DHL Group Retirement Plan (DHL GRP)

Defined Benefit Sections

CLIMATE REPORT

SEPTEMBER 2023

CONTENTS

"In this, our second annual climate report, we're continuing our work to better understand how climate-related risks and opportunities might affect the Plan's assets and liabilities, enabling us to consider changes to the expected risk adjusted return in the Plan's investment strategy."

Peter Flanagan, P.F. Trustee Ltd., Chairman of the DTL Board

DHL Trustees Limited ('DTL') ('the Trustee') is Trustee of the DHL Group Retirement Plan ('the Plan'). The DTL Board believes climate change creates a material financial risk and should be considered as part of its investment decision making. The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The sub-headings in this report address the specific disclosure requirements in the regulations which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD').

The Trustee believes that reporting annually in line with the TCFD recommendations will lead to better risk assessment and strategic planning, identify potential investment opportunities, and ultimately better outcomes for the Plan's members.

The Trustee has a legal duty to consider matters which are financially material to its investment decision making. The Trustee believes that the impact of, and potential responses to, climate change creates a material financial risk. In particular, the Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement.

This, our second annual climate report outlines how the Trustee's beliefs on climate risk and opportunities impact the investment and funding strategy, inform the approach to risk management and influence the choice of metrics and targets. The Trustee has also reported on those metrics – one year on from last year's report – and on our progress towards our targets.

The Plan has six Defined Benefit (DB) Sections, whose assets are commingled in the DHL Pensions Investment Fund ('Fund'), and a Defined Contribution (DC) Section. It is recognised that given the different membership profiles, underlying investments and long-term strategic objectives, there will be differences in how climate-related risks impact the DB and DC Sections of the Plan. This report will solely cover the DB Sections of the Plan, over the Plan year from 1 April 2022 to 31 March 2023, and the DC Section will be reported separately. With regards to the DB Sections of the Plan, given they have similar characteristics in relation to assets, liabilities and investment policy, the reporting is focused on climate risks at an aggregate Fund level. For convenience, we refer in this report to reporting in line with the applicable Regulations as TCFD reporting.

On behalf of the DHL Group Retirement Plan

Peter Flanagan, P.F. Trustee Ltd., Chairman of the DTL Board

SECTION 1: GOVERNANCE

OVERSIGHT & INVESTMENT BELIEFS

The Trustee of the Plan has responsibility for and oversight of the impact of climate risks and opportunities arising from the transition to a low-carbon economy as they relate to the Plan.

The Trustee's approach to climate change and Environmental, Social and Governance ('ESG') issues more broadly is informed by its investment beliefs for DB assets. The investment beliefs reflect the Trustee's core, long-term views and drive all decisions in relation to investment strategy. The investment beliefs are reviewed annually and are summarised below:

- The Trustee believes that ESG factors can be financially material to security prices.
- The Trustee believes that good active managers have considered how to best incorporate ESG factors into their investment process.
- The Trustee believes that investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation.
- The Trustee believes that the impact of, and potential responses to, climate change creates a material financial risk. In particular, the Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement.
- The Trustee believes active stewardship can improve investment returns.
- The Trustee believes that investments in controversial weapons[1] are not appropriate under any circumstances.

With regards to climate risks and opportunities, the Trustee accepts that there is a wide range of uncertainty in both the future climate scenarios and the timing and choice of policy responses. A carbon tax, as just one example, could have financial implications for the profitability and competitive position of companies that are impacted. The Trustee believes that climate change risks should be considered in the selection of individual investments by investment managers. Companies that do not adjust their business strategies to align with the 2015 Paris Agreement can face significant downside and stranded asset risks. Investment managers should consider how companies are adjusting their business strategies to align with the 2015 Paris Agreement and ensure that any exposure to stranded asset risk is considered in the selection of individual investments.

The Trustee believes that climate risk scenario testing can also be useful in understanding the Plan's exposure to climate risks. The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk, and that this position is likely to improve over time and should be kept under review.

[1] This is defined as weapons which are contrary to international treaties or conventions. These investments are prohibited within the Plan's segregated mandates. The Trustee understands that given the nature of the Plan's segregated mandates, this exclusion is unlikely to have a material impact on the financial outcomes of the investment portfolios.

SECTION 1: GOVERNANCE

ROLES AND RESPONSIBILITIES

The Trustee is ultimately responsible for compliance with the governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has, however, delegated its responsibilities as follows:

- **The Investment Implementation Committee (IIC)** in relation to the DB assets, is responsible for undertaking the governance and reporting requirements relating to climate-related risks and making recommendations to the Trustee.
- **The Funding & Investment Strategy Committee (FISC)** is responsible for making recommendations to the Trustee in the setting of the funding and investment objectives for the Plan's DB Sections and assessing and managing the Plan's integrated risk management framework. During 2021, as part of the climate reporting, the Trustee undertook Scenario Analysis for the Plan, to enable the Trustee to understand the impact of climate risks on the journey plan for the DB Sections. Further details of the Scenario Analysis are covered in Section 3.
- **The Audit & Risk Management Committee (ARMC)** is responsible for maintaining the Plan's risk management framework and risk register and carrying out a risk assessment and review for the Plan and reporting the results to the Trustee. The risk register includes climate risk. Further details can be found in Section 4 – Risk Management.
- **TCFD Working Group** consisting of representatives of Law Debenture is responsible for considering the requirement for additional expertise / support in assessing climate-related risks and opportunities.
- **In-house Teams** do not have a decision-making role but are responsible for supporting the Trustee and the various committees in ensuring that there is effective governance, risk management and internal controls in operation. In particular, the in-house teams are responsible for the maintenance of various policy documents including the Climate Risk Policy.
- **Investment Adviser** is responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The Investment Adviser is also responsible for ensuring investment managers integrate ESG considerations into their investment process in line with the Trustee's beliefs and supports the IIC with monitoring in relation to ESG and stewardship.
- **Investment Managers** are responsible for implementing the Trustee's ESG and climate policies and are given discretion to evaluate ESG issues (including climate change) in the selection, retention, and realisation of investments. Current managers, and potential new managers, are assessed for their integration of climate risks into their wider stewardship activities, and for their ability to understand their portfolio's ability to withstand climate-related risks. For example, the Investment Adviser carries out an annual review of the stewardship and engagement activities of the investment managers, which is then reviewed by the IIC. Investment managers are also responsible for providing the Trustee with the relevant data required to meet the regulatory requirements.
- **Actuarial Adviser** is responsible for considering the impact of climate-related risks on the Plan's DB liabilities. Further details are provided in Section 3 – Scenario Analysis.
- **Covenant Adviser** is responsible for monitoring the covenant of the Founder, Deutsche Post AG ('DPAG'). The covenant adviser has conducted an assessment on the effects of climate risk on the covenant, of which more details can be found in Section 2 – Strategy, and in the appendix.
- **Legal Adviser** is responsible for ensuring the Trustee is compliant with the regulations.
- **Communications Adviser** is responsible for ensuring that communications to members, including those related to investment and climate-related matters, are clear and easy to understand.

SECTION 1: GOVERNANCE

ROLES AND RESPONSIBILITIES

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the in-house team. In particular, the Trustee has reviewed its investment and actuarial advisers' climate competencies based on the guide published by the Investment Consultants Sustainability Working Group ('ICSWG'). Daniel Baker also joined the Secretariat Team in 2023 as the DB Governance Manager.

As part of the annual assessment of its Investment Adviser's performance against strategic objectives, the Trustee considers how the Investment Adviser has supported the Climate Risk policy. In relation to the DB Sections, the last assessment was carried out in November 2022, and concluded that Momentum had fulfilled this objective.

The Trustee appointed WTW to carry out Scenario Analysis every three years, which is detailed later in the report.

Knowledge and Understanding

The Trustee received training on forward-looking alignment metrics (in particular binary target measurements) that are to be reported on as the 4th metric within this report (detailed in Section 5). The Trustee continues to work closely with the Founder to share knowledge on how each is addressing climate-related risks and complying with and reporting on the TCFD recommendations. As an example, in March 2023 as part of the Trustee's Strategy Day, the Founder provided an update on its progress towards its climate-related goals.

The Trustee views climate risk as a significant risk, and therefore a significant amount of time has been dedicated to increasing the Trustee's knowledge and understanding in relation to climate-related risks and opportunities.

The Trustee will continue to ensure it receives appropriate ongoing training in relation to climate risk and all training is formally recorded by the Plan Secretary in the Trustee's training log.

DTL Board

DHL Trustees Ltd — **Stuart Dunn Secretary**

Professional Trustee	Company Appointed Trustees	Member Nominated Trustees
Peter Flanagan P.F. Trustee Ltd. Chair	Tony Chapman	Mike Broome
	Jo Coppinger	Brian Mabbott
Law Debenture Represented by Natalie Winterfrost and Samantha Pitt	Emma Taverner	Robert Simpson
	Markus Wittum	Mike Dunn

Trustee to the DHL Group Retirement Plan

Committees

DHL Trustees Ltd

Funding and Investment Strategy Committee	Investment Implementation Committee	Strategy Committee
Defined Contribution Committee	Pension Operations Committee	Audit and Risk Management Committee

SECTION 2: STRATEGY

IMPACT ON FUNDING AND INVESTMENT STRATEGY

Climate-related risks and opportunities over the short, medium and long term

The Trustee has considered climate risks and opportunities over the short, medium and long term. In this context, the Trustee has considered 'short' term to reflect a one-year period and has considered what the potential impact would be from a climate shock assuming this took place over any given one-year period; 'medium' term has been considered as the time horizon to 2030, which for the DB assets is a significant milestone in the journey plan, and 'long' term has been viewed as the time period to 2050. For the DB assets, the Trustee's emphasis is on the short and medium term in line with the journey plan and the duration of the DB Sections' liabilities.

Types of risks and opportunities

The Trustee has identified the following key climate-related risks to its investment strategy and funding strategy for the DB Sections of the Plan:

Physical risks

This relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk to coastal systems and low-lying areas from rising sea levels and increased frequency and severity of extreme weather events). These physical risks could cause direct damage to assets and indirect destabilising impacts arising from supply chain disruption. This may also lead to wider economic and social disruption, including mass displacement, environmental-driven migration and social strife.

Stranded asset risks

The risk of holding assets at some time prior to the end of their economic life that are no longer able to earn an economic return as a result of changes associated with the transition to a low-carbon economy.

Transition risks

This relates to the risks (and opportunities) from the realignment of the global economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces).

Climate-related opportunities are unlikely to have an impact on the Fund's investment strategy, as these mostly arise through investments in Private Equity vehicles, of which the Fund's mandates are all in run-off. That being said, the Fund does have exposure to renewable infrastructure assets through the Infrastructure Income mandate with Aviva, such as those that generate energy from waste. The Fund also invests in Infrastructure Debt through the mandate with Ares Management, which may lend to, for example, infrastructure companies with projects aimed at converting natural gas liquids to fuels with lower greenhouse gas emissions than traditional gasoline.

SECTION 2: STRATEGY

IMPACT ON FUNDING AND INVESTMENT STRATEGY

Impact on funding and investment strategy

The Trustee undertook Scenario Analysis in November 2021 to consider the impact on the funding and investment strategy over the time periods mentioned on the previous page, taking into account the key climate-related risks. The results of this analysis consider both the impact of a one-year shock on the assets, liabilities and the funding level and also consider the impact over the medium term. The results from the Scenario Analysis are covered in Section 3.

The time period to 2030 is particularly significant to the Trustee as the integrated funding and investment plan aims for all the DB Sections to be fully funded on the Technical Provisions basis by 31 December 2028 and to be fully funded on a gilts + 0.5% p.a. basis by 31 March 2030.

In summary, the Scenario Analysis illustrates that, over the medium term, the impact on the assets and liabilities for the DB Sections is relatively limited under all scenarios. In the worst climate scenario, the expected year in which full funding on the Technical Provisions assumptions would be expected to be achieved increases from 2027 (base case) to 2029.

The Trustee is required to carry out Scenario Analysis at least every three years. In the interim years, the Trustee needs to review the most recent scenario analysis undertaken and determine whether it is appropriate to undertake new analysis. This would be the case, for example, if there were reason to believe there would be a material change in the results of the most recent analysis, for example a material change to the investment strategy, or a material change in the assumptions used. In November 2022 the Trustee considered whether it was necessary to undertake new scenario analysis for the DB Sections, and concluded that no new analysis was needed at that time.

The Trustee has used Scenario Analysis to consider if changes are required to the investment policy. In summary, the Trustee has previously concluded that no changes are required to the funding and investment strategy as a result of climate risk. These results were not unexpected and confirm the Trustee's view that the principal way to bring about meaningful change will be through engagement with investment managers to ensure that climate change considerations are fully integrated into security selection and retention. This is reflected in the choice of metrics that the Trustee has adopted, which is detailed later in the report.

SECTION 2: STRATEGY

IMPACT ON FUNDING AND INVESTMENT STRATEGY

Engagement is at the core of the Trustee's strategy

The Trustee views engagement and stewardship as being key to managing climate risks and opportunities. The IIC actively engages with each investment manager, with support from the Investment Adviser, to assess the effectiveness of investment managers in engaging with underlying companies on climate-related risks and opportunities. A summary of what is expected from investment managers is provided below:

- To evaluate ESG issues, including climate-related risks and opportunities, in the selection, retention and realisation of investments. The IIC believes that good active managers should consider how to best account for ESG factors in their investment process and that investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation. The evaluation of how the IIC's active managers have identified and managed material ESG risks (including climate risks) forms part of the IIC's ongoing appraisal of each manager's appointment.
- With regards to climate-related risks, the Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement, and those that fail to do so can face significant downside and stranded asset risks. The IIC expects its investment managers to take into account how companies are adjusting their business strategies to align with the 2015 Paris Agreement and ensure that any exposure to stranded asset risk is considered in the selection of individual investments. The identification and integration of climate change risks, including the ability of the investment managers to monitor and report on greenhouse gas emissions, forms part of the IIC's monitoring and ongoing assessment of its managers.
- The IIC believes that active stewardship can improve investment returns and a manager's approach to stewardship is considered when appointing and reviewing managers. The Plan is a signatory of the UK Stewardship Code (in relation to the DB assets), which reflects the importance of effective stewardship to the Trustee. The IIC monitors each manager's engagement with entities with respect to climate risk and further details are provided in the metrics section.

During the Plan year, the Trustee agreed to set stewardship priorities in relation to the following E, S and G factors:

- **E – Climate Change:** For example, investment managers engaging with companies on their climate change policies and/or voting on resolutions requiring publication of a business strategy that is aligned with the Paris Agreement on climate change;
- **S – Modern Slavery:** For example, investment managers engaging with companies on their modern slavery policies especially with regards to their supply chains; and
- **G – Diversity & Inclusion:** For example, investment managers voting against a director appointment where the board is not sufficiently gender diverse.

Shortly after the Plan year-end, these priorities were communicated to the Fund's investment managers, noting that, while they were not expected to have prioritised engagement in these areas over the past year, they will be expected to prioritise engagement in these areas going forward. As such, as part of the annual stewardship and engagement report, the managers were asked to provide the number of engagements they had in these areas, such that a baseline could be set to compare against in future years.

!

Impact on Covenant

For the DB Sections, the Trustee has obtained advice and guidance from its covenant adviser in assessing the impact of climate-related risks on the value of the Founder's covenant. The covenant adviser has undertaken a high-level analysis based on publicly disclosed information to assess the resilience of the covenant to the climate change related risks identified by the Founder. Further details of this analysis can be found in the appendix. In summary, these risks do not pose a significant threat to the strength of the covenant. The Trustee is therefore satisfied that, as far as the impact on covenant is concerned, climate-related risks are unlikely to have a significant impact on the funding and investment strategy.

SECTION 3: SCENARIO ANALYSIS
CLIMATE SCENARIOS

Climate Scenarios

As per the TCFD recommendations, various building blocks have been established by the global climate change research community to facilitate research and assessment of mitigation efforts required to achieve different climate outcomes.

The Trustee accepts that the selected scenarios below do not represent the full range of outcomes, nor do they necessarily capture the most adverse possible scenario, but they provide a useful understanding of potential behaviour of the Plan's portfolios under four scenarios covering a range of likely temperature pathways.

	Least common denominator	Inevitable policy response	Global coordinated action	Climate emergency
Description	A 'business as usual' outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat, but not completely, co-ordinated manner resulting in a more disorderly transition to a low-carbon economy.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the global coordinated action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular deployment of Negative Emissions Technologies (NETs) at scale.
Temperature rise	~3.5°C	~2.0°C	~2.0°C	~1.5°C
Renewable energy by 2050	30–40%	80–85%	65–70%	80–85%
Physical risk level	High	Low	Low	Low
Transition risk level	Low	High	Low	High

Source: WTW

SECTION 3: SCENARIO ANALYSIS

CLIMATE SCENARIOS

As noted in Section 2, in November 2021 the Trustee used Scenario Analysis to understand if the funding and investment strategy is resilient to the potential impact of climate change. The Scenario Analysis has considered two approaches:

i. the impact of climate-related risks as drags on asset returns and liabilities for the DB Sections that are felt each year and materialise over the life of the Fund. This analysis was used to understand the impact over the medium-term i.e. to 2030.

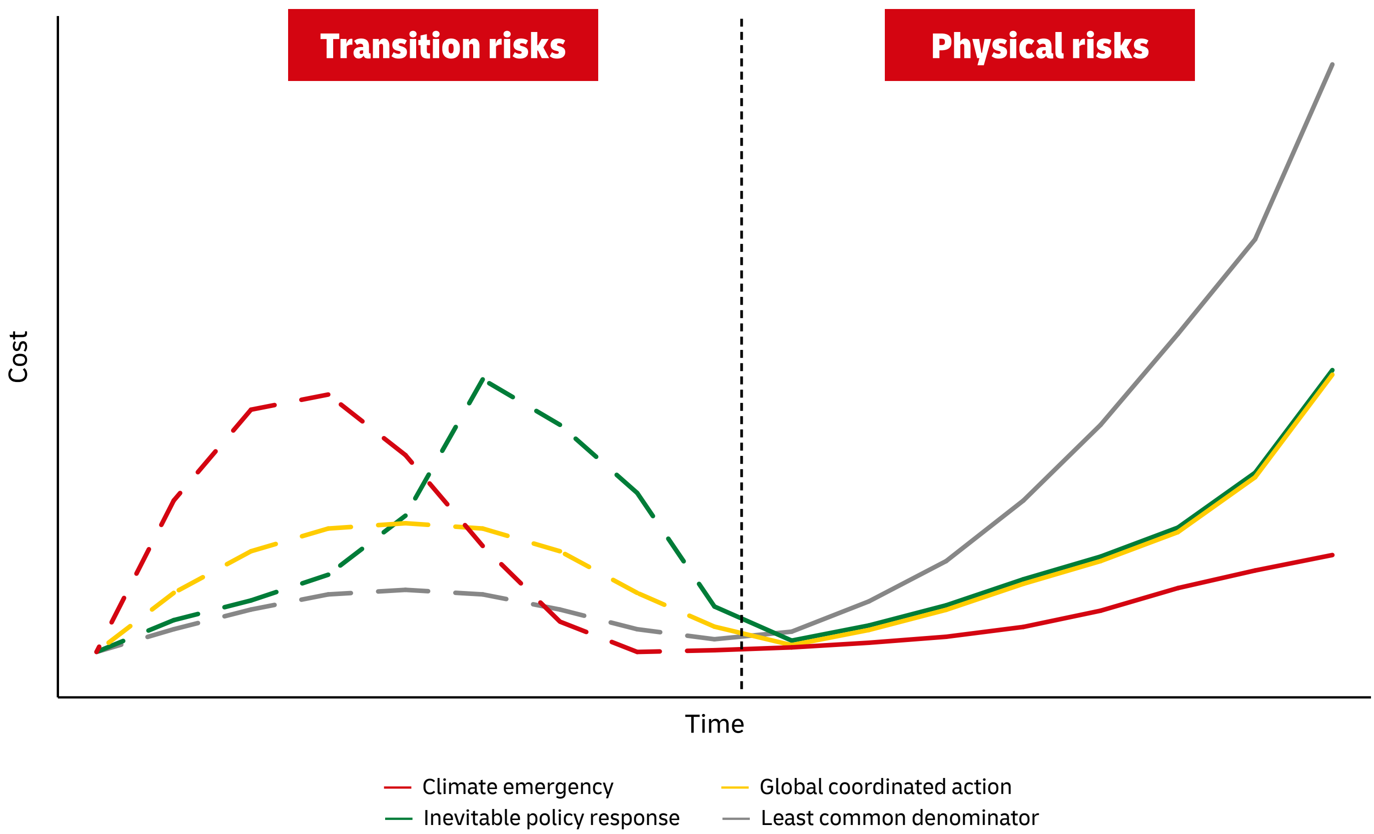
ii. the potential impact of the market suddenly pricing in each of these scenarios instantaneously i.e. as a climate shock, which assumes the entire cost of climate change is capitalised immediately. This analysis was used to understand the impact over the short-term i.e. in any one-year period.

In summary, given the limited impact of the scenarios on the timeframe to expected full funding, the Trustee does not feel it is necessary to revise the Fund's approach to investment strategy as a result of the impact of climate-related risks.

When the Trustee carries out the Scenario Analysis again in 2024, the choice of scenarios will be reviewed to ensure that they remain appropriate for the Fund.

Transition and Physical risks in different scenarios

The Trustee has considered the impact of transition and physical risks in the different climate scenarios. In the below graph, transition risks are represented by the dotted segments of the lines whilst the solid segments represent physical risks. The scenarios which see greater transition initially, and therefore transition costs, also see lower levels of costs arising due to the physical impact of climate change in the long run.



Source: WTW

SECTION 3: SCENARIO ANALYSIS

METHODOLOGY

Assumptions

The scenarios assume a 'base case' scenario, which reflects what is currently priced into the market. The deviance from the base case under each scenario reflects the impact of climate-related risks on the DB Sections of the Plan. Given the DB Sections all adopt the same investment strategy, the Scenario Analysis has been considered for the Sections as a whole.

In addition, for simplicity, no allowance has been made for any de-risking after 2030. However, it is anticipated that there is likely to be a reduction in investment risk after this point, once the DB Sections are fully funded on a gilts + 0.5% p.a. basis. In addition, a 50% longevity hedge ratio has been assumed which has been kept constant through time to reflect the overall current position of the DB Sections.

The impact of physical and transition risks on cashflows will also vary over time with the transition risk being front-end loaded and the physical risk being back-end loaded. It is assumed that the transition risk impact in each scenario bites over the first 10 years and the physical risk over the remainder of the period.

Impact of climate on UK mortality rates

Climate change may have both direct and indirect impacts on mortality rates and can also increase or decrease mortality rates. Direct impacts relate to increases in global (and UK) temperatures. A warmer winter could see a reduction on 'excess' winter deaths, although this may be offset by more summer heatwaves, more weather-related disruption, and larger swings in temperature. It has been assumed that small increases in global temperatures (like under the Global Coordinated Action scenario) are more likely to increase UK life expectancy, but more dramatic increases (like under the Least Common Denominator scenario) would be more likely to reduce UK life expectancy.

Indirect impacts are likely to arise due to changes in society to combat or adapt to climate change. Potential indirect impacts are outlined in the table below:

Reduction in mortality rates	Increase in mortality rates
Economic gains from positive action on climate change	Disruption to water supplies
Healthier diets	Less healthy diets
Healthier lifestyles	Deterioration in health services
Healthier environments (e.g. less pollution)	Less healthy environment

The impact of climate change on the mortality experience has been adjusted to reflect the longevity hedge.

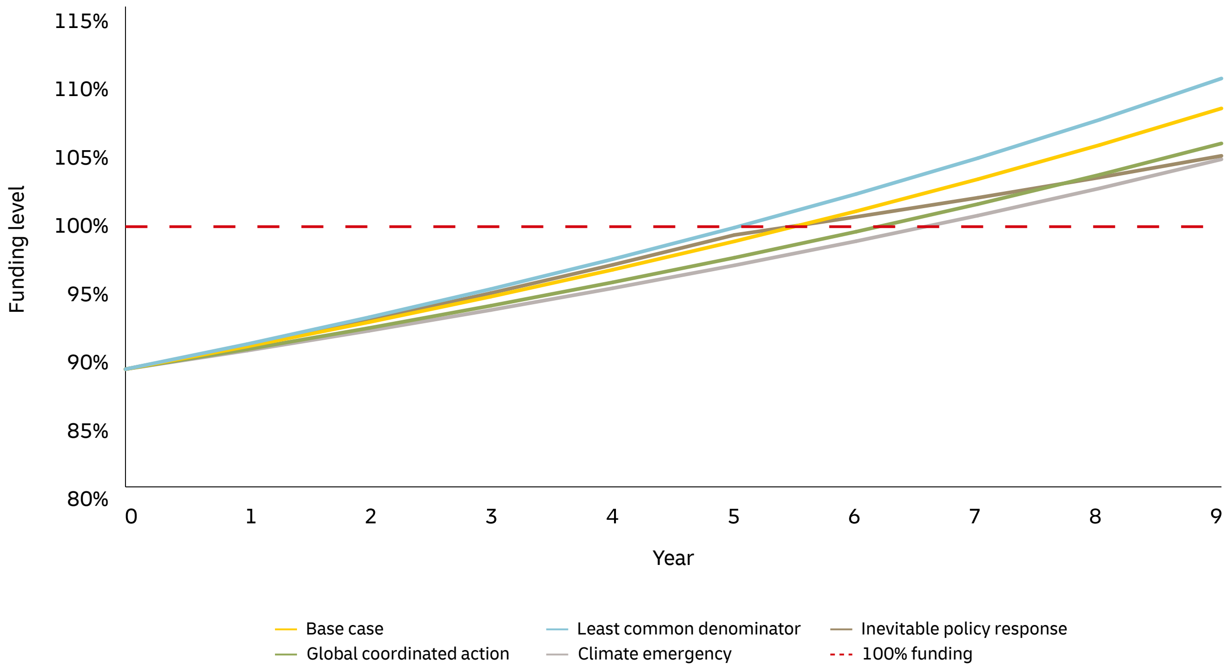
Source: WTW

SECTION 3: SCENARIO ANALYSIS

IMPACT ON JOURNEY PLAN

DB Sections – impact over the medium term

The chart below shows the journey plan under the four scenarios vs. the current base case journey plan. This allows for the impact on assets and liabilities.



	Funding level drag p.a. (Years 1–10)	Expected year of full funding
Base case	-	2027
Least common denominator	0.0%	2027
Inevitable policy response	-0.5%	2028
Global co-ordinated action	-0.3%	2028
Climate emergency	-0.5%	2029

The results illustrate that over the medium term, the impact on the journey plan is limited under all scenarios. In particular, the least common denominator scenario which has the lowest levels of transition risk (and therefore cost) but the highest level of physical risk (and therefore cost over the long term) will have very limited impact on investment returns in the period prior to which the DB Sections are expected to achieve a fully-funded position.

Source: WTW

SECTION 3: SCENARIO ANALYSIS

SHOCK ANALYSIS

DB Sections – impact over the short term

The analysis over the short term assumes that the impact on the assets and liabilities occurs as an instantaneous shock (i.e. the entire climate change impact is capitalised instantaneously). In this analysis, it has been assumed that markets overprice the outcomes by a factor of 2.

The analysis is shown in the table below with the shock to the deficit in the Inevitable Policy Response scenario being of a similar magnitude to the 1 in 20 Value at Risk ('VaR') measure. The Trustee accepts that the entire impact of climate change on assets being capitalised at once is an unlikely scenario, and not surprisingly potentially extreme compared to a 1 in 20 event, but nevertheless this shows the risk of early pricing.

Scenario	Asset shock (£m)	Liability shock (£m)	Change in deficit (£m)	Immediate change in funding level
Least common denominator	-392.2	-149.4	-242.8	-5.0%
Inevitable policy response	-563.8	-71.5	-492.3	-9.4%
Global co-ordinated action	-288.9	109.1	-398.0	-7.0%
Climate emergency	-451.4	-16.9	-434.5	-8.1%

The investment VaR as at the same date is £371m, which compares to a potential £563m asset impact from the inevitable policy response scenario.

Source: WTW

SECTION 4: RISK MANAGEMENT

IDENTIFYING, ASSESSING AND MANAGING RISKS

Identifying, assessing and managing risks

The Trustee maintains a Risk Register which identifies risks that have the potential to impact on the Plan's ability to achieve its objectives. Each risk is identified, and the causes and consequences are populated, and then scored from 1–5 based on inherent likelihood and inherent impact. The results are multiplied to arrive at an inherent risk score. The steps taken to mitigate and effectively manage each risk are identified through a three lines of defence system. The three lines of defence are as follows:

- **First line of defence:** In-house teams / Advisers / Committee that set and operate ESG policies which reflect investment beliefs.
- **Second line of defence:** Committee / Trustee that monitor and oversee compliance with, and effectiveness of, the ESG policies.
- **Third line of defence**: Third parties that provide independent assurance.

After taking into account the three lines of defence, the residual likelihood and residual impact are scored again from 1-5 and multiplied to give the residual risk score. The key to the risk scores is summarised in the table below:

	Risk Score	Number
	Critical	10–25
	High	6–9
	Moderate	3–5
	Minor	1–2

ESG risks (including climate-related risks) are included within the Plan's Risk Register. Over the 12-month period to 31 March 2023, the IIC scored the inherent likelihood as 3 and the inherent impact as 5 which resulted in an Inherent Risk Score of 15, which is viewed as Critical. The three lines of defence were then applied to calculate a residual Risk Score. The residual likelihood was assessed as 1, the residual impact as 3, resulting in a Risk Score of 3 which is assessed as Moderate.

In addition, the output from the climate Scenario Analysis provides a holistic overview of the ways in which climate-related risks may affect the DB Sections. The output has been designed to be considered in the context of the wider risks faced by the Plan and will allow the Trustee to prioritise the risks which pose the most significant potential for loss and are most likely to occur.

SECTION 4: RISK MANAGEMENT

IDENTIFYING, ASSESSING AND MANAGING RISKS

The three lines of defence that were identified in relation to ESG factors, including climate-related risks are summarised below:

1

First Line of Defence

- The investment beliefs for the DB Sections of the Plan reflect the Trustee's position on sustainable investment.
- The DB Statement of Investment Principles sets out the Trustee's policy on responsible investment and sustainability.
- The Trustee has a Climate Risk policy in place which outlines the governance arrangements in place to manage climate risk.
- The Plan Secretary has oversight of the IIC's work in relation to ESG.

2

Second Line of Defence

- The Trustee has delegated responsibility for compliance of its ESG policy to the IIC. This includes undertaking the governance requirements relating to ESG, such as production of the annual Implementation Statement, and for monitoring investment managers regarding their ESG policies and practices.
- The IIC holds regular meetings with the investment managers to satisfy itself that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund. The investment managers are also reviewed in light of their approach to material ESG risks.
- The IIC requires all appointed managers to report regularly to the IIC and disclose all voting and engagement activity undertaken on its behalf. The IIC monitors the approach of each investment manager. In particular, the IIC reviews the positive outcomes each manager has achieved through its engagement activities and the alignment of the managers' stewardship activities with the Fund's long-term investment horizon. These activities are summarised by the Investment Adviser in its annual Stewardship & Engagement report.
- The Committees are supported by their professional advisers and the in-house teams.

3

Third Line of Defence

- The IIC holds regular meetings with the investment managers to satisfy itself that they continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the Fund. The investment managers are also reviewed in light of their approach to material ESG risks.
- The IIC requires all appointed managers to report regularly to the IIC and disclose all voting and engagement activity undertaken on its behalf. The IIC monitors the approach of each investment manager. In particular, the IIC reviews the positive outcomes each manager has achieved through its engagement activities and the alignment of the managers' stewardship activities with the Fund's long-term investment horizon. These activities are summarised by the Investment Adviser in its annual Stewardship & Engagement report.
- The Committees are supported by their professional advisers and the in-house teams.

The IIC will continue to identify, assess, manage and monitor climate-related risks and report its findings to the ARMC.

SECTION 5: METRICS & TARGETS

OVERVIEW

Metrics

To inform its understanding and monitoring of the Fund's climate-related risks and opportunities, the Trustee has selected the following metrics.

Absolute emissions metric	**Total Emissions** The total Scope 1 & 2 Greenhouse Gas ('GHG') emissions for the Plan's assets (tonnes of CO_2e emitted).
Emissions intensity metrics	**Carbon Footprint** The total carbon GHG emissions of the portfolio, or part-portfolio, divided by the current value of the portfolio or part-portfolio for which emissions data is available (tonnes of CO_2e / $m of asset value). **Weighted Average Carbon Intensity (WACI)** The Plan's asset exposure to carbon-intensive companies with attribution of emissions based on portfolio weights, rather than the ownership approach (tonnes of CO_2e / $m of asset value).
Additional metric	**Climate-Related Engagement** Proportion of top 10 contributors to emissions held at year-end for which engagement or voting on climate-related risk and opportunities has been a substantive topic.
Portfolio alignment metric	**Science Based Targets** The total number of companies with carbon emission reduction targets listed on the Science Based Targets initiative ('SBTi') database.

SECTION 5: METRICS & TARGETS

OVERVIEW

Manager	AUM (% of Fund)	% of Portfolio for which Carbon Emissions data is available (Scope 1, 2 & 3)
Aviva AIIIF	3%	80%
Aviva Lime	7%	93%
Arcmont DLF III	3%	100%
Arcmont SLF I	1%	100%
Arcmont SLF II	3%	100%
Bridgewater PA	3%	18%*
CQS	6%	74%
Loomis	4%	94%
M&G Secure Income	6%	25%
M&G Secured Finance	7%	42%
M&G CGP	7%	23%
Wellington	4%	77%
LGIM LDI (Exel)	12%	63%
LGIM LDI (Ocean)	6%	63%
LGIM LDI (T&B and Smaller)	8%	59%
Total	**81%**	**51%**
Data Unavailable	19%	49%

Note: This note on data availability applies to all the graphs and data on the following pages.
Source: Investment Managers, Momentum ISC

*Represents the average data availability across long and short positions. In practice, 23.1% of the data is available for long positions, and 13.2% of the data is available for short positions.

Data availability

Data for the metrics has been sourced from the investment managers and reviewed by the Investment Adviser. The table above summarises the mandates where emissions data was available. There remains 49% of the total Fund where emissions data is not yet available. Whilst this is improvement from last year, we note that a number of asset mandates were terminated during the gilt crisis, which will negatively impact the data availability for the Fund. It is also likely that the Carbon Emissions of the DB Sections will increase over the next few years as more data becomes available. Wherever possible, consistent methodologies have been used to calculate the metrics.

The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk. The Trustee proactively raises data quality with investment managers in review meetings and accepts that through continuous challenge this position is likely to improve over time.

The emissions metrics will be calculated for the Fund at least annually. The Trustee will review its metrics from time to time to ensure they remain appropriate for the Plan.

SECTION 5: METRICS & TARGETS

TOTAL EMISSIONS

Total Carbon Emissions (Scope 1, 2 & 3): 176,575 Tonnes CO_2e

Total Carbon Emissions (Scope 1 & 2): 57,882 Tonnes CO_2e

The graphs below show the total Scope 1, 2 & 3 GHG emissions for each of the Fund's non-LDI managers, as of 31 December 2022. Where there is no Scope 3 data shown in the chart, this is due to the manager being unable to provide Scope 3 emissions at this time, rather than the assets in the portfolio not producing Scope 3 emissions.

The total Scope 1, 2 & 3 carbon emissions for the Fund were 176,575 tonnes CO_2e, with the largest contributor to emissions being the Loomis Global Credit portfolio, which contributed 45% to the total carbon emissions of the portfolio. The total carbon emissions based on just Scope 1 & 2 emissions for the Fund were 57,882 tonnes CO_2e, which has decreased from 106,615 tonnes CO_2e as at 31 December 2021 following the termination of Global Equity mandates managed by Morgan Stanley Investment Management ('MSIM'), Sands Capital and Veritas.

Data on the total carbon emissions are not currently available for the following mandates:

- BlackRock (Global Credit Opportunities)
- Angelo Gordon (Private Debt)
- Schroders (Life Insurance Linked Securities)
- Ares (Infrastructure Debt)
- LGIM (Collateral for the Longevity Hedge)*

The data excludes mandates which have been terminated, and either purely hold cash or are in run-off.

As an asset class, the Global Credit mandates (managed by Wellington and Loomis) contributed 54% to the total portfolio emissions, largely due to their investments in the energy sector. However, both managers continue to engage with the firms concerned to reduce their carbon emissions (or other emissions, such as Methane). Many of these firms also have Net Zero targets in place or have strategies in place to align with the 2015 Paris Alignment.

*Data for these accounts was not available at the time of preparing this report but has subsequently been provided.

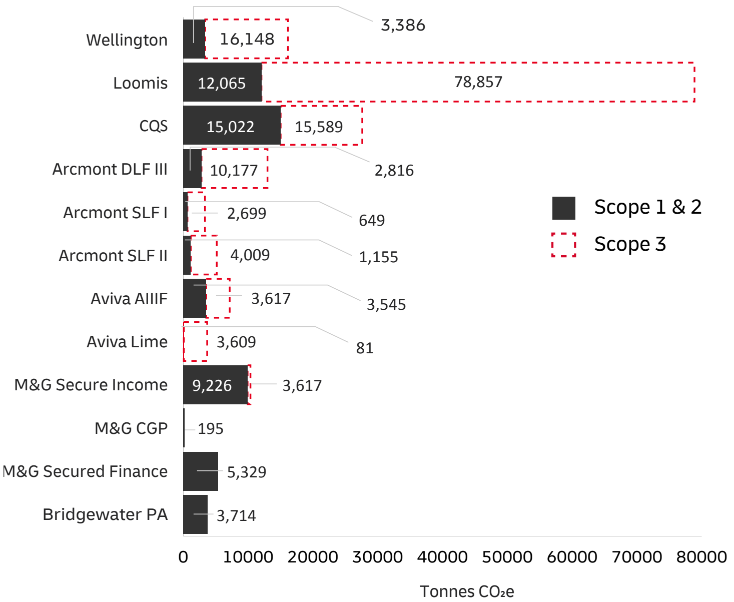
What are Scope emissions?

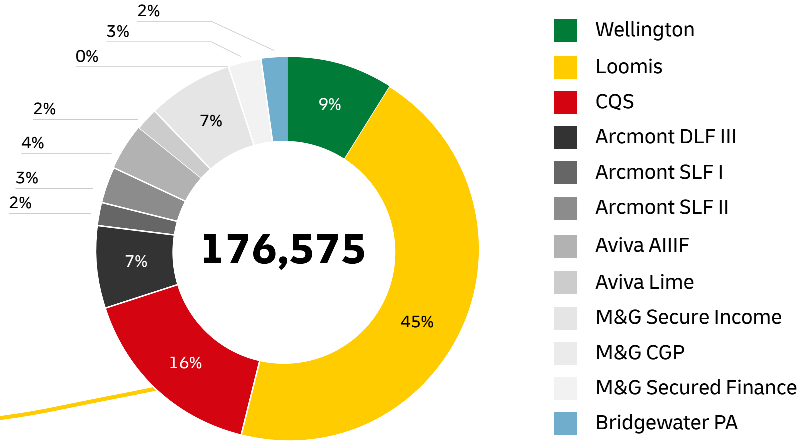
Scope 1 emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level. It is divided into four categories: stationary combustion (combustion of fossil fuels, heating sources), mobile combustion (burning of fuel of all vehicles), fugitive emissions (unintentional releases/leaks of GHG) and process emissions (released during industrial processes and onsite manufacturing). All fuels that produce GHG emissions must be included in Scope 1.

Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.

Scope 3 emissions are all indirect emissions – not included in Scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations.

Carbon Emissions (Scope 1, 2 & 3) by Mandate*





SECTION 5: METRICS & TARGETS

CARBON FOOTPRINT

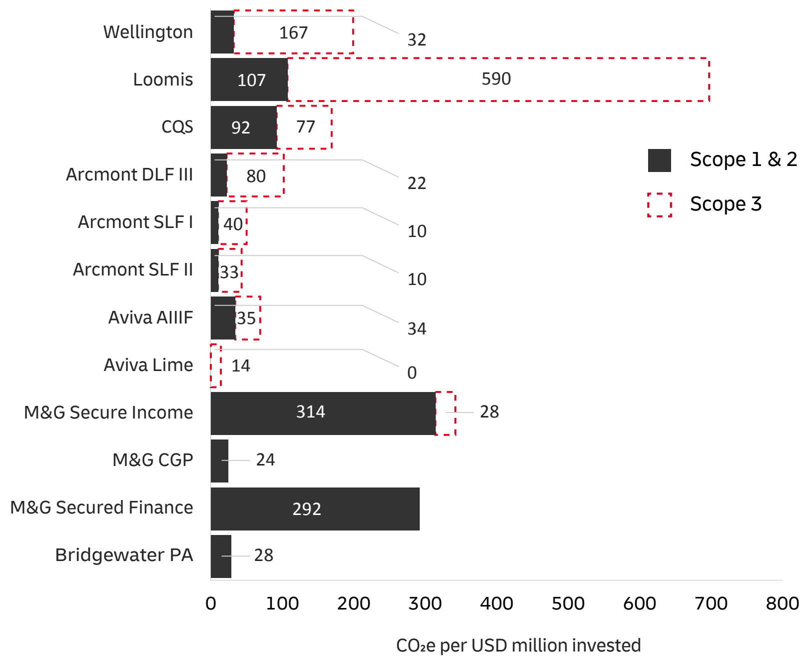
Carbon Footprint (Scope 1, 2 & 3): 132 tonnes CO_2e per USD million invested
Carbon Footprint (Scope 1 & 2): 44 tonnes CO_2e per USD million invested

The graph on the right-hand side shows the Carbon Footprint based on Scope 1, 2 & 3 emissions for each of the Fund's managers, as of 31 December 2022. Where there is no Scope 3 data shown in the chart, this is due to the manager being unable to provide Scope 3 emissions at this time, rather than the assets in the portfolio not producing Scope 3 emissions.

The Carbon Footprint for the Fund based on Scope 1, 2 & 3 emissions was 132 tonnes of CO_2e per USD million invested (calculated using the total emissions of 176,575 divided by $1,339m, which represents the USD value of the Fund's non-LDI assets where emissions data was available). However, the Trustee notes that data on carbon emissions was only available for 47% of the total Fund (excluding LDI assets).

The Carbon Footprint for the Fund based on Scope 1 & 2 emissions was 44 tonnes of CO_2e per USD, which has decreased from 51 tonnes of CO_2e per USD as at 31 December 2021 following the terminations of several mandates during the gilt crisis in Q4 2022.

Carbon Footprint (Scope 1,2 & 3) by Mandate



Methodology Example

The carbon footprint for an investment portfolio can be calculated as follows:

$$\textit{Carbon Footprint} = \frac{\textit{Total Carbon Emissions}}{\textit{Portfolio Value (USD million)}}$$

Therefore, a hypothetical portfolio with total carbon emissions of 20,000 tonnes of CO_2e and a Portfolio Value of $100m would have the following carbon footprint:

$$\textit{Carbon Footprint} = \frac{20{,}000}{100} = 200\ CO_2e/\$m\ \textit{revenue}$$

SECTION 5: METRIC & TARGETS

WEIGHTED AVERAGE CARBON INTENSITY (‘WACI’)

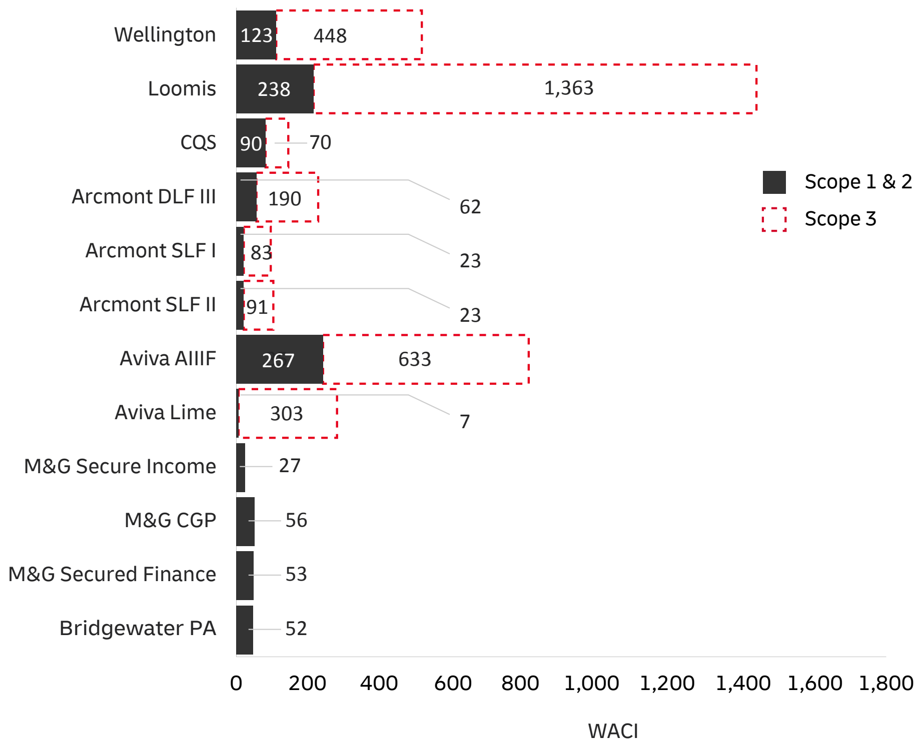
The graph below shows the WACI, based on Scope 1, 2 & 3 emissions, for each of the Fund’s managers, as at 31 December 2022. Where there is no Scope 3 data shown in the chart, this is due to the manager being unable to provide Scope 3 emissions at this time, rather than the assets in the portfolio not producing Scope 3 emissions.

We note that due to the methodology used for calculating WACI, it is difficult to aggregate data across the Fund.

Based on Scope 1, 2 & 3 emissions, the Loomis Global Credit portfolio had the greatest WACI at 1,601 tonnes of CO_2e / $m revenue. Based on Scope 1 & 2 emissions, the Aviva AIIIF mandate had the greatest WACI at 267 tonnes of CO_2e / $m revenue. Last year, the Loomis mandate had the greatest WACI (based on Scope 1 & 2 emissions) at 341 tonnes of CO_2e / $m revenue as at 31 December 2021.

WACI is calculated by normalising a company’s emissions using the revenue it generates, whereas the Carbon Footprint normalises emissions using Enterprise Value including Cash. As revenue is easier to obtain, investment managers are often able to report WACI, if Carbon Footprint data is unavailable. This is likely to become available over time.

WACI (Scope 1, 2 & 3) by Mandate



SECTION 5: METRICS & TARGETS

WEIGHTED AVERAGE CARBON INTENSITY ('WACI')

Methodology example

The WACI for an investment can be calculated as follows:

$$WACI = \frac{\text{Value of Investment}}{\text{Portfolio Value}} \times \frac{\text{Total Carbon Emissions}}{\text{Revenue (USD million)}}$$

Therefore, an investment in a hypothetical company with carbon emissions of 10,000 tonnes CO_2e and revenue of $20m, which represented 15% of the portfolio would have the following WACI:

$$WACI = 15\% \times \frac{10{,}000}{20} = 75\ CO_2e/\$m \text{ revenue}$$

SECTION 5: METRICS & TARGETS
CARBON ACCOUNTING FOR LDI

Double-Counting

As yet, there is no industry agreement on how carbon emissions should be accounted for with gilts. Depending on the methodology chosen, double or even triple counting could occur. For physically held gilts, the emissions figure is based on the UK's total emissions which includes corporates, households and public sector emissions. The emissions from corporates can therefore be accounted for both through corporate bond holdings in the non-LDI mandates, as well as part of the emissions of the UK economy in the LDI mandate.

Levered/Unlevered Exposure

In addition, consideration needs to be given as to whether to include or exclude the levered exposure achieved through derivatives.

In the absence of any guidance, we believe that the best option is to provide the carbon data under both approaches. As such, the table below sets out the carbon metrics for the LDI portfolios, based purely on the gilts that are physically held, including green-gilts and liquidity funds, and excluding the leverage.

Carbon Metrics for the LDI Portfolios, based on unlevered exposure:

Mandate	AUM (% of total DB assets)	Data Availability (%)	Absolute Carbon Emissions*	Carbon Footprint*	WACI*
LGIM LDI (Exel)	12%	63%	15,298	46	84
LGIM LDI (Ocean)	6%	63%	8,218	48	88
LGIM LDI (T&B and Smaller)	8%	59%	8,913	40	73

*Carbon metrics only include Scope 1 & 2 emissions for the LDI mandates.

In addition, the table below sets out the carbon metrics for the LDI portfolios, after accounting for the additional exposure of the portfolios achieved through leverage. Please note that the LGIM Longevity Hedging Collateral accounts have not been included in this table as these are unlevered.

Carbon Metrics for the LDI Portfolios, based on levered exposure:

Mandate	Total Exposure (% of total DB assets)	Absolute Carbon Emissions*	Carbon Footprint*	WACI*
LGIM LDI (Exel)	30%	40,136	60	112
LGIM LDI (Ocean)	20%	27,709	63	120
LGIM LDI (T&B and Smaller)	24%	30,613	60	112

*Carbon metrics only include Scope 1 & 2 emissions for the LDI mandates.

SECTION 5: METRICS & TARGETS

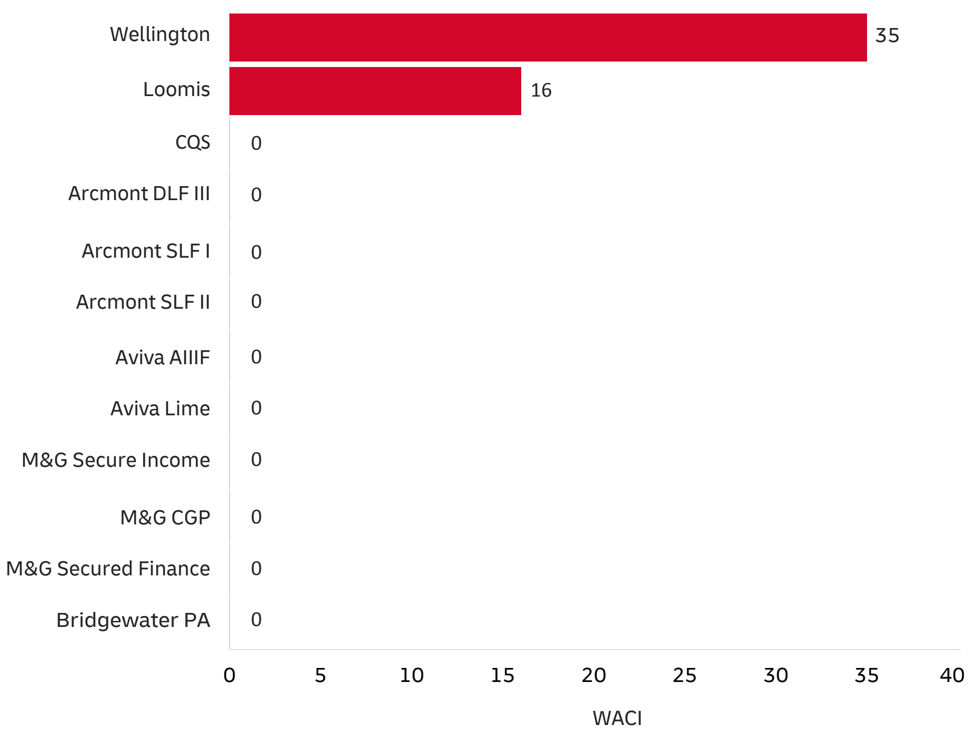
COMPANIES WITH SBTI ('SCIENCE BASED TARGETS INITIATIVE') TARGETS IN PLACE

The Trustee has chosen Companies with Science Based Initiatives 'SBTi' Targets in place as their forward-looking climate alignment metric. These are investments where the underlying portfolio companies have set carbon emission reduction targets that have been verified by the SBTi, an external body.

Only Wellington and Loomis were able to report on the number of companies with SBTi targets in place within their portfolios in 2022. The largest contributor was Wellington's portfolio, having 35 companies with SBTi targets in place. This represents 24% of the total number of entities in the portfolio.

Loomis' Global Credit portfolio had 16 companies with SBTi targets in place, which represents 13% of the total number of entities in the portfolio.

Investments in Companies with SBTi Targets by Mandate



SECTION 5: METRICS & TARGETS

TARGET – CLIMATE-RELATED ENGAGEMENT

As outlined in Section 2, engagement is a key strategic priority for the Trustee, and it has therefore chosen 'Climate-Related Engagement' as the metric to target as follows:

Review the top 10 contributors to carbon emissions in each portfolio and target 100% engagement on climate-related issues with these entities over a 2-year period.

An engagement is broadly defined as a purposeful, targeted communication with an entity (e.g. company, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research is not counted as engagement.

The table below illustrates how the Fund's current mandates scored relative to this target in 2022, in comparison to 2021 (which is the base-line year for measurement). There are a number of managers where either data is not yet available but likely to become available once systematised and others where direct engagement isn't necessarily relevant to the mandate (e.g. Bridgewater).

Manager	Total number of the top 10 that have been engaged with on climate-related issues	
	Over 2022	Over 2021
Morgan Stanley[4]	-	9[2]
Veritas[4]	-	2
Sands[4]	-	3[3]
Arcmont DLF III	1	-
Arcmont SLF II	3	-
Wellington	10	7
Loomis	6	7
CQS	5	9[1]
Ares	5	-

Note: Methodology could vary between managers between WACI and Carbon Footprint.

[1] Captures where company was included in the climate audit and/or other climate-related engagements.

[2] The remaining portfolio holding is a new addition to the MSIM portfolio.

[3] A further two stocks were engaged with in relation to 'environmental' issues e.g. water which is a more significant issue in the manager's view.

[4] Mandate was terminated during the Plan-year.

SECTION 5: METRICS & TARGETS

TARGET – CLIMATE-RELATED ENGAGEMENT

For reporting purposes, only the managers that were able to report on the number of engagements made with the top 10 contributors to carbon emissions within their portfolio, and were invested in as at 31 December 2022, have been included in the chart on the previous page. During the gilt crisis in 2022, a number of mandates were terminated in order to raise cash to bolster the collateral pools for the LDI portfolios, including the mandates managed by Morgan Stanley, Veritas and Sands.

We note that the number of engagements made with the top 10 emitters has decreased for the mandates managed by Loomis and CQS. However, this is largely driven by changes in the constituent holdings at year-end. However, we note that Arcmont are now able to report on this metric. In addition, the Infrastructure Debt mandate managed by Ares began drawing capital during the Plan-year and, as such, has now been included in the table.

The IIC expects its investment managers to directly engage with the debt or equity issuers to improve the issuer's performance on a medium to long-term basis. The IIC will monitor each manager's engagement with the top 10 contributors as part of the annual review and will actively discuss the results of the monitoring with each manager.

The IIC understands that this solely covers engagements related to climate change, and that the Fund's managers will seek to engage with issuers on a number of ESG topics. While managers would be expected to engage on climate risk with issuers who are the largest carbon emitters within their portfolio, the IIC would expect managers to engage on topics that are most relevant for any given issuer.

An example of a climate-related engagement that has been made by one of the Fund's managers with one of the top 10 carbon emitters within their portfolio is included opposite.

Case Study: Energy company

Rationale for the engagement:

The manager engaged with the company in order to encourage the issuer to transition their business practice towards more sustainable activities.

The engagement:

During Q2 2022, the manager engaged with the company on several climate transition topics including:

- Methane emissions;
- Alternative energy;
- Science-based targets; and
- Scope 3 Carbon Emissions data.

The company indicated that they have made significant progress towards a reduction in methane emissions through elimination of blowdowns and noted that they have instituted an external party to verify inspections. They are also working to better monitor leaks, including through the replacement of pipes and prioritisation of hydrogen. The manager confirmed that its customers are exposed to different energy options with lower fossil fuel impacts, but that affordability remains an obstacle to adoption of those alternative fuels. The manager does not currently have a science-based target (SBTi) for fossil fuel reduction, which the manager believes is best practice for monitoring carbon emissions. The company indicated that they had hired several consultants to explore SBTi alignment but have no plans to do so at this time as they believe the lack of standardisation of SBTis makes alignment unattainable for them. Lastly, the company indicated that they continue to model Scope 3 Carbon Emissions and plan to release more information in their next climate report, which was due out in December of 2022.

Outcomes and next steps:

The manager continues to be comfortable with their exposure to the company. Following the engagement, they continue to monitor progress towards reduction of methane emissions and to encourage adoption of a SBTi. Additionally, they will monitor the next climate report for the detail regarding Scope 3 emissions.

DHL Group Retirement Plan (DHL GRP)

Defined Benefit Sections

APPENDIX

APPENDIX: COVENANT ASSESSMENT

DPAG ESG TARGETS

DPAG has affirmed its ESG targets, which include clear, science-based CO2 targets to be achieved by 2030. These targets are supported by Management's compensation being dependent on achieving the ESG targets.

DPAG's key ESG targets along its three core sustainability roadmap commitments

Clean operations for climate protection

Reduce emissions to

<29M

tonnes CO_2e by 2030 (SBTi)
No offsetting included

Net Zero

GHG emissions by 2050

>30%

share of sustainable fuels by 2030

60%

e-vehicles used in pick-ups and last mile deliveries by 2030

All new buildings to be **climate neutral**

Great company to work for all

>80%

group-wide Employee Engagement approval rate in Employee Opinion Survey

Increase share of women in middle and upper management to

>30%

by 2050 (26.3% for 2022)

Reduce lost time injury frequency rate ('LTFR') to

<3.1

by 2025 (3.4 for 2022)

Highly trusted company

>98%

share of valid compliance training certificates in middle and upper management (FY 2023 target)

30%

ESG-related targets in bonus calculation for the Board of Management as of 2022

710 OUT OF 900 POINTS

Cyber security rating (FY 2023 target); equals top quartile in reference group

DPAG's Sustainability Roadmap lays out three core commitments within which its ESG targets fall:

- Clean operations for climate: science-based target for CO2 reduction targeting more than carbon-neutral growth – absolute reduction by 2030 with €7bn expected spend on decarbonisation measures by 2030 with a focus on the modes of transport using the most fuel and generating the most emissions; this is reflected in DPAG's medium-term financial guidance.
- Great company to work for all: incorporating employee matters.
- Highly trusted company: including compliance on anti-corruption, data protection and security.

ESG targets are also anchored in corporate board incentivisation with a proposed 30% weight of ESG targets for variable compensation of management board.

Source: Penfida (1 August 2023), Management Roadshow

APPENDIX: COVENANT ASSESSMENT

ESG ISSUES / CONSIDERATIONS

Deutsche Post DHL is the world's leading logistics company employing c.600k people in over 220 countries and territories worldwide. DPAG operates in the transportation sector which is estimated to be responsible for c.16% of global GHG. As such, DPAG faces significant potential ESG issues now and in the future which could impact both the underlying operations of DPAG as well as its ability to access capital.

DPAG is currently largely rated ahead of its peers by third party agencies with its rating from MSCI upgraded from A to AA since last year. Whilst these ratings continue to evolve, they suggest that DPAG should prove resilient to, and be capable of managing, long-term ESG risks.

Potential ESG issues impacting DPAG

Category	Risk
Operational	Risk of operational restrictions due to climate change
Human Resources	Impact of collective bargaining
Information Technology	IT security incident
Market and customer-specific	Availability of sustainable aviation fuels and energy from renewable sources
Regulation	Carbon taxation Restriction on GHG emissions

ESG Rating Benchmark

Rating agency	Performance
Sustainalytics	Ranks DPAG's ESG risk rating **22nd strongest (out of 390)** in the transportation sector universe, outperforming peers such as UPS and FedEx which are ranked 60th and 90th respectively. Categorised as **'low'** in terms of exposure to material ESG issues and **'strong'** in terms of how robust its ESG framework is.
CDP	2022 **B rating** for climate change (reduced from A- in 2018) meaning it is 'managing' climate change risk, rather than 'leading'. UPS scored a C rating and FedEx scored a B rating for climate change in 2022 (UPS achieved a B and FedEx achieved an A- in 2021 and 2019 respectively).
MSCI	DPAG has been awarded an AA rating from MSCI (2021: A rating) which categorises it as a 'leader' in the air freight and logistics industry with regards to its resilience to long-term, industry material ESG risks. UPS and Fedex are rated A and 'average' in the industry.

Source: Penfida (1 August 2023), DPAG 2022 ESG presentation, Climate Watch, the World Resources Institute (2020); Sustainalytics; CDP; MSCI

APPENDIX: COVENANT ASSESSMENT

POTENTIAL ESG

The four key transition risks identified by Management are assumed to have a ‘medium’ level of significance. This equates to having a potential c.€150m – €500m negative impact on EBIT with a medium to high probability or a potential >€500m negative impact on EBIT with a low to medium probability.

Significant climate change risks in 2022

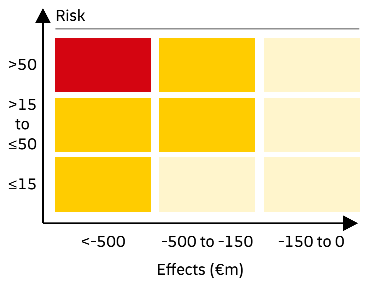
Category	Opportunity/Risk	Significance
Operational	Risk of operational restrictions due to climate change	Medium
Market- and customer-specific	Availability of sustainable aviation fuels (SAF) and energy from renewable sources	Medium
Regulation	Carbon tax	Medium
	Restrictions of GHG emissions	Medium

- DPAG assessed its risks and opportunities arising from climate change using Scenario Analysis.
- When assessing physical risks, Management evaluated the impacts from both chronic and acute risks.
- The assessment of transition risks includes those due to changes in regulation, technology, changing market conditions and reputational risks.
- Management concluded that the DHL Group’s exposure to physical risks was insignificant. However, significant transition risks were identified.
- The key transition risks identified are assumed to have a medium level of significance.
- From a quantitative perspective, this equates to having a potential c.€150m – €500m negative impact on EBIT with a medium to high probability, or a >€500m negative impact on EBIT with a low to medium probability (see the following page for the detailed matrices).
- Management also stated that ‘there were no identifiable risks for the DHL Group in the current forecast period which, individually or collectively, cast doubt upon the DHL Group’s ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future.

Assessing quantitative and qualitative risks

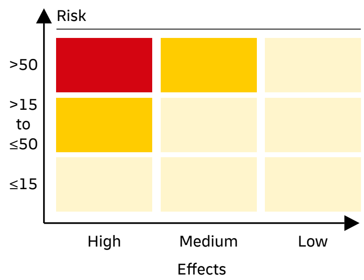
Assessing quantitative risk

Probability of occurence (%)



Assessing qualitative risk

Probability of occurence (%)



Significance for the Group: High Medium Low

The Trustee has considered the potential impact on the covenant if all four key transition risks were to materialise at the same time and the impact continues. This has been considered alongside a shock to the Plan’s assets/liabilities. On an integrated basis, there remains substantial support for the Plan.

Source: DPAG 2022 ESG presentation, DPAG FY2022 annual report; Penfida (1 August 2023)

DATA AVAILABILITY
ADDITIONAL INFORMATION

The table below provides further information on the data that has been provided by the investment managers:

Manager	% of Portfolio for which Scope 1, 2 & 3 Carbon Emissions data is available	Notes
Arcmont DLF III	100%	Arcmont have onboarded the Insight ESG Outreach Solution which has allowed them to estimate the carbon emissions for their portfolios. 100% of the emissions data provided is estimated data. Going forward, they intend to overlay the estimates with reported data.
Arcmont SLF I	100%	
Arcmont SLF II	100%	
Aviva AIIIF	80%	Emissions include Scope 1, 2 & 3 emissions
Aviva Lime	93%	
Bridgewater PA	18%	Data has been sourced from MSCI. The portfolio's share of emissions for each entity is calculated based on the 'Enterprise Value including cash' that is owned by the portfolio. The emissions figure reflects the net position, with short positions offsetting long positions. Data availability represents the average data availability across long and short positions. In practice, 23.1% of the data is available for long positions, and 13.2% of the data is available for short positions.
CQS	74%	Data has been sourced from MSCI. The portfolio's share of emissions for each entity is calculated based on the 'Enterprise Value including cash' that is owned by the portfolio. Coverage provided at the Fund level is as a % of Fund NAV (including ABS and cash). Fund coverage excluding ABS and Cash is 100%. Absolute carbon emissions include Scope 3 emission, however, the carbon footprint and carbon intensity data only include Scope 1 & 2.
LGIM – LDI (Exel)	63%	Data has been sourced from ISS.
LGIM – LDI (Ocean)	63%	
LGIM – LDI (T&B & Smaller)	59%	
Loomis	94%	Data has been sourced from MSCI. The portfolio's share of emissions for each entity is calculated based on the 'Enterprise Value including cash' that is owned by the portfolio.
M&G Secure Income	25%	Data has been sourced from M&G's estimates, third party estimates and company disclosure. Scope 3 data is not available for WACI.

Continued on next page

DATA AVAILABILITY

ADDITIONAL INFORMATION

Manager	% of Portfolio for which Scope 1, 2 & 3 Carbon Emissions data is available	Notes
M&G Secured Finance	42%	Emissions only represent Scopes 1 & 2, M&G have developed a methodology to estimate carbon emissions for auto loan and RMBS deals, as well as a methodology to calculate the WACI of CLO deals. Please note that CLOs have not been included in the above calculations. A methodology for Scope 3 carbon emissions is yet to be developed.
M&G CGP	23%	Data has been sourced from: M&G Estimate (6.48%), Third Party Estimate (12.21%), Company Disclosure (4.74%).
Wellington	77%	Data has been sourced from MSCI. The portfolio's share of emissions for each entity is calculated based on the 'Enterprise Value including cash' that is owned by the portfolio.
Total	**51%**	
Data Unavailable	49%	

Source: Investment Managers and Momentum