to strengthen. In line with AASB S2 requirements, Challenger will disclose Scope 3 financed emissions within its mandatory Sustainability Report from FY27.

### Fixed income and equities

In FY26, Challenger expanded the coverage of fina

nced emissions calculation across the fixed income portfolio to include eligible private asset exposures as well as public securitised products.

Challenger applies MSCI's Total Portfolio Footprint (TPF) solution, which is based on the GHG Protocol and the PCAF framework for financed emissions. Emissions are attributed based on Challenger's share of enterprise value. Where data is limited, appropriate estimates are used to calculate emissions.

PCAF data quality scores are used to show the reliability of emissions data, ranging from 1 for verified data to 5 for estimated data.

The average data quality score across Challenger's Fixed Income and Equities portfolios was 3.6.

### Direct real estate

#### Australian real estate

Challenger's direct Australian real estate portfolio is managed by Charter Hall, which collects and collates data to enable the reporting of Scope 1 and Scope 2 emissions from relevant assets. 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 and the latest market-based accounting methodology contained in the Australian National Greenhouse and Energy Reporting (NGER) Scheme. Energy usage is based on consumption data, derived from retailer invoices or estimated from historical usage patterns, alongside direct diesel top-ups.

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

### Case study

### Sustainability performance in our Australian Real Estate portfolio

During FY26, targeted energy, emissions and resource efficiency initiatives helped Challenger and its tenants improve the environmental and social performance of several assets across its real estate portfolio.

- Maintained the 5.5 Star NABERS Energy ratings at 839 Collins Street and North Rocks, while ABS House increased its NABERS Energy performance from 5.0 to 5.5 Stars.
- Avoided approximately 547 tonnes of annual emissions by procuring renewable electricity for properties and supplying around 57% of the electricity at Lennox Village through on-site solar power.
- Upgrades to HVAC systems, building materials, accessibility, tenant wellness initiatives and waste monitoring to achieve higher NABERS ratings and contribute to the long-term sustainability, resilience and value of the property portfolio.

#### Japanese real estate

Energy consumption and greenhouse gas emissions are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Energy consumption data is sourced from utility invoices, building management records and other available operational data. Scope 1 emissions are calculated using fuel consumption data and emissions factors published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry.

Scope 2 emissions are reported on both a location-based and market-based basis using electricity supplier-specific emissions factors published by Japan's Ministry of the Environment and Ministry of Economy, Trade and Industry, together with contractual instruments where available, consistent with the GHG Protocol Guidance.

## Scope 3 financed emissions

| Absolute Financed Emissions | $tCO_2e$ | PCAF Data Quality Score |
|---|---|---|
| **Scope 1 greenhouse gas emissions** | | |
| **Fixed Income** | | |
| Liquids | 858,880.10 | 3.71 |
| Asset-Backed Securities | 137,729.18 | 5 |
| Corporate Credit | 135,240.01 | 3.55 |
| **Equities and Infrastructure** | | |
| Equities | 555.21 | 2.12 |
| **Direct Real Estate** | | |
| Direct Australian Real Estate | 2,198.93 | 2 |
| Direct Japanese Real Estate | 2,488.82 | 1 |
| **Scope 2 greenhouse gas emissions** | | |
| **Fixed Income** | | |
| Liquids | 1,795.72 | 3.83 |
| Asset-Backed Securities | 30,405.05 | 5 |
| Corporate Credit | 67,120.12 | 3.55 |
| **Equities and Infrastructure** | | |
| Equities | 184.17 | 2.12 |
| **Direct Real Estate** | | |
| Direct Australian Real Estate (location-based) | 8,819.73 | 2 |
| Direct Japanese Real Estate (location-based) | 9,970.68 | 1 |

| Financed Emissions Intensity (Scope 1 and 2) | $tCO_2e$ / million AUD invested |
|---|---|
| **Fixed Income** | |
| Liquids | 141.04 |
| Asset-Backed Securities | 39.19 |
| Corporate Credit | 35.48 |
| **Equities and Infrastructure** | |
| Equities | 7.29 |
| **Direct Real Estate** | |
| Direct Australian Real Estate kgCO2-e/m2 | 34.49 |
| Direct Japanese Real Estate kgCO2-e/m2 | 89.13 |

1. Data is sourced from MSCI's Total Portfolio Footprinting solution.

# Financially resilient customers and communities

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

### Supported advisers through

**243**

workshops and seminars.

### Improved customer experience

through faster complaint resolution, simpler processes and stronger protection for vulnerable customers, achieving Net Promoter Score of 75 and customer satisfaction rate of 96%

### Invested in the community

through partnerships supporting social enterprise, domestic and family violence services, student mentoring, employee giving and accessible gardening.

# Australians are well placed relative to many others to achieve a secure and fulfilling retirement, supported by our nation's strong accumulation system. As a result, people are entering retirement with higher savings than in the past.

Insights from retirees, along with feedback from customers, advisers and clients, indicate that having a level of guaranteed income increases confidence and supports a greater sense of financial security. This, in turn, helps people feel more certain about when to retire, how much they can spend and how to plan their retirement, enabling them to focus on personal goals and a more rewarding retirement experience.

Without this certainty, many retirees spend more cautiously than necessary and limit their retirement lifestyle due to concerns about running out of money, despite having built substantial savings over time.

Challenger has a key role in supporting the retirement phase of superannuation by providing greater financial certainty and helping Australians manage the distinct risks they face in retirement.

## Customer outcomes and experience

Challenger is building a customer centric business that supports customers throughout their working lives and into retirement. We do this by delivering high-quality service, continuously improving our processes and actively responding to customer feedback.

### Acting on customer feedback

In FY26, Challenger maintained strong customer outcomes, achieving a 96% satisfaction rate and a Net Promoter Score (NPS) of 75. These results reflect Challenger's continued commitment to delivering positive experiences and meaningful value for its customers and clients.

Challenger's Voice of the Customer (VOCA) forum remained a key mechanism for embedding customer insight into decision-making. Through regular reviews of feedback, VOCA informs the ongoing evolution of Challenger's services and products, while identifying targeted opportunities to enhance customer outcomes.

A central focus of the FY26 VOCA program continued to be "making complex uncomplicated", driving a series of continuous process improvement initiatives. These initiatives supported operational sustainability by reducing process waste, improving resource efficiency and strengthening governance. At the same time, they advanced social outcomes by improving communication clarity, enhancing the customer experience, and enabling a more sustainable workload for frontline teams.

Key improvements driving these outcomes included the introduction of standardised customer communication templates, enhancements to upfront data capture (such as executor ID and POA integration), and process changes that reduced rework and follow-ups. Collectively, these initiatives improved customer clarity, increased response rates, and enhanced overall team efficiency.

### Customer complaints and disputes

Challenger is committed to providing a high-quality service to all our customers, as well as acting quickly to resolve issues when things do not go to plan.

Challenger's 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. Challenger communicates its decision to customers within a few days and always within 30 days (45 days if a customer has invested using superannuation funds).

Challenger resolves most customer concerns quickly, with over 60% of cases addressed within 24 hours in a way that meets customer needs.

Customer complaint volumes continue to decline, with 207 complaints recorded in FY26, down from 233 in FY25. This equates to an average of approximately 17 complaints per month, or fewer than one complaint per working day, reflecting ongoing improvements in service quality and customer experience.

We continue to strengthen our approach through regular analysis of customer complaints and thematic reviews. These insights support continuous improvement, helping Challenger enhance customer experiences, identify systemic issues early and ensure fair and consistent outcomes.

### Vulnerable customers

Challenger recognises the significant impact that financial abuse can have on older and vulnerable customers and is committed to protecting those at risk. The Financial Abuse of Elders and Vulnerable Customers Framework outlines the organisation's approach to identifying, managing and mitigating these risks, reinforcing a strong focus on customer protection and ethical conduct.

A key component of this framework is employee capability. Challenger delivers targeted training and awareness programs for contact centre and administration teams, equipping employees to recognise potential indicators of financial abuse and respond quickly and appropriately to safeguard customers.

In addition, we support customer awareness through publicly available guidance, helping customers and their families understand how to identify risks and take steps to protect themselves.

## Digital technology, AI and innovation

Challenger progressed its Customer Technology Uplift (CTU) program, which is a major strategic initiative to modernise the systems and tools used to service customers and advisers. Delivered in partnership with Accenture, the program is replacing legacy platforms with a new core registry system and digital portal designed to reduce manual handling and improve turnaround times. Customers will be able to enjoy more efficient, fully online interactions and access to dynamic product information and support.

A core registry has been built, which serves as the foundational milestone for the broader innovation and enables further testing and refinement ahead of the full release of portal functionality and additional features over time.

Additional detail on Challenger's approach to managing data privacy, cyber security and responsible use of artificial intelligence can be found on page 74 of this Report.

# Financially resilient customers and communities continued

## Supporting the financial wellbeing of customers

Through research, education and advocacy, Challenger remains committed to helping Australians navigate retirement with greater confidence, resilience and security.

### Engaging with advisers

Helping financial advisers succeed and supporting customers through ongoing market shifts is a priority for Challenger.

In FY26, we continued to bring retirement tools to more Australians through the Adviser Academy and expanded the Adviser Council, which provides a formal platform to collaborate with advisers nationwide. The Council brings together a diverse group of experienced professionals to share insights, provide feedback and help shape the future of retirement income solutions. It reflects Challenger's commitment to listening, learning and co-creating with the advice community to better meet the needs of retirees.

Our Distribution team conducted 226 workshops and seminars and 17 webinars during the year to equip advisers with additional tools to support their clients' needs and provide customers with valuable information on achieving financial security in retirement.

## Education and advocacy for retirees

### Institute for Lifetime Income

Challenger established the Institute for Lifetime Income as a research body dedicated to improving financial and longevity literacy in retirement. The Institute produces research, data and practical guidance to support pre-retirees, retirees, financial advisers and policymakers navigating complex retirement decisions.

The Institute responds to a critical gap in the retirement system: while Australia's superannuation system has been successful in building savings, many Australians enter retirement without a clear plan to convert that wealth into sustainable income. Drawing on Challenger's expertise in retirement income and annuity markets, The Institute delivers evidence-based research, public education, adviser resources and policy insights to help Australians manage longevity risk, improve financial confidence and achieve more secure retirement outcomes.

Challenger also continued to grow our educational reach through *Macro Musings*, a newsletter authored by Chief Economist Dr Jonathan Kearns, with more than 85,000 views across the 44 newsletters.

### Retirement Happiness Index

April 2026 saw the release of Challenger's third annual research report exploring the happiness of Australians as they experience or approach retirement.

Developed in partnership with independent research provider YouGov, the study surveyed 2,000+ Australians aged 60+ to measures happiness across six key pillars. Outcomes are tracked year-on-year to measure how retirement experiences are evolving.

**Financial certainty remains the critical enabler of confidence**

- 4 in 5 Australians aged 60+ say they would be happier with guaranteed income for life
- Only 52% feel financially secure, unchanged over three years
- 44% rank having enough money as the most important factor for happiness
- 59% are unaware of lifetime income streams

Cost of living is a persistent concern, with 67% identifying inflation as the most important issue to plan for, impacting lifestyle, financial security and concerns about running out of money.

**Happiness driven by purpose, connection and wellbeing**

More than 70% reported a strong sense of purpose and 86% of volunteers say they have clear meaning in life, highlighting the role of community engagement.

- 30% would be happier with better financial education
- 61% say financial education improves happiness
- Retirees are happier (71.1 vs 66.8) and more financially confident than pre-retirees.


## Community engagement

### Corporate and employee giving

Challenger supports payroll giving through the Good2Give platform, allowing employees to donate to their charity of choice with Challenger matching donations up to $500 per employee each year.

In FY26, Challenger and its employees donated ~$49,000 across 49 charities using the platform.

**Volunteering**

Challenger employees can request one day of paid volunteer leave each calendar year to provide voluntary services to a not-for-profit organisation or environmental, community or charitable project of their choice.

Team members gave back to several causes during the year, including Indigigrow, an Aboriginal-owned and operated native plant nursery dedicated to caring for Country by preserving land, people and culture.

## Community sponsorships

### Melbourne International Flower & Garden Show

Challenger continued as the Official Major Partner of the Melbourne International Flower & Garden Show with a purpose to connect more Australians to the lifestyle benefits of gardening and outdoor living, and to champion better retirement outcomes.

As the Presenting Partner of the Challenger Achievable Gardens, Challenger also supports emerging landscape designers and educational institutions by giving them a platform to highlight their work and demonstrate what accessible gardening can look like.

### Foodlab

Challenger has built a strong community partnership with FoodLab, a social enterprise that works with food entrepreneurs from refugee, migrant, First Nations and low-income backgrounds to build their own businesses.

Since 2023, Challenger has provided FoodLab with kitchen space at a social value-based $1 per annum nominal rent. That space is now used by 38 food businesses every week. To date, 38 entrepreneurs have graduated from FoodLab's program and between them they employ 51 people in their local communities.

FoodLab's current cohort reflects the breadth of the community it serves, with businesses spanning Palestinian, Ukrainian, Indonesian, Tongan, Sierra Leonean cuisines. Building on this growth, FoodLab is now developing a suite of online resources – including recipe costing tools, training videos, and a monthly chef interview series – designed to scale its training model and reach entrepreneurs beyond the kitchen.

### Women up North

Since 2022, Challenger has supported Women Up North, 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 the Northern Rivers region of New South Wales.

Challenger team members have organised an annual Spring Gala for Women Up North for the last three years, raising more than $400,000 for essential services and emergency accommodation in that time.

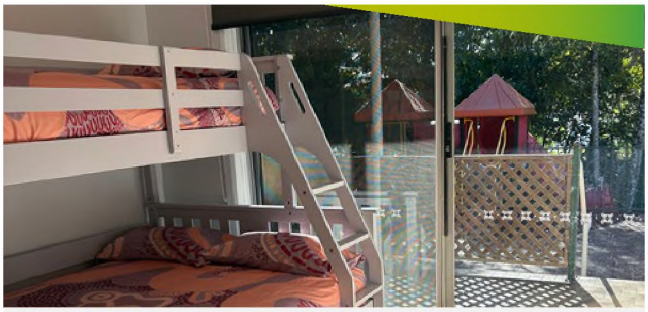
The 2025 Bloom & Bling Spring Gala in Lismore raised $200,000 thanks to the generosity of event sponsors and hundreds of supportive community members spanning Sydney to the Northern Rivers.

### ABCN Mentoring

In FY26, Challenger established a new partnership with the Australian Business and Community Network (ABCN), a community organisation that connects professionals with students to help them build confidence, explore future career pathways and develop skills for life beyond school.

Through the partnership, Challenger employees are invited to take part in a new mentoring opportunity to connect young people from a range of backgrounds with role models who can encourage them to imagine different futures.

The first mentoring session was held in May 2026, with a group of 40 made up of Challenger team members and students connecting through discussions and activities that focused on building confidence and self-belief and understanding personal strengths, interests and aspirations.



### Case study

### Women Up North – Bugalma Bihyn Refuge

Years of advocacy by Women Up North, supported by gala fundraising, enabled the organisation to establish a new dedicated refuge in the Northern Rivers, which opened in June 2026.

Bugalma Bihyn is a Homes NSW-accredited accommodation provider, offering spaces that are trauma-informed, culturally safe and welcoming to all residents.

The new refuge will provide emergency accommodation and support services for five families at any one time throughout the year.

# Doing things right

## 230

**learning and development sessions**

Over 6,000 hours of structured learning

**A decade of recognition**

as a WGEA Employer of Choice for Gender Equality.

## 44.7%

Female representation across Challenger.

# Our people

**People are key to Challenger's long-term, sustainable success. Fostering a high performing, collaborative and growth focused culture underpins our 'Talented Team and Capability' strategic pillar.**

## Our values

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


## Continuing to build capability and future-ready talent

Aligned to Challenger's EVP, 'Creating better futures together', Challenger continued to invest in building a sustainable, high performing workforce through capability, connection and experiential learning.

Under Challenger's 'Grow and realise your potential' pillar, we delivered over 230 Learning and Development sessions in FY26, equating to more than 6,000 hours of structured learning across leadership, technical capability and professional skills. This ongoing investment supports both individual growth and organisational resilience.

Challenger's mentoring program continued to strengthen internal networks and knowledge sharing, with 51 successful mentoring matches across the business, fostering development, inclusion and career progression.

These initiatives reflect Challenger's commitment to sustainable talent development, ensuring its people are equipped to adapt, innovate and deliver long-term value for its customers and shareholders.

### CEO Awards

Challenger's CEO Awards recognise and celebrate employees who continuously go above and beyond and exemplify our IACT values with colleagues, customers, clients and advisers. Hannah Roberts (Senior Project Manager) received the Individual Award at the December 2025 event. Hannah was recognised for her leadership on the Customer Technology Uplift project and her positive approach to collaboration. problem-solving and decision-making.

## Employee engagement

We're continuing to actively listen to our people through regular pulse indicators and targeted focus groups and will conduct our next full engagement survey in FY27. This approach allows Challenger to maintain a real-time understanding of how our people are experiencing our culture – what is working well, and where we can continue to improve.

These ongoing insights ensure Challenger is not waiting for an annual survey cycle to act. Instead, we use frequent feedback loops to test sentiment, validate progress and shape meaningful actions that strengthen engagement, performance and enrich our workplace culture.

Building on last year's results – where engagement increased to 66% (+1%), reflecting resilience through a period of significant transformation – Challenger is maintaining focus on the elements that matter most to our people. Challenger's investment in learning and development and commitment to a collaborative, diverse and inclusive culture continue to be key strengths. Encouragingly, we are also seeing continued signals that employees recognise and value the positive changes made in response to their feedback.

# Doing things right continued

## Diversity and inclusion networks

Challenger's five employee-led diversity and inclusion networks contribute to our diversity agenda that recognises and celebrates the different perspectives and backgrounds of our people. The business has been an active participant in the Australian Workplace Equality Index (AWEI) since 2019 and is a member of Diversity Council Australia, Pride in Diversity, Women in Super and is a certified Family Inclusive Workplace.

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

**International Women's Day 2026**

Led by Challenger's gender equality employee network, Equal aGender, we marked International Women's Day by supporting Dress for Success, a not-for-profit organisation that empower women experiencing disadvantage to achieve economic independence through employment support, professional attire and development programs. Through fundraising and clothing donations, we contributed to equipping women with interview-ready outfits and access to career coaching, helping build confidence and improve outcomes as they transition into employment.

## Gender equality progress

In FY26, Challenger met its gender diversity target for all roles in the business.

| | FY26 | FY27 Target | FY30 Target |
|---|---|---|---|
| Women in all roles | 44.7% | 40–60% | 40–60% |
| Women in management | 38.5% | 40–60% | 40–60% |
| Women in leadership team | 33.3% | 40–60% | 40–60% |
| Board | 37.5% | 40–60% | 40–60% |

Challenger's Leadership Team and Board remain committed to gender diversity through its Diversity, Equity and Inclusion Strategy. They are also committed to fostering a safe, inclusive and respectful workplace where people of all backgrounds, identities and ways of thinking can thrive, and to promoting flexible working to support work-life balance. Leadership initiatives continue to drive female representation across the business, with 22 employees currently participating in Challenger's Women in Leadership Development program.

Challenger continues to be an Employer of Choice for Gender Equality through the Workplace Gender Equality Agency (WGEA). This certification recognises Challenger's work to improve gender equality across areas such as leadership and strategy; developing a gender-balanced workforce, preventing gender-based harassment and discrimination, sexual harassment and bullying.

### Pay equity and gender pay gap

Challenger has long been an advocate for gender equality and recognises that the gender pay gap differs from 'pay equity'. Pay equity is achieved when women and men receive equal pay for work of equal or comparable value (i.e. like-for-like roles). Pay equity remains an important focus for Challenger and confirms that based on our most recent review, there continues to be no difference in pay for men and women in like-for-like roles.

In 2024-25, our median total remuneration pay gap was 16.4%, in line with the industry comparison of 16.4%. Although there was an increase to the gender pay gap over the past 12 months, the gap is in line with the industry comparison across most metrics, with the exception of average total remuneration. The increase to Challenger's gender pay gap is driven by the timing of long-term incentive awards being reported for the first time and organisational structure changes for the reporting period. Challenger continues to take steps to improve gender representation at all levels across its workforce.

## Ethical conduct and compliance

### Code of conduct

Challenger's Code of Conduct sets out the expectations for how Challenger acts, solves problems and makes fair and balanced decisions, bringing together Challenger's 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 must complete mandatory training annually.

### Whistleblower policy

Challenger's Whistleblower Policy applies to all employees (including contractors, former employees and their relatives), service providers of Challenger (including suppliers of goods and services) 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.

## Group policies

Challenger manages ESG-related risks and responsibilities through a comprehensive, group-wide policy framework, with policies centrally maintained and organised by functional area. This framework supports consistent governance, regulatory compliance and decision-making across the business, and is underpinned by regular review and clear accountability for policy ownership.

These include:

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

# Doing things right continued

## Modern Slavery

Challenger is committed to respecting human rights and maintaining high standards of ethical conduct across all areas of business activity. Modern slavery can take many forms and we are committed to ensuring Challenger's operations do not contribute to these practices.

This commitment extends to decisions about supply chain partnerships and how funds are invested on behalf of clients. We have continued to strengthen our programs to address modern slavery while also monitoring and aligning initiatives with expected regulatory and legislative developments in Australia and the international markets in which we operate.

Challenger's Modern Slavery Working Group continues to strengthen the framework for identifying, assessing and addressing modern slavery risks and supporting remediation where required.

During the year we implemented the following:

- Delivered modern slavery and human rights briefings to investment teams.
- Incorporated modern slavery awareness into the employee onboarding process.
- Developed and obtained endorsement for a new Supplier Code of Conduct.
- Updated our investment screening processes by adding 'whistleblower mechanisms' as a metric within the risk mitigation score.
- Continued to engage with peers and industry bodies including the Financial Services Council, Investors Against Slavery and Trafficking Asia Pacific and the Responsible Investment Association of Australasia.

## Fraud and corruption

Challenger is committed to the highest level of integrity and ethical standards across 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 Executive Risk Management Committee is responsible for approving the Policy and the Board's Group Risk Committee has oversight responsibility for fraud and corruption management across the Group. The Policy prohibits employees from inducing, receiving, facilitating or making payments which can be constituted as a bribe. Challenger's speak-up culture is further supported by its Whistleblowing Policy and an independent, third-party reporting platform that is accessible to all employees and third parties.

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

- All employees are required to complete Risk & Compliance training, covering key policies and requirements related to employee conduct including staff trading, conflicts of interest management and fraud.
- The training is delivered when an employee joins Challenger and is repeated every two years.
- Specialised face-to-face training sessions covering fraud risk and supporting vulnerable customers are delivered to Challenger's Operations teams.

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

## Information and cyber security

In FY26, Challenger continued to invest in strengthening our cyber security capabilities to protect the security of customer and corporate data against known and emerging threats

### Information security governance

The Challenger Board retains the ultimate responsibility for overseeing the organisation's information security, including its controls and processes. The Group Risk Committee meets quarterly and formally reviews information security, assessing the effectiveness of Challenger's security controls and continuous improvement actions to address emerging threats. The Board also endorses the information security strategy and investment roadmap to strengthen Challenger's capabilities.

Operational oversight is provided by the Executive Risk Management Committee (ERMC), a management-led body chaired by Challenger's Chief Risk Officer. The ERMC oversees risk across the Group and is attended by the Chief Information Security Officer for items relating to security governance, risk management and the endorsement of security policies. Day-to-day cybersecurity operations are managed by an outsourced provider, with independent assurance provided through both internal and external audit functions.

Challenger's approach aligns with the Australian Prudential Regulation Authority's (APRA) Prudential Standards:

- **CPS 234 – Information Security**, which mandates that APRA-regulated entities maintain an information security capability commensurate with the size and extent of threats to their information assets, and implement controls to protect those assets; and
- **CPS 230 – Operational Risk Management**, which requires entities to set impact tolerances for critical operations and ensure business continuity and disaster recovery capabilities are tested and aligned with plausible disruption scenarios.

### Information security risk management

Governance processes and ongoing employee education and awareness are 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.

Challenger's average click rate on phishing simulations throughout FY26 was 9% and our email defenses stopped over 13 million malicious emails from reaching users' inboxes. More broadly, Challenger experienced no security breaches.

### Continuous improvement of information security

In FY26, Challenger continued to strengthen its cyber resilience, including:

- Strengthened software vulnerability management in response to the growing threat posed by Frontier AI and its potential use by cyber threat actors. In a single month, Challenger patched more than 23,000 software vulnerabilities across systems and devices.
- Strengthened information security risk management through the implementation of structured processes, controls and reporting in an industry-recognised risk management platform. Dashboards now provide risk owners with clear visibility of issues and support informed Board and executive risk decisions.

- Strengthened security team capacity and improved capability through targeted upskilling and workforce development.
- Conducted Business Continuity and Disaster Recovery testing for high-impact applications to help ensure critical services can continue operating and recover effectively in the event of a disruption.
- Migrated to an industry-recognised log aggregation and security monitoring platform provided by a leading service provider. This improved the quality of security event monitoring, reduced false positive alerts, optimised security workflows and lowered operating costs.
- Partnered with a new employee cyber training and awareness provider to help upskill staff capability in response to the rapidly evolving cyber threat landscape. Training includes realistic simulations of AI-enabled attacks, such as deepfakes, email phishing and voice impersonation (vishing) scams. Awareness initiatives include Cyber Awareness Month employee engagement activities and a regular Cyber Chronicle publication to all staff, helping to address the human risk aspects of cyber security.
- Implemented an early warning system that detects Challenger staff credentials or customer information that may be exposed or offered for sale on the dark web or other internet-based forums used by threat actors. This helps identify potential risks before they escalate into significant cyber incidents.
- Implemented a cloud security posture management solution to identify and report configuration and security weaknesses in Challenger's cloud environments.
- Strengthened Challenger's controls effectiveness testing regime, aligned to industry frameworks, to provide an evidence-based view of controls design and operating effectiveness, informing future investment and prioritisation decisions.
- Executed Challenger's Penetration Testing program, using controlled simulations to identify and attempt to exploit vulnerabilities in Challenger's environment that may lead to data breaches, service disruptions or regulatory non-compliance.

## Tax transparency

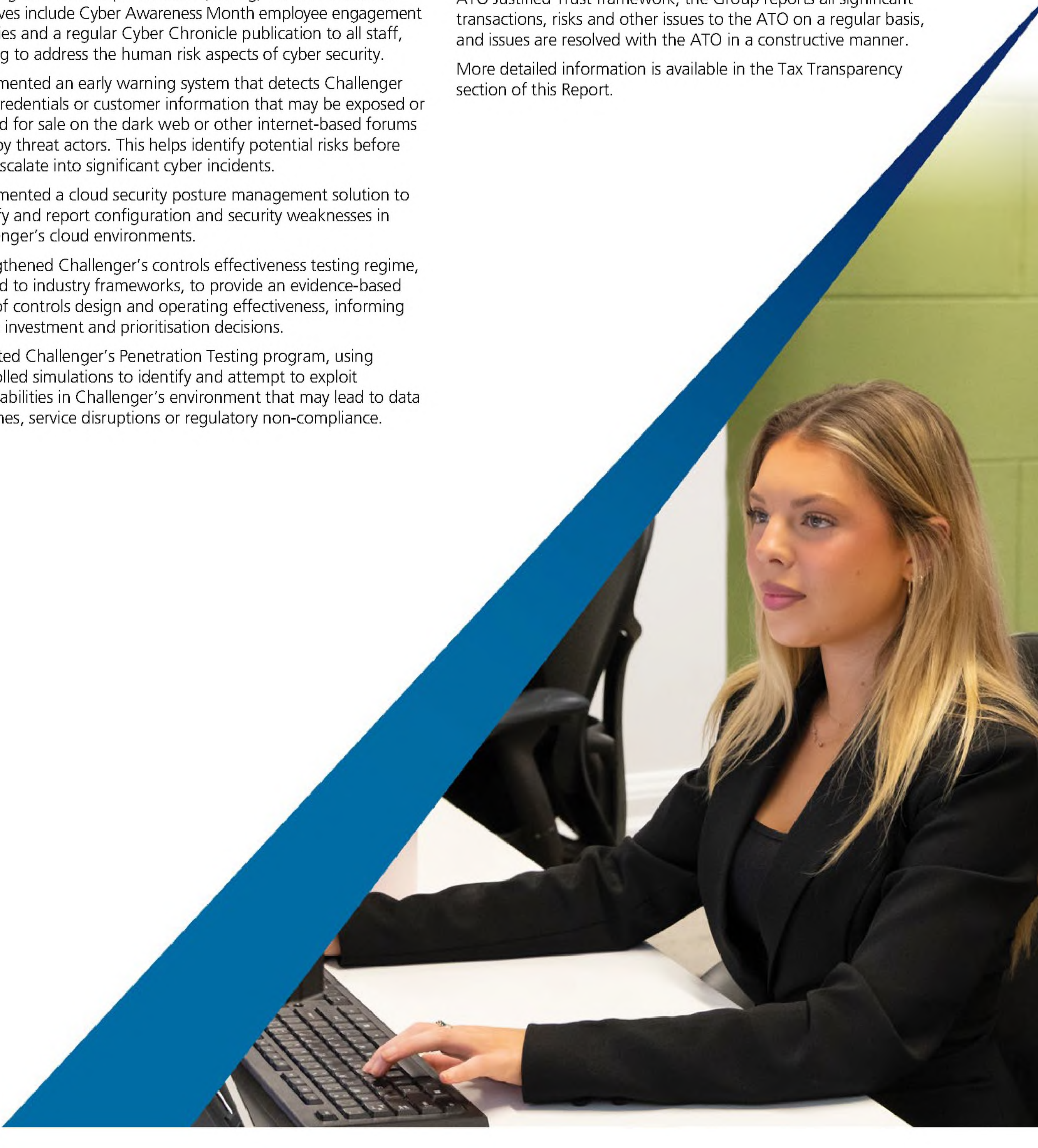
**Challenger takes our obligation to comply with prevailing taxation laws, practices and reporting requirements seriously and is committed to paying our fair share of taxes.**

Our Tax Risk Management Policy governs how tax is managed and is embedded in Challenger's broader risk governance framework, that 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 this Report.



# Constructive public policy settings

Strongly advocated for reforms to

**improve financial security in retirement including greater take-up of lifetime income products**

Supported reforms to provide Australians with

**high-quality, accessible and affordable financial advice**

## 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 FY26, Challenger participated in a range of activities advocating for reforms that will significantly enhance the lives of retirees.**

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

### Prudential capital standards

Challenger welcomed new capital standards for the treatment of longevity products that were introduced by APRA from 1 July 2026.

This important regulatory reform will help to develop Australia's retirement income market by promoting innovation, supporting greater take up of lifetime income products and enabling greater choice and certainty for retirees. This will improve annuity offerings for all Australians and support guaranteed income becoming an integral part of the retirement planning process.

The new standards represent a significant improvement on Australia's current prudential capital settings and will improve the financial resilience of life insurers while maintaining policyholder security through the introduction of risk controls, including around the matching of asset and liability cashflows.

### Retirement income reform

Challenger is a vocal and long-term advocate of retirement income reforms and policy settings that contribute to a stronger retirement system that delivers Australians with the income they need for a dignified retirement.

We have pushed for an increased focus on delivering better retirement income outcomes for Australian retirees and strongly support the Government's measures to enhance the retirement phase of Australia's superannuation system. This will lead to the provision of the security and income Australians need as they live longer and healthier lives in retirement.

Challenger actively participated in the development of Treasury's guidance on best practice principles for superannuation retirement income solutions and was actively involved in the development of the principles. By understanding members' needs, designing appropriate solutions and providing support and guidance for members approaching and in retirement, superannuation funds will deliver better retirement outcomes. This will be supported through a new Retirement Reporting Framework that, when implemented from 2027, will increase transparency and clarity for members on their retirement income options.

### 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:

## 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

# Employee metrics

## People

### Employee profile

**Number of employees**

| | FTE | Headcount |
|---|---|---|
| Overall total | 568.24 | 577 |

**Employees by contract type and gender**

| Contract type | Female | Male | Total |
|---|---|---|---|
| **Permanent** | | | |
| Full-time | 195 | 294 | 489 |
| Part-time | 32 | 1 | 33 |
| **Fixed term** | | | |
| Full-time | 23 | 29 | 52 |
| Part-time | 2 | 0 | 2 |
| Casual | 1 | 0 | 1 |
| **Total** | **253** | **324** | **577** |

**Contingent workers by type**

| Contract type | Total |
|---|---|
| Agency contractor | 747 |
| Independent contractor | 14 |
| **Total** | **761** |

**Parental leave return rate**

| | Female | Male |
|---|---|---|
| Employees who took parental leave during the year | 15 | 11 |
| Employees who returned to work after parental leave during the year | 24 | 19 |
| Employees who returned to work after parental leave and were still employed 12 months after return[1] | 86 % | 100 % |
| Parental leave return to work rate (%)[2] | 100 % | 100 % |

1 Based on employees who returned from parental leave between 1 July 2024 and 30 June 2025.
2 Based on employees who returned from parental leave between 1 July 2024 and 30 June 2026 and remained employed on 30 June 2026.

**Employees by region and gender**

| Region | Female | Male | Total |
|---|---|---|---|
| Adelaide | 2 | 1 | 3 |
| Brisbane | 9 | 10 | 19 |
| Hobart | 0 | 2 | 2 |
| Melbourne | 10 | 15 | 25 |
| Perth | 2 | 2 | 4 |
| Sydney | 224 | 275 | 499 |
| London | 3 | 7 | 10 |
| Sweden | 0 | 2 | 2 |
| Tokyo | 3 | 10 | 13 |
| **Total** | **253** | **324** | **577** |

**Employees by age group**

| Age group | Total |
|---|---|
| Under 30 | 93 |
| 30-39 | 151 |
| 40-49 | 208 |
| 50-59 | 102 |
| 60 and over | 23 |
| **Total** | **577** |

**New hires by age group**

| Age group | New hires Total |
|---|---|
| Under 30 | 37 |
| 30-39 | 23 |
| 40-49 | 25 |
| 50-59 | 17 |
| 60 and over | 4 |
| **Total** | **106** |

### New hires by region and gender

| Region | Female | Male | Total |
|---|---|---|---|
| Adelaide | 2 | 0 | 2 |
| Brisbane | 0 | 1 | 1 |
| Melbourne | 1 | 4 | 5 |
| Sydney | 40 | 50 | 90 |
| London | 1 | 2 | 3 |
| Tokyo | 0 | 5 | 5 |
| **Total** | **44** | **62** | **106** |

### Voluntary turnover by age group

| Age group | Total |
|---|---|
| Under 30 | 30 |
| 30-39 | 27 |
| 40-49 | 13 |
| 50-59 | 10 |
| 60 and over | 1 |
| **Total** | **81** |

### Voluntary turnover by region and gender

| Region | Female | Male | Total |
|---|---|---|---|
| Adelaide | 0 | 1 | 1 |
| Melbourne | 3 | 2 | 5 |
| Sydney | 36 | 36 | 72 |
| London | 0 | 2 | 2 |
| Tokyo | 0 | 1 | 1 |
| **Total** | **39** | **42** | **81** |

### Internal employee movement by gender

| | Female | Male | Total |
|---|---|---|---|
| Transfer | 11 | 9 | 20 |
| Secondment | 3 | 4 | 7 |
| Promotion | 21 | 29 | 50 |
| **Total** | **35** | **42** | **77** |

### Employee safety and wellbeing

| Work health and safety | 2026 | 2025 |
|---|---|---|
| Lost time injury frequency rate (days) | 0 | 1.78 |
| Workers compensation claims | 2 | 2 |
| Absenteeism days per FTE | 2.31 | 2.45 |
| Fatalities | 0 | 0 |
| Work health and safety training [1] | 265 | 368 |
| **Employee Conduct** | | |
| Sexual Harassment/Sex-based Harassment | 0 | 0 |
| Whistleblower disclosure [2] | 1 | 1 |

1 Total number of employees has progressively decreased year on year.
2 Disclosures in both years were Investigated and resolved.

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