

## DHL Group Retirement Plan – Defined Benefit Section

# Statement of Investment Principles

Last updated September 2023

This Statement of Investment Principles (SIP) is a legally required document, produced by the Trustee for the Defined Benefit Section of the DHL Group Retirement Plan (the Plan). It sets out the principles the Trustee follows to ensure it suitably invests members benefits that they have built up in the Plan.

Here’s a summary of what the Statement of Investment Principles (DB Section) covers:

### 1. Who has responsibility for the Plan’s investment matters

| The Trustee   | DB Investment Implementation Committee (“the IIC”)   | Investment Managers & Custodians  | Investment Consultants   |
|---|--|---|--|
| DHL Trustees Limited, also known as the Trustee. The Trustee has the ultimate responsibility for DB investment matters but delegates some of its responsibilities to dedicated committees and third-party organisations with the necessary resources and expertise. | The IIC is responsible for developing investment strategies to achieve the investment objectives set by the Trustee, and for implementing these investment strategies. Please note: the ultimate responsibility for the investment objectives for the DB Sections lies with the Trustee. The IIC delegates some of its responsibilities to a sub-committee (the IIC Sub-Committee) | Between them, they are responsible for the day-to-day management and record-keeping of investments. The investment managers make decisions about the investments within set guidelines for each individual fund.<br><br>They must regularly report back to the IIC. | They work with the IIC and Trustee to monitor the investment managers, provide independent expert advice on DB investment matters and assist with projects such as investment strategy and fund changes. |
| <a href="#">Read about the Trustee and committees here &gt;</a>   | <a href="#">Read about the IIC here &gt;</a>   | <a href="#">Read about the investment managers &amp; custodians here &gt;</a>   |  |

## **2. The Trustee's investment objectives and strategy**

The Trustee's primary objective is to invest in the best financial interests for members and their beneficiaries, aiming to grow money over time to provide members with an income in retirement and achieve full funding of the Plan. [Read about the objectives here >](#)

The Trustee's strategy is to target a specific level of return through investing to achieve full funding by 2030. When deciding which funds will be suitable, the Trustee looks at a number of aspects including the expected risks and returns of the different funds, as well as their costs and charges. [Read about the strategy here >](#)

## **3. Other investment considerations – including Sustainable Investment**

Among other investment matters, the Trustee has considered how investment funds' performance can be influenced by a number of factors including those arising from Environmental, Social and Governance ("ESG") issues, including climate change. The Trustee believes that ESG issues can play a big role in the value of investments so should be considered by our investment managers. [Read about Sustainable Investment and other considerations here >](#)

## **4. The investment manager arrangements**

The DB Investment Implementation Committee ("the IIC") delegates the day-to-day management of the DHL PIF's assets to a number of investment managers. The IIC has taken steps to satisfy itself that the investment managers have the appropriate knowledge and experience for managing the DHL PIF's investments and that they carry out their work competently. [Read about the Trustee's arrangements with the investment managers here >](#)

## **5. Managing risk**

The Trustee recognises there are various risks that may affect the DB Plan. These risks have been considered in conjunction with the IIC when establishing the investment objectives. [Read about the risks here >](#)

## **6. The Trustee's obligations to comply with and review this Statement**

The Trustee and the IIC regularly monitors its activities to ensure they comply with the principles set out in this Statement. The Trustee – with input from the Funding and Investment Strategy Committee ("FISC") and IIC – also reviews this Statement at least every 3 years, or when there are material changes to the Plan, to ensure the principles remain fit for purpose. [Read about the Trustee's obligations here >](#)

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## **DHL Group Retirement Plan (“the Plan”) Statement of Investment Principles – September 2023**

### **1. Introduction**

- 1.1 DHL Trustees Limited (the “Trustee”) has drawn up this Statement of Investment Principles (the “Statement”) to meet the requirements of Section 35 of the Pensions Act 1995 (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005 as amended. The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investments and is designed to fulfil the spirit of the Myners Code of Best Practice for Pension Scheme investment, which has been endorsed by the Government and the Pensions and Lifetime Savings Association. As required under the Act, the Trustee has taken appropriate written advice from its investment consultants.
- 1.2 In preparing this Statement, the Trustee has consulted Deutsche Post AG (the “Founder” of the Plan) to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the investment arrangements. However, the ultimate power and responsibility for deciding investment policy lies with the Trustee.

### **2. Structure of the Plan**

- 2.1 The Plan was established in its current form on 30 April 2009 following the decision to unite a number of DHL UK pension schemes under one Trust. Under this arrangement all existing Schemes prior to 30 April 2009 were transitioned to Sections under the existing Exel Retirement Plan, which was renamed the DHL Group Retirement Plan. There are seven Sections within the combined Plan as listed below:
- The Exel Section;
  - The Ocean Section;
  - The Tibbett & Britten Section;
  - The Express Section;
  - The AEI Section;
  - The Global Forwarding Section; and
  - The Defined Contribution Section – a separate Statement has been prepared for this Section.
- 2.2 The first six Sections listed above provide members with defined benefits on retirement. These are collectively referred to as the “DB Sections” within this Statement.

- 2.3 The assets of the DB Sections of the Plan are commingled in the DHL Pension Investment Fund (“DHL PIF”). The DHL PIF is a common investment fund which was established on 22 July 1988 and is available to all DB Sections of the Plan.
- 2.4 The Statement is intended to affirm the investment principles that govern decisions about the Plan’s investment arrangements for the DB Sections. The specific arrangements for the DB Sections are described in detail in a separate Investment Policy Document (“IPD”) which is available upon request.

### 3. The Plan’s Governance Structure

- 3.1 The Trustee has delegated specific responsibility with regards to the running of the Plan to the following committees:
- Strategy Committee
  - Pensions Operations Committee;
  - Audit and Risk Management Committee;
  - Funding and Investment Strategy Committee (the “FISC”);
  - DB Investment Implementation Committee (the “IIC”); and the
  - DC Committee.
- 3.2 The FISC is an advisory committee and is responsible for recommending appropriate investment objectives to the Trustee for the DB Sections based on advice from the appointed actuary and the investment consultant. The ultimate responsibility for the investment objectives for the DB Sections lies with the Trustee. The IIC is responsible for developing investment strategies to achieve the investment objectives set by the Trustee, and for implementing these investment strategies.
- 3.3 The investment responsibilities of the FISC are detailed below:
- To recommend the investment objectives for the DB Sections to the Trustee, taking into account the financial position of each DB Section, the strength of the covenant of the Founder and the liability profile of each DB Section. This will involve recommending an expected return target, or a risk budget, and a governance framework to respond to changes in the funding level.
  - To consult with the Founder on investment objectives and risk parameters for each DB Section with a view to reaching an agreement for recommendation to the Trustee.

### 3.4 The responsibilities of the IIC are:

- Select investment classes and investment managers to achieve the Trustee's overall investment objectives.
- Develop a liability hedging program and framework to achieve the target inflation and interest rate hedging ratios, and the process for implementing the target ratios over time (including the liability proxies to use as a liability benchmark for hedging purposes).
- Review the optimal target hedge ratios periodically and for any significant changes in investment policy.
- Consider and implement improvements to investment efficiency.
- Review the performance of the investment strategy relative to the Trustee's objectives.
- Review and analyse net annual cashflow requirements and ensure suitable arrangements are in place to avoid being a forced seller of assets to meet benefit payments.
- Consider the investment implications of any longevity hedging and make recommendations to the Trustee.
- Agree a framework to monitor the level of collateral for the DHL PIF's liability, longevity and currency hedging arrangements and ensure that sufficient collateral is available to support these arrangements.
- Monitor and have oversight of the collateral manager.
- Agree proposals for investment manager structures for the asset pools, including performance benchmarks, the number of managers to be appointed and their mandates.
- Select new/replacement managers, and remove managers.
- Agree a fee scale for each investment manager with the manager, within an overall range recommended by the investment consultant.
- Agree the terms of the management agreements with new investment managers.
- Agree any changes to the management agreements with existing investment managers.
- Review and monitor the performance of the investment managers.

- Receive investment manager presentations at agreed intervals, unless delegated to the IIC Sub-Committee.
- Review and amend the Investment Policy Document (“IPD”) to reflect any changes (in implementation) to investment classes and investment managers (within the Trustee’s overall investment strategy).
- Review the Statement of Investment Principles for the DB Sections and make recommendations to the Trustee.
- Review the annual Implementation Statement for the assets of the DB Sections and make recommendations to the Trustee.
- Monitor the stewardship and engagement activities for each of its investment managers on an annual basis and engage with investment managers on their activity.
- Review compliance with the UK Stewardship Code 2020 and agree the annual report to the Financial Reporting Council.
- In relation to the DB Sections, undertake the governance and reporting requirements relating to climate related risks (and opportunities) and the Task Force on Climate-Related Financial Disclosures (“TCFD”) and make recommendations to the Trustee.
- Consider whether to become a signatory to the UN Principles of Responsible Investment (and identify if there are other appropriate initiatives to sign-up to) and make recommendations to the Trustee.
- Fulfil the risk management responsibilities required of the Plan’s risk management framework.
- Consider quarterly reports from the investment consultant and the master custodian, including performance for each manager and the total DHL PIF.
- Review the performance and fees of the investment consultant against their strategic objectives, taking into account the views of the IIC Sub-Committee.
- Monitor the performance of the master custodian and the security of the assets, removing the existing custodian and making a replacement appointment if appropriate.
- As required, appoint additional suppliers to provide additional reporting or benchmarking (e.g. in relation to cost transparency or TCFD).

3.5 The Trustee and the IIC will appoint one (or more) investment consultant to make recommendations on the investment policy required to meet their responsibilities.



## 4. Investment Decisions

4.1 The Trustee has adopted the following investment beliefs when considering the expected return, risk and diversification within the investment policy for the DB Sections. These beliefs are intended to guide future decisions relating to the investment of the assets of the DB Sections:

- The Trustee believes that the liabilities of each DB Section are bond like. The Trustee believes that assets that do not match the liabilities of each DB Section are risky relative to the liabilities, and that these risks need to be understood, quantified, and monitored. They also need to be sufficiently well rewarded to justify the risks taken.
- The Trustee also believes that risks should only be tolerated to the extent that the Trustees is satisfied they can be fully underwritten by the Founder.
- The Trustee believes that equities and credit should be expected to outperform UK government bonds over the long-term.
- The Trustee believes that assets with low liquidity should offer a liquidity premium.
- The Trustee believes that unrewarded investment risks should be removed if markets allow at a fair price (the Trustee would consult with the Founder if this belief suggested a material change in asset allocation or hedging strategy).
- The Trustee believes that diversification of risky assets, both across and within asset classes, reduces risk and volatility.

## 5. Risk Management and Measurement

5.1 There are various risks to which the DB Sections are exposed. In establishing the investment objectives the Trustee, in conjunction with the IIC, has considered the following risks:

**Risk:** The risk that there is a mismatch between the value of the assets and the liabilities for each of the DB Sections.

**Policy:** The Trustee has considered the implications of this mismatch and accepts that a certain level of risk is required within the policy to achieve the investment objectives. The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the respective DB Section's liabilities. Increasing risk can also produce more short-term volatility in a DB Section's funding position.



**Risk:** The risks that may arise from a lack of diversification of investments within the DHL PIF.

**Policy:** To reduce the impact of this risk the IIC is responsible for ensuring the asset allocation policy in place results in an adequately diversified portfolio, subject to meeting the overall investment objectives set by the Trustee.

**Risk:** The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustee.

**Policy:** The Trustee recognises that the use of active management involves such a risk. The Trustee attaches a high degree of significance to this risk and has delegated responsibility to the IIC to ensure that, where appropriate, diversified manager structures are in place within each asset class to reduce this risk. In markets where the IIC does not believe that the risk of underperformance is sufficiently well compensated, or sufficiently likely to be compensated, a passive approach is adopted.

**Risk:** The risk associated with DHL PIF's assets that are denominated in overseas currencies fluctuating in value due to currency movements.

**Policy:** To protect against this risk approximately 75% of the DHL PIF's overseas equity exposure, with the exception of emerging markets, is hedged back to Sterling. Other assets denominated in non-sterling currencies are fully hedged, with the exception of the legacy private equity mandates due to their materiality and practical differences.

**Risk:** The risk that the DHL PIF is invested in assets which are unsuitable given the circumstances of the underlying DB Sections.

**Policy:** The documents governing each investment manager's appointment include a number of guidelines which are designed to ensure that only suitable investments are held. Arrangements are also in place to monitor the investments to help the IIC check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the IIC receives regular reports from the investment managers and the investment consultant. The investment managers are prevented from investing in asset classes outside of their mandate without the IIC's prior consent.

**Risk:** The risks associated with the DHL PIF's assets not being held in safe custody.

**Policy:** The custody of the DHL PIF's assets is delegated to a professional custodian either directly or via the use of pooled vehicles. Reconciliations take place between the investment managers and custodian, and valuations are independently audited on an annual basis.

**Risk:** The risk that the Founder and the participating employers are unable to continue to support the DB Sections of the Plan.

**Policy:** The Trustee manages this risk by assessing the interaction between the Plan and the Founder's business, as measured by a number of factors, including the creditworthiness of the Founder (including the participating employers) and the size of the pension liability relative to the financial strength of the Founder (including the participating employers).

- 5.2 Should there be a material change in the Plan's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered; in particular, whether the current risk profile remains appropriate.

## 6. Portfolio Construction

- 6.1 The Trustee has adopted the following control framework in structuring the DHL PIF's investments. The implementation of the framework is the responsibility of the IIC.
- To help diversify manager-specific risk, multiple manager appointments within a single asset class are preferred where practical.
  - At a total asset level and within individual manager appointments, investments should be broadly diversified to ensure there is not a concentration of investment with any one issuer. This restriction does not apply to investment in UK Government debt.
  - Illiquid investments, such as property or private equity, may be held as long as the IIC judges that the lack of liquidity will not prevent the DB Sections from achieving their investment objectives.
  - Investment in derivatives is permitted either directly or within pooled funds as long as it contributes to a reduction in risk or facilitates efficient portfolio management.
  - Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the DB Sections' mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the IIC will ensure that it does not take any action that results in the assets of the DB Sections not being predominantly invested in regulated markets.
  - The DHL PIF shall not invest in securities issued by the Founder or its associated companies (other than any such securities held within a pooled fund in which the DHL PIF invests).
  - No appointed investment manager shall invest in the securities issued by the relevant manager's company or any affiliated companies (other than any such securities held within a pooled fund in which the DHL PIF invests).

## 7. Investment Objectives

- 7.1 The investment objectives of the DB Sections are linked to the funding objectives and are set by the Trustee, based on recommendations from the FISC and advice from the Actuary and the investment consultant. The Trustee recognises that its primary objective is to invest each DB Section's assets in the best financial interests of the members and beneficiaries of that DB Section.

The funding and investment objective as agreed by the Trustee in consultation with the Founder is to target a 50% (or better) chance of being 100% funded, on gilts + 0.5% per annum, for each of the DB Sections in 2030. In order to meet the funding and investment objective, each DB Section is required to target an expected return in excess of the liability benchmark portfolio<sup>1</sup> over the period to 31 March 2030 (the excess return requirement for each Section is detailed below), after which it is expected that the excess return requirement will reduce to 0.5% per annum (plus an appropriate amount for prudence), thereafter.

For all Sections, the objective above translates into an expected return target of 2.0% per annum, above the return on each Section's liability benchmark portfolio to 31 March 2030, and 0.5% per annum (plus an appropriate amount for prudence) thereafter, with the minimum level of risk required. This return target was set during the 2021 actuarial valuation process and is formally reviewed every three years.

In setting the risk and return objectives for the DB Sections, the Trustee has considered the following:

- The need to obtain a sufficient long-term return balanced against the risk that the assets underperform relative to the change in the value of the Plan's liabilities;
- The solvency of the individual Sections and the ability to follow a relatively unconstrained investment policy.

## 8. Investment Strategy

- 8.1 For funding purposes, the expected excess return target for each Section is to be achieved from return sources other than active management. To the extent returns from active management are targeted by the IIC within the investment policy, these are to be allowed for in addition to the excess return requirements outlined in 7.1.

## 9. Longevity Hedging

- 9.1 The Exel, Ocean and T&B Sections have entered into a longevity hedging arrangement which is designed to reduce the longevity risk for members who are covered by the arrangements. As part of the arrangements, collateral accounts were set up to hold the

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<sup>1</sup> The "liability benchmark portfolio" represents a portfolio of nominal and index-linked gilts that most closely replicate the interest and inflation characteristics of each Section's liabilities on a gilts + 0.5% pa basis

fee and experience collateral required as part of the transaction. The IIC monitors the levels of collateral in these accounts as part of its quarterly monitoring.

## 10. Day-to-Day Management of the Assets

- 10.1 The IIC delegates the day-to-day management of the DHL PIF's assets to a number of investment managers. The IIC has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing the DHL PIF's investments and that they are carrying out their work competently.
- 10.2 The IIC has determined, based on expert advice, an appropriate mix of asset types and mix of investment managers. The IIC periodically reviews the balance between active and passive management, which may be adjusted from time to time. However, any such adjustments would be done with the aim of ensuring the overall level of expected return and risk is consistent with the overall investment objectives.
- 10.3 The IIC regularly reviews the continuing suitability of the DHL PIF's investments, including the appointed managers. The IIC seeks long-term, ongoing partnerships with its investment managers to incentivise medium to long-term financial performance. The IIC does not set duration expectations for its partnerships but monitors their suitability on an ongoing basis. Some of the DHL PIF's investments are invested in strategies where there is a duration expectation due to the fixed term nature of the underlying investment and/or investment vehicle. The IIC monitors the suitability of these arrangements on an ongoing basis and any decision to increase (or reduce) the allocation to these fixed term investments would be based on an assessment of their ongoing suitability.
- 10.4 To incentivise medium to long-term financial performance, the IIC assesses investment manager performance over various periods including 3 years, 5 years and since the inception of the mandate. It heavily biases its review of the ongoing suitability of the investment manager on the assessment of the future performance expectations and the portfolio's role in supporting the overall investment objectives.
- 10.5 To incentivise the medium to long-term non-financial performance of its investments, the IIC monitors the stewardship and engagement activities for each of its investment managers on an annual basis. The IIC expects its investment managers to directly engage with the issuers of securities to improve the issuer's performance on a medium to long-term basis. The quality of each investment manager's approach forms part of the assessment of its ongoing suitability.
- 10.6 The IIC also requires each of the investment managers to conform to the Plan's Statement of Investment Principles. The investment consultant confirms that each mandate satisfies the principles of this Statement as part of their appointment.
- 10.7 The IIC reviews the turnover and ongoing investment costs on an annual basis and has appointed a specialist provider to report on these costs using current industry standard templates. Where an investment manager is unable to provide the information using the current industry standard template, this will be assessed separately by the IIC. Based on the guidance from its investment consultant, each portfolio has an expected

investment turnover range. Deviations from that range are reviewed with the investment manager.

- 10.8 Details of the appointed managers can be found in a separate document produced by the IIC entitled “Investment Policy Document”, which is available to members upon request.

## **11. Realisation of Investments**

- 11.1 The investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses.

## **12. Cash Requirements**

- 12.1 The DB Sections have varying cashflow requirements. The IIC reviews the cashflow for the DHL PIF and ensures each of the underlying Sections hold sufficient cash to meet the cashflow needs of that DB Section.

## **13. Additional Voluntary Contributions (“AVCs”)**

- 13.1 Each of the underlying Sections had a facility for members to contribute AVCs to enhance their benefits at retirement. The investment principles underlying the arrangements for AVCs are outlined in the Statement for the DC Section.

## **14. Environmental, Social, Governance (“ESG”) risks**

- 14.1 The Trustee delegates responsibility for the Plan’s policy on ESG risks to the IIC.
- 14.2 The Trustee believes that ESG issues, including climate change risks, can be financially material to security prices and should therefore be considered as part of the DHL PIF’s investment process.
- 14.3 The IIC has given its investment managers full discretion to evaluate ESG issues in the selection, retention and realisation of investments. The IIC believes that good active managers have considered 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 forms part of the IIC’s ongoing appraisal of the manager’s appointment.
- 14.4 The Trustee believes that the impact of, and potential policy 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 and those that fail to do so can face significant downside, and stranded asset, risks. The IIC expects their 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 form part of the IIC's monitoring and ongoing assessment of their managers.

- 14.5 The Trustee believes that active stewardship can improve investment returns and should therefore be considered when appointing active managers.
- 14.6 The Trustee believes that investments in businesses and corporate entities that are involved in the production of controversial weapons are not appropriate under any circumstances. The definition of controversial weapons is likely to develop over time as the IIC considers this and discuss it with investment managers, but is defined (as a minimum) 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.
- 14.7 It is accepted that pooled investments will be governed by the individual policies of the investment managers. The extent to which ESG and climate change risks are taken into account is left to the discretion of the investment manager and forms part of the IIC's monitoring and ongoing assessment of these investments.
- 14.8 The Trustee does not require its investment managers to take non-financial matters into account in its selection, retention and realisation of investments.

## 15. **Stewardship: Exercise of voting rights and engagement activities**

- 15.1 The Trustee delegates responsibility for the Plan's policy on stewardship including the exercise of voting rights and engagement activities to the IIC. The IIC believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Plan's beneficiaries and aligned with fiduciary duty. The IIC delegates to its investment consultant the communication to its investment managers of its policy on stewardship, including the Trustee's stewardship priorities set out in Section 15.3. The investment consultant obtains details of investment managers' voting and engagement activity and provides the IIC with stewardship updates as a part of its regular reports and escalates matters to them as necessary.
- 15.2 The IIC expects all its investment managers to monitor investee companies and engage with management on all relevant stewardship matters including performance, strategy, capital structure, risks, management of actual or potential conflicts of interest, social and environmental impact and corporate governance. Furthermore, the IIC encourages its investment managers to work collectively with other managers when practical.
- 15.3 Within the context of ESG, the Trustee has agreed a number of factors which it considers to be priorities for stewardship activity undertaken its investment managers.

**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

- 15.4 The IIC requires all appointed investment managers to report regularly to the IIC and disclose all voting and engagement activity undertaken on its behalf (where appropriate). 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 DHL PIF's long-term investment horizon.
- 15.5 The IIC may engage with its investment managers as part of its stewardship monitoring process or, potentially, as a particular stewardship matter is brought to its attention. The IIC has not had and does not expect, direct engagement with the issuers or other holders of securities. If an investment manager's level of engagement was viewed to be unsatisfactory, the IIC would raise its concerns with the investment manager. If the IIC's engagement with the investment manager does not result in any improvement over a reasonable period of time, the IIC would consider whether the specific circumstances justified the termination of the mandate.
- 15.6 The DB Sections of the Plan are signatories to the UK Stewardship Code ("the Code") and the IIC expects the DHL PIF's managers to comply with the Code. Investment managers are required to report on the extent of their adherence to the UK Stewardship Code on an annual basis.
- 15.7 The IIC expects its investment managers to have effective policies addressing potential conflicts of interest in matters of stewardship. These will be reviewed periodically.

## 16. **Monitoring & Reporting**

- 16.1 The appointment of the investment managers will be reviewed by the IIC from time to time, based on the results of their monitoring of performance and process, and of compliance with the requirements in the Act concerning diversification and suitability, where relevant.
- 16.2 The Bank of New York Mellon Corporation is used as an external independent performance monitoring agency to consider the DHL PIF's and investment managers' performance against the benchmarks against which they are monitored.
- 16.3 The IIC, or the IIC Sub-Committee, 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 DHL PIF. The investment managers are also reviewed in light of their approach to material ESG risks as well as their approach to stewardship as outlined in section 14 and section 15.



- 16.4 The IIC believes that custodian services are a vital part of the management of the DHL PIF's assets and recognises the importance of monitoring the custodial arrangements, which is carried out on a regular basis.
- 16.5 The Trustee will provide an implementation statement within its annual report and publish it on the Plan's website. The implementation statement will set out how the Trustee has acted on the principles within this Statement and will provide details of the stewardship, engagement and voting undertaken with regards to the Plan's investments.
17. **Review of this Statement**
- 17.1 The Trustee will review this Statement, with recommendations from the IIC, at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in, and practical experience of, financial matters and to have the appropriate knowledge and experience of the management of DHL PIF investments.