DHL GROUP RETIREMENT PLAN

ANNUAL DC GOVERNANCE STATEMENT FOR THE PLAN YEAR ENDING 31 MARCH 2023

This statement has been prepared by the Trustee of the DHL Group Retirement Plan ('the Plan') to demonstrate how the Plan has complied with the governance standards set out in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations'). It covers the Plan Year from 1 April 2022 to 31 March 2023 and relates to the Plan's defined contribution (DC) arrangements.

The statement covers the following:

1. Update on the Trustee's activity to meet its regulatory duties;
2. The Plan's investment strategy (including the default);
3. The processing of core financial transactions;
4. Charges and transaction costs;
5. Net investment returns
6. Assessment of the Plan's value for members;
7. Maintaining the Trustee Board's knowledge and understanding.

The Plan includes a DC Section, AVCs for members of the DB Sections with Aviva, ReAssure (previously Legal & General), Prudential, Phoenix Life, and a DC policy for ex-Williams Lea employees with Royal London. The Trustee's Defined Contribution Committee ('DC Committee') undertakes the governance of these DC arrangements.

1) Meeting our regulatory duties

<u>Assessment against the Pensions Regulator's expectations for a well-governed DC scheme</u>

The Pensions Regulator ('TPR') intends to consolidate ten of its existing codes (including Code of Practice 13) into a new General Code, which is currently expected to be published in final form in the Autumn of 2023. The Trustee is working with its advisers to ensure that its governance standards are maintained and, where appropriate, changed to reflect the requirements of the new General Code. The Trustee very much believes that good governance leads to better member outcomes.

<u>Climate related regulations and disclosures</u>

The Trustee has a legal duty to document its policies on material financial considerations including climate change, and these can be found in the DC Statement of Investment Principles ('DC SIP') and adherence to these policies is documented within the Implementation Statement. For some time, the Trustee has been taking into account environmental, social and governance (ESG) related factors when assessing and selecting asset managers and funds.

The Trustee adheres to the climate risk governance and reporting requirements which were introduced from 1 October 2021, following the recommendations by the Task Force on Climate Related Disclosures (TCFD). Under the requirements, the Trustee has established a climate risk policy for identifying and managing key climate related risks and opportunities following advice from its investment adviser - WTW. The Trustee has been working with WTW and has prepared reports outlining these policies, and how climate related risks and opportunities have been identified and are being managed. The DC Section's Climate Report was made available to members in September 2022. An additional report on the metrics explaining the carbon intensity of the default investment strategy and how the fund managers are engaging with companies on climate related topics, was reviewed and agreed by the DC Committee in February 2023 and approved by the Trustee in March 2023. The DC Committee updated reporting in this area at the August 2023 DC Committee meeting and will communicate with the members the latest results following approval of the results by the Full Board.

2) The Plan's investment strategy

<u>Statement of investment Principles</u>

The DC SIP sets out the aims and objectives of the Plan's investment strategy, including full information about the default investment arrangements. In particular, it covers:

- The Trustee's investment policy, including policies on risk and expected return; and,
- The design of the default investment arrangements.

A copy of the latest DC SIP is attached in the Appendix. Full details of the investment options, including the default investment arrangements, are set out in the SIP and further information can be found in the "investing" section of the Plan's website.

Triennial Review

The latest formal triennial review of the Trustee's investment strategy and performance for the Plan's principal default investment arrangement that applied during the Plan Year (the DHL Lifestyle Annuity) commenced on 28 June 2022 and was undertaken in the following stages:

The first stage was to revisit the Trustee's beliefs, this was process undertaken via a survey polling the DC Committee on its views across a variety of DC investment issues. The findings from this survey were considered in June 2022 with the Trustee agreeing an updated set of investment beliefs. The agreed beliefs helped inform the remaining stages of the investment strategy.

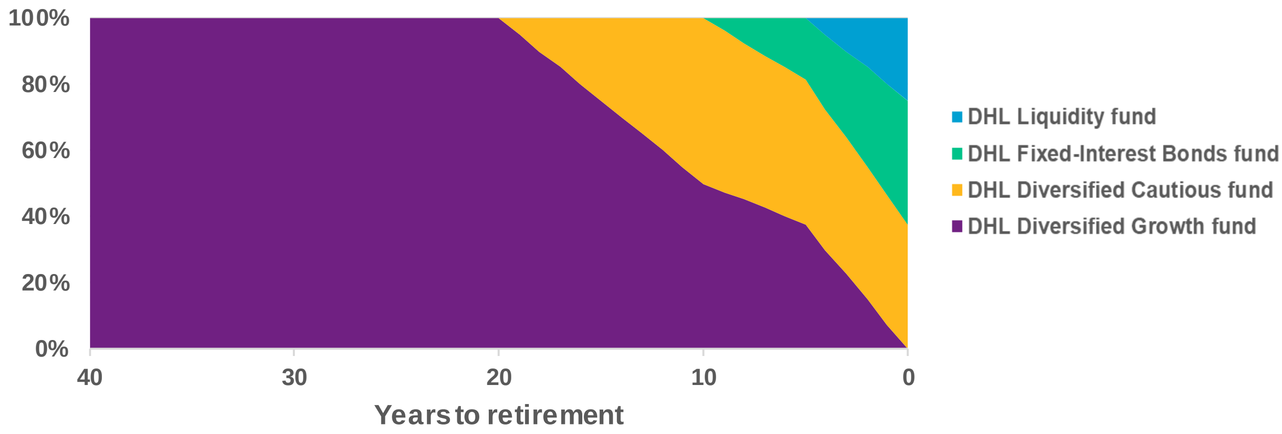
The second stage of the of the investment strategy review was undertaken on 15 November 2022. Within this stage the DC Committee with the support of its investment advisor considered detailed membership analysis, using demographic data to help understand the suitability of the default strategy in terms of risk profile and how well aligned the strategy is compared to how the Trustee expects members to access their DC savings. The analysis segmented the Plan membership in a number of ways including current age, current fund size and risk tolerance to assess whether the current strategy remained appropriate for groups of members under the Plan. The DC Committee also considered the potential projected pot sizes for members of the Plan in combination with the actual retirement decisions made by members over the review period to help understand how members are likely to access their benefits in the future. This part of the review found that in the future, more DC Plan members may consider accessing their benefits flexibly and, as a result, the DC Committee agreed to the recommendation to update the retirement objective for the principal default investment arrangement to target a member looking to use an income drawdown arrangement in retirement and will seek the Full Board's approval once all stages of the review have been completed, which will be in the next Plan Year.

The next stage of the review was undertaken following the Plan Year end with this element focusing on the design of the default strategy in terms of the funds to be used and the funds and asset allocation to be held at different stages. The investment strategy review will conclude during the next Plan Year and details will be communicated to members in advance of any changes taking place. The suitability of the other "deemed" default arrangements within the Plan (see below) was considered as part of this stage of the triennial investment review. Further details of the review will be included in next year's governance statement.

The formal triennial review was supplemented by the regular reviews of the performance of each investment option (including the default arrangements) against its benchmark or target. These reviews were undertaken over the Plan Year at the quarterly DC Committee meetings. The analysis and advice provided in these reports supported the Trustee in determining whether any changes to the investment options (or other actions) should be considered and is provided by the Trustee's investment advisers. The content of these quarterly reports includes performance data against benchmark, details of the underlying funds for each available investment option, and commentary regarding the global investment markets as well as the investment adviser's latest research views and ratings of the Plan's DC investment managers. Summarised versions of these reports are also made available to members that have registered on the Plan's website and are called FundWatch reports and are held under the 'Your investments' section of the website. These reviews showed that the principal default arrangement had met its stated performance objective as set out in the Plan's DC SIP.

The Plan's default investment arrangements

The Plan's principal default investment strategy (DHL Lifestyle – Annuity) is constructed using the DHL Diversified Growth, DHL Diversified Cautious, DHL Fixed-interest Bonds and DHL Liquidity funds. Its aims and objectives are set out in the DC SIP and is summarised in the chart below:



As a consequence of investment changes implemented previously, four of the Freestyle funds - the DHL Global Property, DHL UK Corporate Bonds, DHL Emerging Markets Equities and DHL Global Equities funds - are also now deemed to be default investment strategies. That's for two reasons:

- The Trustee closed a number of funds they no longer deemed to be suitable and members were moved to the DHL Global Property and DHL UK Corporate Bonds funds without them needing to give their express consent.
- The DHL Emerging Markets Equities and DHL Global Equities funds were given new benchmarks which changed the objectives of these funds from those the members would have originally selected.

The aims and objectives of these deemed default strategies are also set out in the DC SIP.

Please see Section 4) for information on charges and transaction costs.

3) The processing of core financial transactions

The Trustee has ensured that all the required processes and controls for core financial transactions are in place for the DC Section of the Plan, to comply appropriately with DC Code of Practice 13 (and, it is anticipated, TPR's draft General Code of Practice) including:

- The payment and investment of contributions
- Investment switches
- Payments to members on retirement, death, transfers out of the plan and transfers in from other schemes

The Trustee has appointed DHL GBS (UK) Limited to provide the Plan's administration team which is responsible for the day-to-day management of the DC Section. This includes the legacy AVC arrangements for members of the DB Sections and the DC policy for ex-Williams Lea employees of the Plan. The Trustee has a Service Level Agreement (SLA) with the Plan's administration team which covers the timeliness of processing core financial transactions. The administration team focusses on accurate and timely processing of transactions (including the investment of monthly contribution amounts). For the Plan Year, this included daily reconciliation of units held by the investment manager against the administration system, including cash requirements, clear segregation of duties, and a robust checking and authorisation process for the accurate processing of all transactions.

The Trustee regularly monitors the core financial transactions of the Plan. This is achieved through quarterly reporting from the Plan's in-house administration team and the monitoring of performance against the 'SLA'. When issues arise, the Trustee works with the Plan's administration team to ensure that appropriate action is taken.

During the previous Plan Year, the administration team put in place a service improvement plan (from December 2021), which included an increase in permanent and temporary headcount and secondment support from WTW with the aim to return SLA performance to the Trustee's expected levels of performance. This plan was maintained during the Plan Year and in July 2022 the Trustee appointed COSAN Consulting Limited (COSAN) to provide administration consultancy services to review the current service delivery model to ensure it continues to meet the needs of the Trustee and members. A small working group was formed to assist COSAN in its review and COSAN reported quarterly to the Pensions Operations Committee ('POC') over the Plan Year and provided updates at the quarterly Trustee meetings.

Although no relaxation of the SLAs was formally agreed with the Trustee, the administration team closely monitored performance against targets of 10 working days over the Plan Year for the following processes (with existing agreed SLAs noted below):

- Contributions reconciliation and investment – 5 working days following receipt of contributions and interface files
- Processing of switches (bulk and individual) – 5 working days
- Disinvestments (covering retirements and transfer payments) – 5 working days
- Transfer quotes – 5 working days

During the Plan Year, performance against the SLA requirements (including core financial transactions) was reviewed, with any complaints and updates on any ongoing projects formally considered at the quarterly POC meetings. The Chair of the POC provides an update at the quarterly Trustee meetings. In addition to the quarterly reporting from the Plan's administration team and the monitoring of performance against the SLA, the Trustee was provided with regular updates from Mr. McDonald, Vice President Pensions, UK and Ireland or Mr. Chris Childs, Head of Operations, during the Plan Year.

The combined SLA performance for DC and DB cases for the year ending 31 March 2023 was 77% completed within 5 working days (the contractual SLA) and 82% within 10 working days. Over the same period, the SLAs for individual DC switches, profiling DC switches and the payment and investment of DC contributions were 100% within 5 working days. As at 31 March 2023 there were no cases older than 10 days, however, administration performance has worsened since then following some bulk mailings to members. The Trustee is working closely with the administration team and COSAN to ensure a detailed project plan is implemented, to review and update the administration team's processes to achieve a sustainable administration service for the Trustee.

To support the accuracy of processing core financial transactions during the Plan Year, the Trustee received the results of an audit of the quality of the Plan's DC Section conditional data at the February 2023 meeting and the data score was 100% which is an excellent result. The common data score for the Plan's DC Section was 85% which is an improvement on the previous Plan Year. The administration team are responsible for work to improve and cleanse the data for members, including tracing missing addresses.

The DC Committee received quarterly research updates from WTW that considered the legacy AVC arrangements (including the AVC providers' administration service) held during the Plan Year for members of the DB Sections with Aviva, ReAssure (previously Legal & General), Phoenix Life, Prudential and Royal London (ex-Williams Lea employees). These policies are now valued at around £561,000, a relatively small sum when compared to the value of the DC section assets of over £2.2bn. No ongoing contributions are made to these policies and members cannot switch into other investments within these policies; so the only relevant core financial transactions are the payment of benefits and any transfers. It has been confirmed by the AVC providers' administrators that there have been no material issues in processing these financial transactions over the Plan Year.

During the previous Plan Year, the Company / Trustee identified a small group of legacy DB members that when they left service, took a refund of their contributions (as they had completed less than 2 years' service) leaving behind a Protected Rights entitlement within the Global Forwarding Section of the Plan. The Trustee received advice in early 2022 that these members could now be treated as DC members and therefore agreed to transfer these members to the main DC Section of the Plan. During the Plan Year (at the end of 2022), these 169 members were set up with DC records in the main DC Section of the Plan and assets totaling £320,000 in respect of these members were transferred to their accounts. As these members had not previously been subject to an annual administration fee, the Company agreed to pay an additional contribution of £22,300 to cover the members' basic admin charges until they reached their normal retirement age, or age 75 if they were over age 65 at the date of transfer.

Taking everything into account, the Trustee is satisfied that the requirement to process core financial transactions promptly and accurately has been met during the Plan Year in relation to the DC benefits provided by the Plan and no material issues arose. The Trustee continues to have additional oversight of the administration team to ensure that service standards continue to improve to expected levels.

4) Charges and transaction costs

The Trustee has had regard to statutory guidance on "Reporting of costs, charges and other information" in preparing this section of the report.

The annual investment charges and the transaction costs for the funds available to members of the DC Section during the Plan Year are set out in the table below. The investment charges shown below pay for fund management and include the 0.04% contribution towards other expenses referenced below the table.

Lifestyle options	Annual Investment Charge (% of account value)	Additional fund expenses (% of account value)	Transaction costs (% of account value)
Growth phase – more than 20 years from retirement age – all lifestyles (DHL Lifestyle Annuity, DHL Lifestyle Cash and DHL Lifestyle Drawdown)	0.125%	0.008%	0.114%
10 years from retirement age – all lifestyles (DHL Lifestyle Annuity, DHL Lifestyle Cash and DHL Lifestyle Drawdown)	0.125%	0.007%	0.125%
DHL Lifestyle Annuity (the principal default arrangement) – at retirement age	0.109%	0.005%	0.062%
DHL Lifestyle Cash – at retirement age	0.1125%	0.008%	0.069%
DHL Lifestyle Drawdown – at retirement age	0.119%	0.007%	0.103%

Freestyle options	Annual Investment Charge (% of account value)	Additional fund expenses (% of account value)	Transaction costs (% of account value)
Default arrangements			
DHL Emerging Markets Equities fund	0.260%	0.027%	0.120%
DHL Global Equities fund	0.125%	0.006%	0.078%
DHL Global Property fund	0.290%	0.026%	0.097%
DHL UK Corporate Bonds fund	0.100%	0.007%	0.000%
Non default arrangements			
DHL Diversified Growth fund*	0.125%	0.008%	0.114%
DHL Diversified Cautious fund*	0.125%	0.006%	0.137%
DHL UK Equities fund	0.110%	0.012%	0.161%
DHL Shariah Global Equities fund	0.350%	0.000%	0.000%
DHL Inflation-Linked Gilts fund	0.0725%	0.000%	0.210%
DHL Fixed-Interest Bonds fund*	0.100%	0.000%	0.029%
DHL Liquidity fund*	0.100%	0.010%	0.000%

*These funds are also used as components of the lifestyle options.

Over the Plan Year, 0.04% of the Annual Investment Charge deducted from members' accounts was returned to the Plan and used towards the cost of other expenses of the DC Section which includes administration, communications to members and advice to the Trustee.

In addition to the costs and charges borne by members as set out in the table above (including the 0.04% referenced in the previous paragraph), members paid a fee of 0.375% of the first £15,000 of their account values, meaning an annual maximum additional charge of £56.25. These funds were also used towards the cost of other expenses of the DC Section, including administration, communications to members and advice to the Trustee.

The total charge (excluding transaction costs) for the principal DHL Lifestyle Annuity default investment strategy is a maximum of 0.5077% (0.125% + 0.0077% + 0.375%) and so is well below the charge cap of 0.75%. The total maximum charges for the four freestyle funds that are also deemed to be defaults are also below the charge cap as evidenced by the table below:

Fund name	Maximum Investment Charge (% of account value)	Additional fund expenses (% of account value)	Maximum fees for expenses (% of account value)	Total maximum charge for comparison with the charge cap (% of account value)
Default DHL Lifestyle Annuity				
DHL Diversified Growth fund	0.125%	0.008%	0.375%	0.508%
DHL Diversified Cautious fund	0.125%	0.006%	0.375%	0.506%
DHL Fixed-Interest Bonds fund	0.100%	0.000%	0.375%	0.475%
DHL Liquidity fund	0.100%	0.010%	0.375%	0.485%
Freestyle default arrangements				
DHL Emerging Markets Equities fund	0.260%	0.027%	0.375%	0.662%
DHL Global Equities fund	0.125%	0.006%	0.375%	0.506%
DHL Global Property fund	0.290%	0.026%	0.375%	0.691%
DHL UK Corporate Bonds fund	0.100%	0.007%	0.375%	0.482%

The underlying transaction costs are reflected in the unit price. This information has been provided by Legal & General on a basis prescribed by the Financial Conduct Authority.

During the Plan Year, the Plan also included some DC assets principally in with-profits and deposit funds through policies issued by Aviva, ReAssure, Phoenix Life, Prudential, and Royal London. The Trustee has requested the same information for those arrangements and have been advised of the following:

Fund name	Total Expense Ratio (TER) (% of account value)	Aggregate transaction costs (% of account value)
Aviva With-Profits Fund**	TBC	TBC
ReAssure Special Deposit Fund	N/A*	N/A*
Phoenix Life Deposit Account	N/A*	N/A*
Prudential Cash Accumulation With-Profits Fund	1.05%***	0.17%
Royal London Crest Secure Fund	1.45%***	0.00%

* Due to the nature of the Fund and policy invested in, no member specific charges or transaction costs apply.
** The Trustee has requested the required information to 31 March 2023 on numerous occasions and will continue to do so, but it was not available in time for this disclosure.
*** These are notional expenses amount and not explicitly applied to members' fund values with any costs incurred being factored into the level of bonus rate applied to members' funds.

We have illustrated the effect of the member borne charges and transaction costs through a set of 'pounds and pence' projections. They show the compounding effect over time of these charges for some example member accounts investing in the principal default DHL Lifestyle – Annuity, and the four freestyle funds deemed to be default investment strategies as a result of the investment changes implemented during the previous Plan Year.

Having assessed the current membership, we have selected four typical members for the illustrations.

How to use these tables: The four sample members (A to D) in note 8 below are characteristic of the range of members in the Plan's DC section. To interpret the table, members should pick the example member that is closest to their own circumstances. Using member C as an example (member is now aged 45, with total contributions of £3,840 a year and an accrued fund of £25,000), the table sets out illustrations for member C investing in the default DHL Lifestyle – Annuity plus 6 of the freestyle funds. The table then tells us that based on the assumptions in notes 1 to 9, the projected value of member C's pension account invested in the DHL Lifestyle – Annuity after 1 year would be £29,800 before charges are deducted and £29,700 after charges are deducted. This illustration is then repeated over 3, 5, 10, 15 and 20 years. So, for example the projected value of member C's pension account invested in the DHL Lifestyle – Annuity in 20 years' time would be £142,700 before charges are deducted and £137,700 after charges are deducted. There are similar illustrations for members A, B and D. The freestyle funds were selected as four of these are those considered default arrangements (see the first table) and two (see second table) are the freestyle funds with the lowest and the highest annual investment charges (excluding additional fund expenses and transaction costs) available in the Plan, (these help the illustrate the impact of different levels of charges and expected returns on members' funds over time).

Example Member	Years invested	DHL Lifestyle – Annuity		DHL Global Property fund		DHL UK Corporate bonds fund		DHL Emerging markets fund		DHL Global Equities fund	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
A	1	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800	£1,800
	3	£5,700	£5,600	£5,700	£5,600	£5,500	£5,400	£5,800	£5,800	£5,800	£5,700
	5	£9,800	£9,700	£9,700	£9,500	£9,300	£9,100	£10,200	£10,000	£10,100	£9,900
	10	£21,600	£21,000	£21,100	£20,200	£19,100	£18,500	£23,300	£22,500	£22,700	£22,100
	15	£35,600	£34,300	£34,500	£32,400	£29,400	£28,300	£40,000	£38,200	£38,400	£37,200
	20	£52,300	£50,100	£50,100	£46,300	£40,400	£38,600	£61,400	£58,000	£58,000	£55,800
	25	£72,200	£68,700	£68,400	£62,200	£52,100	£49,400	£88,900	£82,900	£82,500	£79,000
	30	£95,900	£90,600	£89,700	£80,200	£64,400	£60,700	£124,000	£114,400	£113,100	£107,700
	35	£122,800	£115,200	£114,700	£100,800	£77,400	£72,600	£168,900	£154,000	£151,200	£143,300
	40	£152,500	£142,000	£144,000	£124,300	£91,300	£85,000	£226,500	£203,900	£198,900	£187,400
	45	£182,000	£168,400	£178,200	£151,000	£105,900	£97,900	£300,200	£266,600	£258,400	£242,000
	48	£196,100	£181,000	£201,500	£168,800	£115,100	£106,000	£354,000	£311,900	£301,000	£280,800
B	1	£15,700	£15,600	£15,600	£15,500	£15,400	£15,300	£15,900	£15,800	£15,800	£15,800
	3	£22,400	£22,200	£22,200	£21,800	£21,200	£20,900	£23,200	£22,900	£22,900	£22,700
	5	£29,700	£29,100	£29,200	£28,400	£27,100	£26,600	£31,300	£30,600	£30,700	£30,200
	10	£50,200	£48,800	£48,800	£46,500	£42,600	£41,400	£55,400	£53,500	£53,500	£52,200
	15	£74,100	£71,600	£71,800	£67,100	£59,000	£56,800	£86,200	£82,300	£81,900	£79,500
	20	£101,300	£97,200	£98,600	£90,600	£76,400	£73,000	£125,700	£118,500	£117,400	£113,300
	25	£130,700	£124,500	£130,000	£117,400	£94,700	£90,000	£176,300	£164,200	£161,600	£155,200
	30	£157,100	£148,900	£166,700	£147,900	£114,200	£107,800	£241,000	£221,700	£216,900	£207,100
C	1	£29,800	£29,700	£29,700	£29,500	£29,100	£29,000	£30,200	£30,100	£30,100	£30,000
	3	£39,800	£39,400	£39,600	£38,800	£37,600	£37,200	£41,400	£40,900	£40,900	£40,500
	5	£50,500	£49,800	£50,000	£48,700	£46,200	£45,500	£53,800	£52,800	£52,700	£52,100
	10	£79,900	£78,000	£79,300	£75,700	£68,700	£67,000	£90,600	£87,700	£87,300	£85,600
	15	£112,200	£108,800	£113,600	£106,400	£92,500	£89,400	£137,800	£131,800	£130,500	£127,200
	20	£142,700	£137,700	£153,700	£141,500	£117,700	£112,900	£198,200	£187,300	£184,500	£178,700
D	1	£41,400	£41,200	£41,400	£41,200	£40,700	£40,500	£42,200	£42,000	£42,000	£41,800
	3	£54,600	£54,100	£55,000	£54,000	£52,200	£51,700	£57,600	£56,900	£56,800	£56,400
	5	£68,200	£67,400	£69,400	£67,600	£64,100	£63,200	£74,600	£73,300	£73,100	£72,300
	10	£102,000	£100,000	£109,600	£104,700	£94,800	£92,600	£125,300	£121,500	£120,700	£118,600

Example Member	Years investec	DHL Inflation-linked Gilts fund – lowest cost		DHL Shariah Global Equity fund – highest cost	
		Before charges	After charges	Before charges	After charges
A	1	£1,800	£1,800	£1,800	£1,800
	3	£5,400	£5,300	£5,800	£5,700
	5	£8,900	£8,800	£10,100	£9,900
	10	£17,700	£17,200	£22,600	£21,800
	15	£26,200	£25,400	£38,300	£36,500
	20	£34,700	£33,300	£57,900	£54,500
	25	£42,900	£41,100	£82,300	£76,600
	30	£51,000	£48,700	£112,800	£103,700
	35	£59,000	£56,000	£150,800	£136,900
	40	£66,800	£63,200	£198,200	£177,700
	45	£74,400	£70,200	£257,400	£227,600
	48	£79,000	£74,300	£299,800	£262,800
B	1	£15,100	£15,100	£15,800	£15,700
	3	£20,400	£20,200	£22,900	£22,600
	5	£25,600	£25,200	£30,700	£30,000
	10	£38,500	£37,600	£53,400	£51,500
	15	£51,200	£49,600	£81,800	£77,800
	20	£63,600	£61,300	£117,100	£110,100
	25	£75,700	£72,700	£161,300	£149,700
	30	£87,700	£83,800	£216,300	£198,300
C	1	£28,700	£28,600	£30,100	£29,900
	3	£36,200	£35,800	£40,900	£40,300
	5	£43,500	£43,000	£52,700	£51,600
	10	£61,700	£60,400	£87,200	£84,300
	15	£79,600	£77,400	£130,300	£124,400
	20	£97,100	£94,000	£184,100	£173,500
D	1	£40,100	£40,000	£42,000	£41,800
	3	£50,300	£49,900	£56,800	£56,100
	5	£60,300	£59,600	£73,100	£71,700
	10	£85,200	£83,600	£120,500	£116,700

Notes:

1. Projected pension account values are shown in today's terms. They are estimates and so cannot be guaranteed.
2. Each year's contributions and the Annual Administration Charge are assumed to be applied halfway through the year. The Annual Administration Charge is subject to a maximum of £56.25. We have assumed this Charge does not increase with inflation.
3. Investment returns and the annual investment charges are assumed to be applied at the end of the year.
4. The projected growth rates (based on the agreed SMPI assumptions in line with AS TM1) and after deducting the below inflation assumption but before various charges detailed in section 4 above are deducted, for each fund are as follows:

Fund	Projected growth rate (p.a.)
DHL Lifestyle strategy	3.50% to 1.25%
DHL Global Property fund	3.00%
DHL UK Corporate Bonds fund	1.00%
DHL Emerging Markets Equities fund	5.00%
DHL Global Equities fund	4.50%
DHL Inflation-Linked Gilts fund	-0.50%
DHL Shariah Global Equities fund	4.50%

5. Inflation is assumed to be 2.5% each year.
6. Contributions are assumed to age 65 and increase in line with the above inflation assumption.
7. Transactions costs (as detailed in Section 4 above) are implicit within the projected growth rates stated in the table under note 4. We have therefore increased these growth rates by the average annual aggregate transaction costs reported across the periods 1 April 2018 to 31 March 2023 when producing the illustrations.
8. Example members are set out below. All members are assumed to retire at age 65 in line with the Plan's normal retirement age.
   a. A: age 17, total contribution: £1,800 a year, starting account value: £0.
   b. B: age 35, total contribution: £2,700 a year, starting account value: £12,500.
   c. C: age 45, total contribution: £3,840 a year, starting account value: £25,000.
   d. D: age 55, total contribution: £5,250 a year, starting account value: £35,000.

5) Net investment returns

The Trustee is required to report on the net investment returns for the default arrangements and for all Freestyle funds during the Plan Year. The net investment return is after taking into account all transaction costs and charges (see above). When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

The net annualised investment returns figures in the tables below are for the three lifestyle strategies available to members within the Plan and have been calculated using data provided by LGIM and allow for the Annual Administration Charge mentioned above and is subject to a maximum of £56.25 as well the investment charges outlined above. For the 3 and 5 year periods, we have applied the reduction for the Annual Administration Charge to the annualised return for the period based on the account size stated, and not allowed for an increase or decrease in this over time.

DHL Lifestyle Annuity	**Age of member as at start of the stated period**	**Last 12 months (%)**	**Last 3 years (% p.a.)**	**Last 5 years (% p.a.)**	**Last 10 years (% p.a.)**
£5k account value	25	-5.48	8.93	5.32	6.23
£50k account value	45	-5.38	8.90	5.45	6.38
£100k account value	55	-7.36	5.80	3.95	5.28

DHL Lifestyle Cash	**Age of member as at start of the stated period**	**Last 12 months (%)**	**Last 3 years (% p.a.)**	**Last 5 years (% p.a.)**	**Last 10 years (% p.a.)**
£5k account value	25	-5.48	8.93	5.32	6.23
£50k account value	45	-5.38	8.90	5.45	6.38
£100k account value	55	-7.36	5.80	3.95	5.28

DHL Lifestyle Drawdown	**Age of member as at start of the stated period**	**Last 12 months (%)**	**Last 3 years (% p.a.)**	**Last 5 years (% p.a.)**	**Last 10 years (% p.a.)**
£5k account value	25	-5.48	8.93	5.32	6.23
£50k account value	45	-5.38	8.90	5.45	6.38
£100k account value	55	-7.03	6.11	4.10	5.33

The net investment returns figures in the tables below are for the funds available to members within the Plan and have been provided by LGIM over the longest time period available for each fund. Those funds which are also considered defaults are marked in bold. These have been calculated using data provided by LGIM and allow for the investment charges outlined above as well as the Annual Administration Charge for an average fund account of £17,800 as at 31 March 2023. The deduction applied to these investment returns for the Annual Administration Charge is 0.316%.

Freestyle Fund name with net investment returns to 31 March 2023	1 year (% pa)	3 year annualised (% pa)	5 year annualised (% pa)	10 year annualised (% pa)
DHL Diversified Growth fund*	-5.42%	8.98%	5.38%	6.28%
DHL Diversified Cautious fund*	-8.82%	3.28%	2.58%	4.08%
DHL Fixed-Interest Bonds fund*	-19.92%	-8.72%	-3.42%	1.18%
DHL Liquidity fund*	1.88%	0.48%	0.38%	0.18%
DHL Emerging Markets Equities fund	-4.22%	7.68%	1.58%	3.78%
DHL Global Equities fund	-1.42%	15.28%	8.28%	8.78%
DHL UK Equities fund**	-0.32%	11.08%	N/A	N/A
DHL Shariah Global Equities fund	-6.12%	15.38%	14.48%	N/A
DHL Global Property fund**	-12.62%	3.68%	N/A	N/A
DHL UK Corporate Bonds fund**	-17.02%	-6.22%	N/A	N/A
DHL Inflation-Linked Gilts fund	-30.82%	-9.62%	-4.52%	1.18%

*These funds are also used under the lifestyle options.
**These funds were introduced less than 5 years ago so performance over a 5 and 10 year period are not available.

During the Plan Year, the Plan also held DC assets held principally in with-profits and cash funds through policies issued by Aviva, ReAssure, Phoenix Life, Prudential, and Royal London. The Trustee has requested the same investment return information for those arrangements and have been advised of the following:

Fund name****	1 year net investment return to 31 March 2023 (% pa)	3 year annualised net investment return to 31 March 2023 (% pa)	5 year annualised net investment return to 31 March 2023 (% pa)
Aviva With-Profits Fund**	4.00%*	3.08%*	3.05%*
ReAssure Special Deposit Fund***	2.31%	0.87%	0.80%
Phoenix Life Deposit Account Fund***	2.45%	0.94%	0.88%
Prudential With-Profits Fund**	1.50%	1.58%	1.65%
Royal London Crest Secure Fund**	1.05%	1.05%	2.43%

* These figures are as at 1 January 2023 as figures to 31 March 2023 were not available at the time of this disclosure.
** These figures relate to annual regular bonus rates that apply to With Profit funds and do not reflect the actual performance of the With-Profits Funds or any terminal bonuses that may be payable.
***The return figures illustrated for these funds have been obtained via publicly available information and have not been confirmed by the providers. These therefore do not reflect any Plan specific charges or terms. The Trustee will continue to engage with the providers in future reporting periods to provide the required disclosure information. These returns reflect the interest rate applied by the provider over the relevant periods.
****The holdings in these funds are not subject to the 0.375% administration charge.

6) Assessment of the Plan's Value for Members ('VFM')

The Trustee is committed to ensuring that the Plan provides value to its members and assesses whether the costs and charges members pay provide good value in relation to the benefits and services provided. During the Plan Year, members' charges covered the costs of the investment management services provided by LGIM and part of the costs for the ongoing operation of the Plan (including administration, the governance of the Plan and communications). All other costs for the Plan were met by Trustee.

In order to assess value for money for this Plan Year, the Trustee with its adviser, WTW, undertook an assessment of the value provided in August 2023. The assessment was undertaken in line with the DWP's and TPR's latest guidance and considered the following areas:

- Benchmarking the level of charges members pay in comparison to those pension schemes of a similar type and size and other types of pension vehicles.
- Benchmarking the level of transaction costs for each fund to relevant market comparators.
- The quality of the investment options provided including:
  - The investment performance net of charges of the Plan's principal default option and alternative freestyle funds
  - The design of the Plan's lifestyle options
  - The quality of the alternative fund range made available
- The services provided to members covering the governance of the Plan, the administration services provided and the quality of the solutions provided to members to support their savings and retirement decisions. The Trustee has assessed these elements by benchmarking the services offered to members against those seen via other large pension schemes offering a best practice approach.

Having viewed the results at the August 2023 meeting, the DC Committee has concluded that the DC Section continues to represent good value for members. A summary of the assessment results is below.

- **Charges and transaction costs**
  - The benchmarking analysis indicated that the current investment charges for the Plan's principal default option (the Annuity Lifestyle) are very low in comparison to the average seen across the wider market.
  - The value of the total charge paid by members including the Annual Administration Charge varied depending on the size of a member's account. It was identified that the charges for members with smaller account size were slightly higher than the market average but members with larger account sizes were below the market average. The Trustee has reviewed the Plan's charging structure over 2023 and has agreed a revised approach that will apply from 2024 which it believes is consistent for all members and ensures the charges are competitive against the market benchmarking.
  - The benchmarking showed that the majority of the funds' transaction costs were either below or broadly in line with the market average for their relevant asset class.
- **Investment returns**
  - The assessment considered the performance of the principal default option against its performance objectives and also the performance seen across a range of master trust providers default options. The DC Committee also reviewed the performance of the freestyle range against their performance objectives. The assessment showed that:
    - The performance of the Plan's principal default option during the growth phase was in line with the performance objective and has also performed broadly in line with the average returns seen across the default options for the master trust comparators.
    - The Plan's principal default option had also met its objective during the retirement phase of matching the changes in annuity prices.
    - All the freestyle funds had performed in line with an acceptable tolerance of their performance objectives.
- **Services provided to members**

The DC Committee's assessment found that the Plan was offering the vast majority of the services that are typically seen across large schemes providing a best practice approach. Examples of the services provided to members include:

- A bespoke pensions app
- Communications that have been designed specifically for the Plan including highly personalised benefit statements, newsletters, and the member guide.
- The Trustee regularly reviewing its communication strategy to increase engagement with members.
- The investment strategy has been developed specifically for the Plan membership and is delivered using funds that have been highly rated by our advisers.
- ESG related factors are integrated into the lifestyle strategies and offered through the Freestyle fund range.
- A dedicated Plan Administration Team is in place to help members.
- Members are provided with tools to aid with retirement planning and have use of a specialist annuity broker and facilitated access to a drawdown provider.
- Significant time and resource are devoted to the oversight and management of the Plan on behalf of the members.

The DC Committee noted that the administration performance had been below its expectation over the Plan Year but, as noted in Section 3 of the Statement, a plan has been put in place to improve the administration performance over 2023 and beyond.

The Trustee is committed to ensuring the value provided to members remains high and will continue to look to enhance the solutions provided to members with the focus being on supporting members at every moment that matters, improving the on-line access, further improvements to the Plan's website and app and generally improving member understanding of the Plan and their options.

During the Plan Year, the Plan also maintained several DC arrangements for members of the DB Sections with Aviva, ReAssure, Phoenix Life, Prudential and a DC policy with Royal London. The assets are principally held in with-profits with implicit charging structures and deposit funds. The remaining policies are now valued at around £561,000, a relatively small sum when compared to the value of the DC section assets of approximately £2bn.

The Trustee undertook an extensive review of the legacy AVC arrangements and DC policy with Royal London (including their value for members) in 2019 and was advised to retain them as it would not necessarily be in members' interests to move them to the DC Section fund range. However, members can elect to switch these funds to the DC Section should they wish by contacting the administration team. The charges paid by members was one of the factors considered by the Trustee when deciding to retain these arrangements. During the Plan Year, the DC Committee reviewed the ongoing suitability and value provided by these legacy arrangements via regular reports from WTW. Following these reviews, the DC Committee agreed that the majority of these polices should be retained in line with the previous review, however, it was agreed that the assets with ReAssure and Phoenix Life should now be moved to the DC Section fund range as they are no longer held in with profits and members would be expected to receive improved value following this change. This transfer is expected to be completed by the end of 2023.

7) Maintaining the Trustee knowledge and understanding (TKU)

The Trustee Directors are required to maintain an appropriate level of knowledge and understanding, including as to the law relating to pensions and trusts and funding and investment and to be conversant with scheme documents, which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

This requirement is underpinned by guidance in TPR's Code of Practice 13 (and, it is anticipated, the draft General Code of Practice). The Trustee's approach to meeting the TKU requirements encompasses the following aspects:

- Maintaining a rolling programme of bespoke Trustee training which is delivered during designated training days and within Trustee or Committee meetings where appropriate. During the Plan Year, training sessions were held on the following subjects to ensure the Trustee remains up to date with the principles of funding and investment and the law relating to pensions and trusts that are relevant to DC pensions:
  - Knowa Board Governance (June 2022)
  - Pensions Dashboard (July 2022)

- DC Committee training day (May 2022) including Investment Strategy Review Process, Calculation of Transaction Costs and Demo of Tumelo software.
- DC Committee training day (October 2022) including understanding different asset classes, LifeSight Master Trust as a drawdown vehicle and Destination Retirement software.
- Strategy training day (March 2023) including the Pensions Dashboard and ESG matters.
- Three Directors completed their PMI Accreditation for Lay Trustees

- The Trustee also received updates or written advice from their advisors over the Plan Year to aid their knowledge of the principles of funding and investment and the law relating to pensions and trusts including:
  - Review of the Plan's compliance with the TCFD requirements including receiving a 'DC Climate Report' from its investment adviser in relation to the governance of climate-related risks and opportunities which are relevant to the Plan
  - Updates from its investment adviser in relation to changes to the Plan's fund managers
  - Receiving updates from its investment adviser on the legacy AVC policies held at the quarterly DC Committee meeting
  - Reviewing a 'Sustainable investment review' report from its investment adviser covering ESG factors within the Plan's fund managers' investment process and their stewardship activities
- All non-professional Directors completed the hours required to obtain their PMI CPD Certificate for 2022.
- Recording all training and attendance at appropriate seminars in the Trustee training log in order to allow an ongoing assessment of Trustee TKU and help identify any gaps for training in future years.
- New Trustee Directors complete an induction programme which includes receiving training from the Secretariat Team, legal advisers and actuarial/investment advisers on Plan specific matters and key areas relevant to the role. In addition, the new Trustee Directors are expected to complete the TPR's online trustee training "toolkit" within six months of appointment. No new Trustee Directors were appointed over the Plan Year.
- All Trustee Directors have completed TPR's toolkit prior to the Plan Year.
- At each Trustee meeting, the Trustee's advisers highlight the parts of the Plan Rules, SIP and other Plan documents that are relevant to the decisions at the meeting, to ensure the Trustee remains conversant with relevant Plan documents. Examples included:
  - In February 2023, reviewing the draft Trust Deed & Rules (including for the DC Section) as part of a process of consolidating the Rules of the Plan.
  - Reviewing and agreeing a Deed of Variation to the Trust Deed & Rules to remove the Voyager Automotive Schedule in July 2022.
  - Agreeing a revised DC Investment beliefs document at the September 2022 Trustee meeting.
  - Reviewing the DC SIP at the August 2022 DC Committee meeting and agreeing no changes were required.
  - Reviewing the conflicts register at each Trustee and DC Committee meeting.
  - Agreeing revised objectives for the Trustee's investment adviser.
- The Trustee's legal advisers also highlight significant developments in pension law, covering key areas such as pension reform, regulatory developments, new legislation and cases to ensure the Trustee is up to date with pensions and trust law.
- A summary of current issues is also provided by the Trustee's advisers at the appropriate meetings to ensure the Trustee is up to date with pensions and trust law and the principles of funding and investment as far as it relates to DC pensions. Updates over the Plan Year included:
  - TPR's increased focus on addressing equality, diversity and inclusion action plan.
  - The DWP's consultation on how to help savers understand their retirement choices.
  - WTW's 2022 DC Savings survey which highlighted key trends and developments for DC pension schemes.
  - Pensions Dashboard developments.
  - FRC's revised approach to setting assumptions for SMPI statements.
  - TPR's statement on managing investment and liquidity risk in the current economic climate

- The Trustee Directors have access to a knowledge centre – an online document system, Knowa, which holds details of all the meeting papers for the six sub committees and Trustee board, together with the Trust Deed and Rules and various other formal scheme documents, such as the Statement of Investment Principles. This ensures that the Trustee Directors remain conversant with the Plan's documentation.

- The Trustee takes advice from their professional advisers which includes:
    - Legal advice from Sacker & Partners LLP
    - Investment, specialist DC and communication advice from WTW
    - Auditing and accounting advice from KPMG LLP.
- The Trustee Directors assess their knowledge and effectiveness on an annual basis via a skills matrix and questionnaire. This includes a specific assessment of the overall knowledge and effectiveness of the DC Committee, with the knowledge focused on DC matters. The assessment of the DC Committee was last considered at the November 2022 DC Committee meeting.
    - The DC Committee with support from the Committee Secretary concluded that overall, they have the necessary skills and competencies to undertake the business of the Committee in the future. Training was agreed for certain individual Trustee Directors including attendance at an investment focused training session which was undertaken during 2022 with attendance at courses on Introduction to Investment and Liability Driven Investment.
    - The DC Committee with support from the Committee Secretary concluded that overall the DC Committee was run effectively with the areas assessed being rated as either excellent or very good. The DC Committee agreed the following activities to further enhance the operation of the DC Committee:
        - Further integration of ESG/climate change risk into their investment decision making
        - Review the training provided to ensure this was tailored to specific member characteristics where appropriate
        - Consider implementing communication focus groups to aid the communications strategy
        - Consider the use of additional shorter online meetings in between the main meetings where this would be beneficial

    The Trustee Directors are considering the above items over the 2023-2024 Plan Year.

For the Plan Year, the TKU requirements were met through a combination of the above methods. Specific examples are provided above.

In addition to the above, the Plan has an Independent Trustee, Law Debenture, who, as a professional Trustee, brings advanced technical knowledge and understanding to the DC Committee and the Trustee. The Independent Trustee maintains a higher standard of knowledge demonstrated through their own CPD activities.

Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the Trustee considers that it is properly enabled to fulfill its role and responsibilities.

This statement will be available free of charge, on the Plan's website, **https://mypension.dhl.co.uk**, and can be downloaded as a PDF and won't require members to login to access this information.

P.F. Trustee Limited represented by P G FLANAGAN

Chair of the Trustee   Date: 13 SEP 2023.
DHL Group Retirement Plan