2025
Challenger IM
Responsible Investment Report

challenger

About this report

This is Challenger Investment Management (Challenger IM[1]'s) first Responsible Investment Report. This report highlights how Challenger IM's investment approach continues to evolve in response to a changing macroeconomic environment, alongside the integration of environmental, social and governance (ESG) considerations, and stewardship across public and private credit markets.

It also showcases key ESG and stewardship initiatives delivered over the calendar year, reflecting Challenger IM's commitment to transparency and responsible investing practices.

The reporting period covers activities from 1 January 2025 to 31 December 2025.

Contents

1 References to Challenger IM are to the Fixed Income division only.

Introduction from the Management Team

I am delighted to present Challenger IM's inaugural Responsible Investment Report, marking a significant milestone in our journey towards embedding sustainability and stewardship at the heart of our investment philosophy.

In a world characterised by rapid change, heightened uncertainty, and growing environmental, social and geopolitical challenges, our team has demonstrated a steadfast commitment to integrating ESG considerations across our investment activities.

As a specialist credit investment manager within Challenger Group, we benefit from the strength, stability, and shared values of a leading ASX listed retirement income provider. Our alignment with Challenger Group's commitment to responsible investment and retirement income enables us to leverage deep expertise, robust governance frameworks, and a culture of continuous improvement.

Our disciplined approach, shaped by a long heritage in private lending and credit markets, continues to evolve in response to a changing macroeconomic environment. We believe that responsible investing is about delivering predictable income streams to our clients, promoting sustainable business practices and reducing investment risk. By systematically incorporating material ESG factors into our decision-making, we aim to support more resilient businesses and contribute to a more sustainable financial system.

This report highlights the key ESG initiatives, achievements, and stewardship activities delivered by Challenger IM throughout the calendar year 2025. From advancing our climate risk management and expanding financed emissions coverage, to supporting diversity, equity and inclusion, our efforts reflect our commitment to responsible investment.

I am proud of the progress we have made and grateful to our talented team of investment and credit professionals. As we look ahead, Challenger IM remains focused on continuous improvement, collaboration, and delivering long-term value for our clients and stakeholders.

Victor Rodriguez

Executive General Manager, Group Asset Management

Our Operations

Challenger IM at a glance as at 31 December 2025

A$17.4	55	5
BILLION IN FUM	INVESTMENT AND CREDIT PROFESSIONALS	CORE CREDIT INVESTMENT STRATEGIES

Who we are

Challenger IM is a specialist credit investment manager within Challenger Limited, an ASX-listed financial services group and leading provider of retirement income solutions.

Founded in 2005, Challenger IM has grown from managing fixed income investments for Challenger's balance sheet to managing portfolios on behalf of institutional, wholesale and retail investors. Our team of investment and credit professionals, based in Australia and the United Kingdom, manage assets across public and private credit markets, including corporate debt, asset backed finance and commercial real estate debt.

We apply a value-driven approach to the pricing of structure and risk, focusing on delivering consistent income and strong risk-adjusted returns while managing capital volatility and providing diversified sources of return beyond traditional fixed income markets.

Challenger IM's investment philosophy continues to guide how we respond to market developments, regulatory change and evolving investor expectations, including ESG integration.

Our team

Our team is made up of 55 investment and credit professionals, with a long 20-year track record of investing in public and private markets. As part of the Challenger Group, we have access to a wide range of specialised resources across Legal, Risk and Compliance, Finance, Company Secretariat, Human Resources and Responsible Investment.

Our strategies

The Challenger IM team manages funds and mandates across diverse credit strategies, offering tailored solutions spanning public and private markets to meet investor needs.

We have four managed investment schemes and one ASX-listed debt security focused on domestic and global fixed income markets. Further information on our funds can be found on the Challenger IM website.

Challenger IM Credit Income Fund	A long-only credit fund investing in public and private credit, targeting an average investment grade credit risk profile.
Challenger IM Multi Sector Private Lending Fund	A floating rate multi-sector credit strategy focused on private lending opportunities primarily in Australia and New Zealand.
Challenger IM Global ABS Fund	A long-only global asset-backed securities fund, focusing predominantly on investment grade publicly rated assets across developed markets.
Challenger IM Private Lending Opportunities Fund	A floating rate multi-sector credit strategy focussed on mezzanine and higher returning private lending opportunities primarily in Australia and New Zealand.
Challenger IM Listed Floating Rate Term Securities (LiFTs)	An ASX-quoted debt security backed by a diversified portfolio of public and private credit.

Responsible Investment Journey

Key Milestones and Achievements

2015

- Challenger Limited became a signatory to the **United Nations backed Principles for Responsible Investment (PRI)**, formalising the Group's commitment to responsible investment.

2016

- Group wide **Responsible Investment Policy** introduced
- Introduced requirement for all **Investment Memorandums** to include ESG considerations

2017

- Challenger IM **engagement log** launched
- **ESG investment representative** appointed

2018

- Challenger IM **ESG webpage** launched
- Challenger ESG risk ratings introduced for private transactions

2019

- **MSCI ESG Manager** licensed for ESG research and data
- **Group Modern Slavery Working Group established**

Responsible Investment Journey

2020

- Challenger IM awarded **A rating** for approach to Direct & Active Ownership approach under the Principles of Responsible Investment (PRI)
- First Challenger Modern Slavery Statement published

2021

- Introduced requirement for Investment Memorandums to include material **climate change** and **modern slavery** considerations

2022

- Challenger IM achieved **4 out of 5** stars in the PRI Report Framework

2023

- Challenger IM Global ABS strategy became a **SFDR Article 6 Compliant Fund**
- Challenger **ESG Steering Committee** established
- Challenger IM maintained a **4 out of 5** star rating in the PRI Report Framework

2024

- Challenger launched cross functional **Climate Risk Work Program**
- Challenger IM **materiality matrix refreshed**
- Advanced **financed emissions coverage** for private assets

2025

- Challenger IM maintains **4 out of 5** star rating in the PRI Report Framework
- **Climate Risk Work Program** progressed with scenario analysis completed.
- **Expanded financed emissions** reporting capabilities for structured and securitised products

Responsible Investment Philosophy

We view responsible investing as a commitment to our clients, aiming to deliver long-term, predictable income streams. By integrating material ESG factors into investment decisions, we seek to enhance outcomes for clients, promote sustainable business practices, and reduce investment risk. Challenger IM considers ESG risks as linked to the sustainability of the businesses we lend to, their ability to refinance, and ultimately their risk of default.

Challenger IM applies a systematic approach to integrating ESG considerations into its investment process. As part of our fundamental analysis, we assess the ESG factors most relevant to each issuer or borrower and assign an ESG rating. Challenger IM seeks to understand an issuer's capacity to manage the risks identified through engagement.

ESG Governance

ESG integration is embedded within the core investment process, with all investment team members responsible for identifying and assessing material ESG risks and opportunities. This ensures that ESG factors are considered alongside financial and credit considerations as part of a consistent investment approach.

The investment team is supported by the Challenger's Responsible Investment (RI) team, who provide guidance on emerging ESG topics, regulatory developments and evolving market practice related to responsible investment.

Challenger IM is also part of the ESG Steering Committee which provides governance and oversight to Challenger in relation to the implementation of the ESG framework. The ESG Steering Committee assists Challenger's Leadership Team in developing and setting the Group's ESG strategy, including assessing climate related risks and opportunities and other key ESG thematics.

ESG Integration

Consideration of ESG factors is fully embedded within our investment process. We believe that returns can be achieved by proactively identifying ESG risks, engaging directly with borrowers to mitigate these risks, and incentivising positive outcomes through both deal structure and pricing mechanisms.

Our investment universe spans global developed market bonds and private lending in Australia and New Zealand, with a focus on stable, performing credits and shorter tenors. This approach reduces correlation with other risk assets and enables us to invest where our predictive insights are strongest.

ESG is considered at every stage of the investment process across both public and private market investing.

ESG Materiality Framework

We integrate material ESG factors into our analysis of every potential investment, focusing on risks and opportunities relevant to each industry and issuer. Material ESG risks are those that could significantly affect a borrower's ability to repay. Challenger IM continually refines its approach as market expectations and industry practices evolve.

We use a proprietary framework to rate ESG risk factors for every potential investment, making this assessment a core part of our investment process with ratings applied to each transaction.

A key element of investment process is our ESG risk layering approach, which considers the interaction between ESG ratings and relative value. This helps ensure that ESG risks are assessed in the broader context of credit quality, while also supporting the management of aggregate ESG risk at the portfolio level.

ESG+	The factor **actively reduces** the credit risk of the investment
LOW	The factor **does not meaningfully affect** credit risk of the investment
MEDIUM	The factor **does meaningfully affect** the credit risk of the investment but this risk **could be mitigated** by engagement with the borrower or valuation
HIGH	The factor **does meaningfully affect** the credit risk of the investment and engagement with the borrower or valuation considerations **does not mitigate this risk**

To guide the material ESG factors applied to the investments, Challenger IM has implemented a Key ESG Issues Matrix, which summarises ESG risks most relevant to the portfolios. We recognise that each investment opportunity has a unique set of circumstances. Therefore, we employ a bottom-up approach to determine the materiality of ESG risks on a deal-by-deal basis.

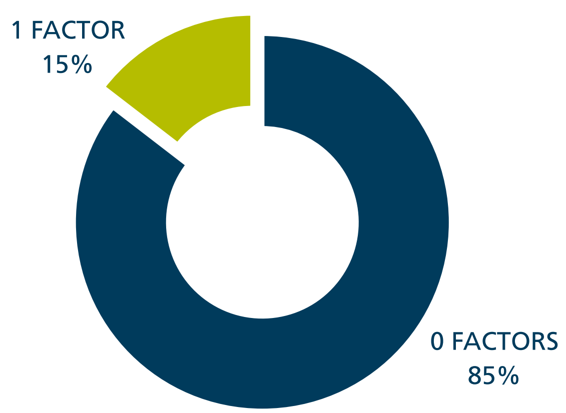
The Key ESG Issues Matrix is updated periodically, and a comprehensive update was completed in 2024 to reflect the most relevant ESG risk factors for Challenger IM's investment universe. Challenger IM recognises that material ESG factors evolve over time, and our approach continues to be refined in line with market expectations and developments in industry practice.

ESG in Portfolio Construction

Challenger IM incorporates ESG considerations into the portfolio construction process to ensure that there is no concentration of ESG risks at a portfolio level. Proprietary ESG ratings are monitored across strategies to identify concentration risk, and any emerging themes are discussed as part of regular portfolio construction meetings.

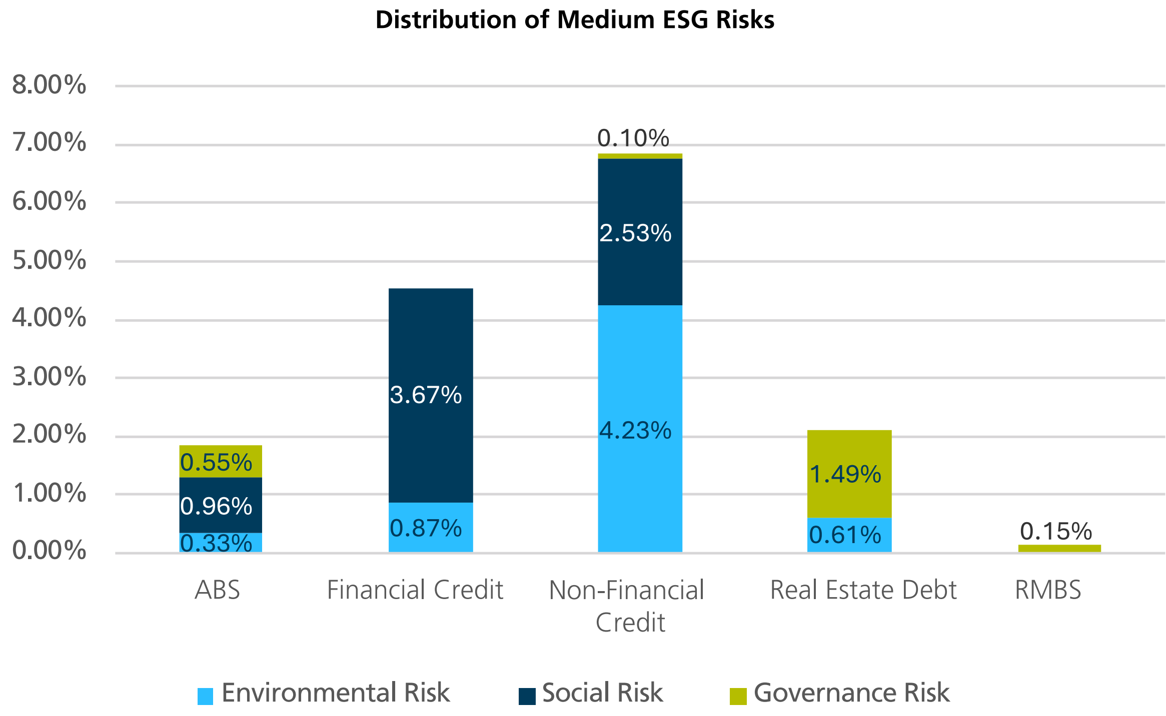
In 2025, across Challenger IM's credit strategies, there were no investments that had a "medium" risk on more than one ESG risk parameter. There were no investments that had a high rated ESG risk parameter.

ESG Risk Layering - Number of risk factors rated Medium*



Data as at 31 December 2025

* Percentage of deals which have multiple risk factors rated Medium or High. For example, 2 might be Environmental and Governance risk rated Medium. Data as at 31 December 2025



Responsible Investment in Practice

Our responsible investment philosophy is applied across all credit strategies. However, the breadth of Challenger IM's investment universe means that there is no one size fits all approach to assessing the ESG risk of a potential investment. Various asset class level approaches are employed to assess ESG risks.

Non-financial Corporate Credit

Corporate lending and investment in public markets across non-financial sectors are core components of Challenger IM's credit platform, providing exposure to a range of sectors such as healthcare, consumer discretionary, industrials and technology, across Australia and New Zealand.

Our approach to Responsible Investment

ESG considerations are incorporated in the assessment of each opportunity, with material factors evaluated at multiple levels, including broader sector dynamics, as well as borrower-specific and deal structure-specific factors.

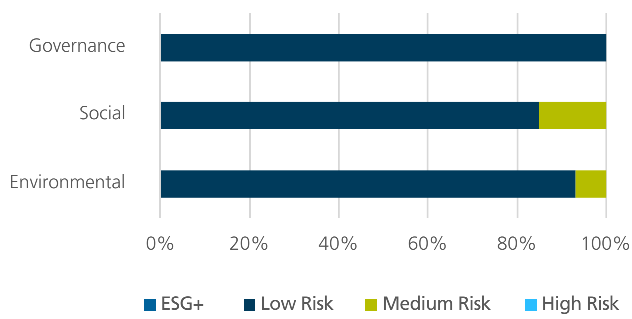
In private markets, we prioritise direct engagement with borrowers to mitigate ESG risks. Transactions assessed with a medium risk are subject to heightened due diligence and enhanced oversight mechanisms such as additional monitoring or contractual protections.

In public markets, where the ability to engage is limited, ESG factors are incorporated through our relative value approach, with material risks reflected in pricing and valuation.

Portfolio Overview

The majority of non-financial corporate credit transactions have low ESG risk designations under the proprietary ratings framework.

Non-financial corporate credit - ESG Risk Profile



Case Study

EMBEDDING STRUCTURAL INCENTIVES TO MANAGE RISK

Challenger IM provided a loan facility to a company operating in the debt recovery industry. The team recognised inherent social risks in this sector, which has exposure to potential vulnerable customers due to the nature of its business and heightened regulatory scrutiny.

As part of the due diligence process, Challenger IM engaged with the management team to understand measures the company undertakes to mitigate this risk. This was further verified by consultation with a third-party industry expert who provided broader sector dynamics information and independent benchmarking of the company's ESG credentials against its peers which supported that the company was a leader in the industry in context of responsible collection practices.

Not withstanding this, to further encourage the continued adoption of ESG-positive behaviour, Challenger IM negotiated an ESG-linked margin ratchet in the loan structure. This mechanism adjusts the loan margin based (both upward and downward i.e. carrot and stick) on the volume of customer complaints lodged with an external dispute resolution body. By linking financial terms to social performance indicators, the structure enhances accountability to improve customer outcomes.

MITIGATING INDIRECT GOVERNANCE CONCERN

Challenger IM has low tolerance for governance risk. Where governance concerns (direct or indirect) are identified, Challenger IM applies targeted checks and appropriate risk mitigants. We proceed only where concerns are assessed as not material or can be managed through engagement and/or controls.

In 2025, an investment opportunity raised a potential governance concern involving a member of the management team. These governance concerns were in context of a separate business that this individual was associated with. While this exposure was indirect, in response, Challenger IM assessed whether the concern could materialise into a direct governance risk with potential reputational, operational or conduct-related implications to the investment. Through direct engagement with the individual and senior management team as well as review of the borrower's governance controls and oversight arrangements, Challenger IM concluded the indirect governance concern was not material to the transaction.

As part of Challenger IM's standard private transaction framework, Know Your Customer checks are completed as a condition precedent. Taking these factors into account, alongside other transaction specific considerations, Challenger IM proceeded with the transaction.

Financial Credit

Challenger IM invests in public markets issued by financial institutions across Australia and other developed markets.

Our approach to Responsible Investment

ESG factors are incorporated into issuer assessment, with a focus on how material ESG risks may affect an institution's ability to meet its obligations.

Our ESG analysis considers factors such as:

- the institution's business strategy (key products, distribution and where it operates),
- its approach to lending, including whether and how it considers ESG factors,
- governance, including board independence, diversity and experience, management/ownership transparency, and the relationship with regulators, and
- cybersecurity risk management.

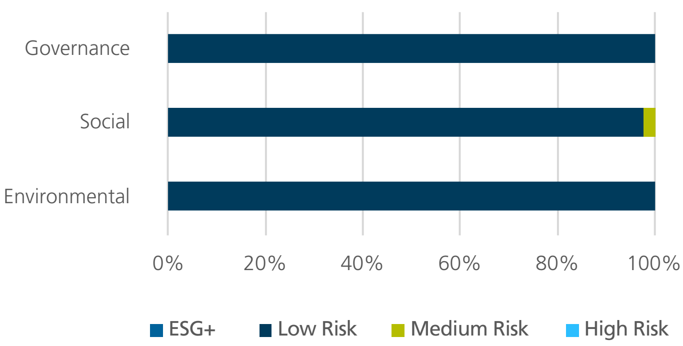
As with non-financial corporates in public markets, we apply a relative value approach. Where material ESG risks are identified, these may be reflected in pricing/valuation, position sizing and ongoing monitoring.

Given the nature of public markets, engagement activity primarily occurs through public channels and market-wide discussions. To date, much of this has focused on governance practices in debt capital markets.

Portfolio Overview

The majority of financial credit transactions have low ESG risk designations.

Financial Credit - ESG Risk Profile



Asset-backed finance

Challenger IM has deep expertise in asset backed finance across Australia, New Zealand, the United Kingdom, Europe and the US, having invested in this asset class since 2005. This long track record has enabled the team to build deep market knowledge, robust assessment frameworks, and establish strong relationships with issuers and other counterparties.

Our approach to Responsible Investment

To assess ESG risks and opportunities, Challenger IM applies a structured framework tailored to each jurisdiction.

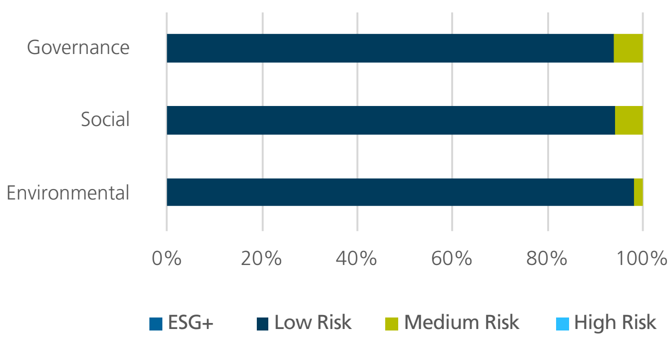
In Australia, a standardised ESG due diligence questionnaire is used to support consistent assessment of ESG risks and opportunities at the issuer level and, where relevant, at the underlying collateral level. The Domestic Asset-backed finance team also contribute to industry dialogue as a member of the Australian Securitisation Forum Sustainability Working Group.

In global markets, ESG practices vary significantly by collateral type and jurisdiction. For ABS/RMBS in Europe, standardised ESG reporting has been introduced, such as the Association for Finance Markets in Europe's (AFME) 2021 ESG templates. The Global asset-backed finance team actively engages with market participants to provide thought leadership on best industry practices.

Portfolio Overview

Across both domestic and global markets, in 2025 the majority of asset-backed investments were assessed as low risk.

Asset-Backed Finance - ESG Risk Profile



Case Study

SUPPORTING AFFORDABLE AND ACCESSIBLE RESIDENTIAL ENERGY UPGRADES

Challenger IM invested in a green labelled ABS issued by an Australian specialist consumer finance issuer, with a track record of supporting household solar, battery storage as well as broader electrification and energy efficiency upgrades. The issuance was made under the issuer's Green Financing Framework, which references alignment with recognised frameworks such as the Climate Bonds Standard, the ICMA Green Bond Principles and the Green Loan Principles.

Proceeds from the issuance refinance loans funding eligible assets such as rooftop solar PV, inverters, energy storage and control systems, solar hot water systems, and electric vehicles and charging infrastructure. These activities contribute to United Nations Sustainable Development Goals 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities).

Based on Challenger IM's assessment, an ESG+ rating on the environmental factor was assigned to the investment. This rating reflects the focus on financing household energy upgrades and consideration of the issuer's framework and associated verification arrangements. Through this investment, Challenger IM supports the ongoing availability of capital for residential energy upgrades, as described in the issuer's Green Financing Framework and reporting.

GOVERNANCE AND TRANSPARENCY IN AUTO ABS

In early 2025, Challenger IM's global team examined the regulatory uncertainty facing UK auto lenders following court rulings on commission disclosure practices. The UK Financial Conduct Authority (FCA) investigated the potential misuse of Discretionary Commission Arrangements (DCAs), which were banned in 2021, amid concerns that borrowers were not adequately informed about broker commissions.

The analysis outlined how the Court of Appeal judgments could expand the scope of borrower redress, potentially resulting in compensation claims of £17 billion and £44 billion - comparable in scale to the post-GFC PPI refunds.

Those developments created volatility and reduced issuance in the UK Auto ABS market, Challenger IM's assessment concluded that structural protections within ABS transactions remain robust, with strong credit enhancements and bankruptcy-remote features limiting potential investor losses.

The team also emphasised that the rulings highlighted the importance of robust governance and regulatory frameworks in consumer lending and ABS securitisation to protect consumer interests and maintain market integrity.

Full article: "Uncertainty Weighs on UK Auto Lenders Due to Recent Court Rulings" (February 2025)

SECURITISED OPPORTUNITIES WITH A POSITIVE OUTCOME

Challenger IM is invested in consumer loan ABS backed by a leading lending platform specialising in consumer credit in Europe with a focus on financial inclusion.

During the due diligence process, the team assessed the issuer's established social bond track record and alignment with internationally recognised frameworks such as the ICMA Social Bonds Principles. Considering these factors alongside the issuer's focus on financial inclusion, an ESG+ rating was assigned. The issuer's focus on underserved borrowers allows the firm to provide affordable credit options but underwritten appropriately for risk, where traditional lenders are unwilling or unable to underwrite.

Commercial Real Estate Lending

Challenger IM provides senior and mezzanine finance secured against commercial real estate assets across office, industrial, retail, hotels, student accommodation and residential property. The strategy focuses on a mix of investment and transitional lending in Australia and New Zealand.

Our approach to Responsible Investment

ESG considerations are embedded in the real estate process, with ESG factors considered, risks identified and discussed in the approval process for each investment. In assessing each opportunity, we evaluate material ESG factors to identify material ESG risks and opportunities at both the borrower and asset level.

ESG due diligence practices in real estate lending are core to prudent lending and stewardship, helping ensure that credit and ESG risks are managed consistently throughout the investment lifecycle.

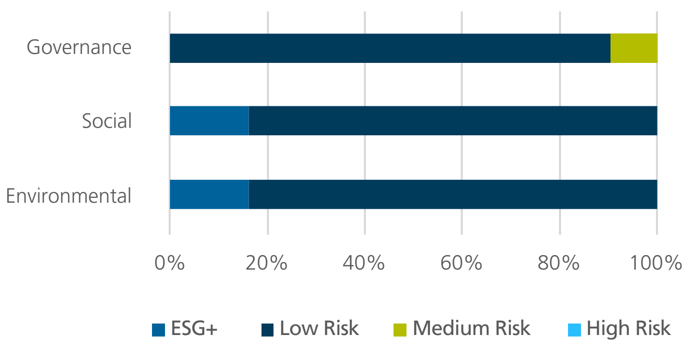
Key due diligence and monitoring practices include:

- Site inspections and independent technical due diligence undertaken for all transactions.
- Review of building certifications and risk management documentation to assess environmental performance and resilience.
- Modern slavery due diligence on the Sponsor as part of transaction approval.
- Syndicated facility agreements incorporating ESG related reporting requirements where applicable.
- Ongoing borrower engagement, including quarterly monitoring and progress reviews.

Portfolio Overview

In 2025, the majority of investments were assessed as low risk.

Real Estate Lending - ESG Risk Profile



Case Study

ESG DUE DILIGENCE IN REAL ESTATE LENDING

Challenger IM participated in a holdco mezzanine real estate debt transaction secured by a prime commercial office building in Melbourne CBD.

As part of the due diligence process, Challenger IM assessed a range of ESG factors at both the borrower and asset level. The property demonstrated sound operational performance, with energy and water efficiency ratings of NABERS 4.5 ratings, consistent with market benchmarks. While the building did not hold a formal Green Star certification, the Sponsor outlined a clear pathway for targeted environmental improvements, including energy efficiency upgrades and enhanced monitoring systems as part of a broader capital expenditure program.

Environmental due diligence also identified legacy asbestos materials within the asset. A third-party technical due diligence confirmed that appropriate risk controls and management procedures were in place, including an independent Asbestos Management Plan (AMP) and ongoing monitoring requirements. The Sponsor committed capital expenditure over the medium term to support full remediation in line with regulatory and safety standards.

Challenger IM maintains quarterly engagement with the Sponsor to monitor progress against agreed remediation commitments. Further the Environmental risk rating will remain classified as "Medium" until actions are completed and verified.

SUPPORTING HIGH-QUALITY REAL ESTATE WITH STRONG ESG CREDENTIALS.

Challenger IM recognises that strong ESG characteristics can contribute to lower credit risk and enhance the resilience of underlying assets. This is evident in a transaction that Challenger IM participated in to fund a newly developed precinct in a major Australian metropolitan area.

Through the due diligence process, the asset was assessed as possessing strong environmental and social characteristics. The precinct was developed with Environmentally Sustainable Design Principles applied throughout the buildings and public spaces. These features have enabled the precinct to become a vibrant hub for the community, hosting events such as markets, sporting activities and school holiday programs. By funding a precinct designed with sustainability principles and community focused spaces, the asset supports urban development that promotes social cohesion and community engagement.

Thematics

Climate Change

Challenger IM recognises that climate change will affect the world in which we operate and the value of the investments we manage. While the precise timing and magnitude of these effects remain uncertain, we acknowledge that climate-related risks and opportunities are relevant today and will continue to shape markets in the future and we assess climate risk over short and long term time horizons to understand these risks.

Alignment with Challenger Group's Climate Risk Program

Challenger IM is part of Challenger's Climate Risk Working Group which is a program of work designed to ensure Challenger's compliance with the Australian Sustainability Reporting Standard (AASB S2). More information on Challenger Group's Climate Risk Program is available in Challenger's FY25 Sustainability report.

Challenger IM's approach to identifying and managing climate risk

Challenger IM considers climate-related risks and opportunities where they are material to credit, collateral or refinancing risk. Our investment approach prioritises shorter-term lending, where risks can be assessed and priced with greater certainty; however, we recognise that climate change introduces longer-term uncertainties.

Sectors with heightened exposure to acute or chronic physical risks, such as extreme weather events or rising sea levels, are subject to heightened ESG due diligence. We also engage with borrowers whose business models result in inherent transition risks to understand how they are managing the transition to a sustainable economy. This analysis is incorporated into our ESG assessment for each transaction. Climate-related risks are also captured in our proprietary ESG ratings, which are monitored at the portfolio level.

Challenger IM recognises that climate-related risks are evolving and continues to build its understanding through ongoing research, market engagement and training.

Case Study

CLIMATE RISK, INSURANCE AND HOUSING VALUATIONS

In 2025, Challenger IM's investment team conducted research into the far reaching implications of the California wildfires for insurance markets, property valuations and financial stability. The analysis highlighted how the increasing frequency and severity of extreme weather events are driving up insurance costs globally, with impacts to property prices and lending markets. Climate risks are leading insurers to withdraw from high-risk areas or sharply increase premiums and governments are forced to act as "insurers of last resort.".

Importantly, the article drew parallels to Australia, noting that one in three Australian properties face some level of bushfire risk and one in twelve face flood risk. Additionally, household insurance costs have risen by more than 50 per cent since 2017 and higher insurance premiums could materially affect property yields, valuations and loan performance.

The analysis underscores the growing importance of integrating physical climate risk into investment decisions, particularly for property-linked exposures.

Full article: "Why Everyone Should Care About the California Wildfires" (January 2025)

Financed emissions

Challenger IM measures financed emissions to identify and manage climate related risks and opportunities across our investments.

MSCI's Total Portfolio Footprinting (TPF) solution is used to calculate absolute emissions and emissions intensity for in-scope investments. The methodology aligns with the global financed-emissions standard developed by the Partnership for Carbon Accounting Financials (PCAF), which emphasises calculating absolute emissions that are consistent and comparable over time, irrespective of market valuation movements.

Challenger IM's exposures include private credit and securitised products, where data availability and data quality remain industry wide challenges. To support measurement across these asset classes, Challenger IM has partnered with MSCI to expand its financed emissions coverage and reporting capabilities.

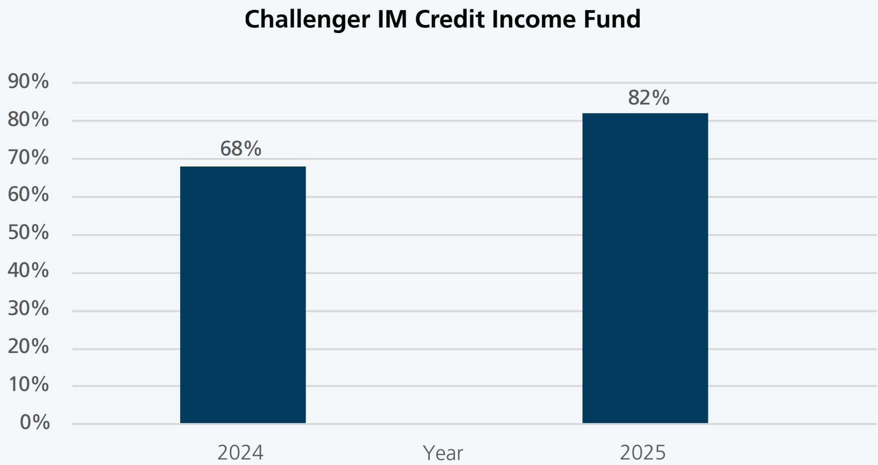
In 2025, Challenger IM subscribed to MSCI's Securitised Product Dataset which enables expanded Scope 1 and 2 emissions coverage for structured and securitised products. Whilst this has enabled expanded coverage, these securities will continue to carry a data quality score of 5.00 until MSCI integrates the PCAF standard published in December 2025.

Challenger IM will continue to refine its approach and expand coverage as industry standards evolve. As data availability improves and methodologies evolve, reported emissions may change over time.

Case Study

EXPANDING OUR FINANCED EMISSIONS COVERAGE

Financed emissions coverage expanded in 2025 to include eligible private asset exposures as well as public securitised products. As illustrated below, for the Challenger IM Credit Income Fund, this enabled a 14% increase in coverage.



Financed emissions coverage represents the proportion of the fund's total FUM covered by emissions data as at 31 December for each respective year.

FINANCED EMISSIONS BY STRATEGY

The table below summarises financed-emissions for in-scope assets across Challenger IM's investment strategies.

	CHALLENGER IM CREDIT INCOME FUND	CHALLENGER IM MULTI-SECTOR PRIVATE LENDING FUND	CHALLENGER IM PRIVATE LENDING OPPORTUNITIES	CHALLENGER IM GLOBAL ASSET BACKED SECURITIES	CHALLENGER IM LISTED FLOATING RATE TERMS SECURITY
Financed emissions (tCO2e)					
Scope 1	34,730.79	27,103.43	713.80	1,301.62	3,189.50
Scope 2	12,238.58	8,509.74	917.08	523.45	1,360.97
Scope 3	312,888.61	542,178.42	43,036.11	9,085.49	72,647.78
Financed Emissions intensity (tCO2e/$AUD invested)					
Scope 1	42.98	28.90	5.63	17.61	12.39
Scope 2	15.54	9.17	7.24	7.08	5.31
Scope 3	403.03	584.60	339.58	122.92	283.51
Weighted PCAF Data Quality Score (1-5)					
Scope 1	3.06	4.53	3.87	5.00	4.68
Scope 2	3.10	4.56	3.87	5.00	4.69
Scope 3	3.26	4.61	3.96	5.00	4.71

1. Real estate lending, private and uncovered ABS, MBS, CLOs, cash and derivatives positions are excluded from the financed emissions footprint. These exclusions reflect current data limitations and the absence of sufficiently mature, industry standard methodologies under the PCAF framework.
2. Data is sourced from MSCI's TPF solution.

Diversity, Equity and Inclusion (DEI)

Challenger IM supports a culture where diverse perspectives and inclusive practices underpin strong governance and informed decision-making. Diversity in background, experience and thinking strengthens our investment capability and contributes to more balanced risk assessment and better outcomes for our clients.

Challenger continues to be a Workplace Gender Equality Agency (WGEA) Employer of Choice. This recognises our 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.

Women in Investment Management (WIM) Charter

Challenger Group is a signatory to the Financial Services Council (FSC) Women in Investment Management (WIM) Charter, which provides a framework for transparency and accountability in progressing self-nominated gender diversity targets within investment teams.

In line with the Charter, Challenger IM:

- has set internal gender representation targets of 37.5% for its investment teams,
- monitors and reports progress annually, and
- continues to support equitable recruitment, development and advancement pathways.

While this Charter is focused on gender diversity, we support and promote broader diversity considerations across the team.

DEI Initiatives

During 2025, initiatives were implemented aimed at broadening access to the investment industry and supporting diversity of talent:

- UNSW Fixed Income Showcase: Challenger IM hosted the inaugural UNSW Fixed Income Showcase, providing exposure to students from diverse academic and cultural backgrounds and increasing awareness of career pathways in credit and fixed income.
- Harding Miller Education Foundation Program: Challenger IM hosted scholarship recipients for work experience, supporting high-potential young women from disadvantaged backgrounds and contributing to broader social mobility initiatives.
- Challenger Mentoring program: Senior members of the Challenger IM team participated as mentors in Challenger's annual mentoring program, supporting the development and growth of employees across the organisation.

Stewardship

Challenger IM actively engages in industry dialogue through research, thought leadership, and participation in conferences, podcasts, and panel discussions across key markets. These initiatives enable the sharing of insights, foster collaboration with peers, and contribute to a deeper understanding of credit and investment market dynamics.

While not all content is exclusively ESG-focused, these efforts support knowledge exchange and advocate for robust market practices, reinforcing our commitment to transparency and responsible investment.

Collaborating for change

Challenger IM, through Challenger Group participates in a range of focused industry groups to effect change and advocate for our Investment Managers through our Responsible Investment, Sustainability and Distribution teams. The Responsible Investment team actively engages with the PRI, Financial Services Council (FSC) ESG Working Group, Responsible Investment Association of Australasia (RIAA) and the Investors Against Slavery and Trafficking Initiative (IAST).

Signatory of:

PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

FSC Financial Services Council

IAST APAC

COLLABORATING TO ADVANCE HUMAN RIGHTS IN GLOBAL VALUE CHAINS

In 2025, Challenger contributed to the development of the third edition of the Responsible Investment Association Australasia's (RIAA) Investor Toolkit on Human Rights in Global Value Chains. Representing over 500 members and A$76 trillion in assets under management, RIAA plays a leading role in advancing responsible investment across the region. Challenger participated in the working group that shaped this edition of the toolkit, which provides practical, action oriented guidance for asset owners and managers. The toolkit supports investors in engaging with companies to manage human rights risks across operations, supply chains and broader value chains – reinforcing Challenger's commitment to responsible investment and collaborative impact.

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