DHL Group Retirement Plan (DHL GRP)
DB Sections

UK STEWARDSHIP CODE REPORT

SEPTEMBER 2022

CONTENTS

DHL Trustees Limited (DTL Board) is Trustee of the DHL Group Retirement Plan (the DHL GRP). The DTL Board supports the UK Stewardship Code 2020 (the Code) which it recognises as best practice.

This annual report sets out how the DTL Board has ensured that the DHL GRP has fulfilled its stewardship responsibilities over the year ending 31 March 2022 and the outcomes of this activity. This report covers the Defined Benefit (DB) assets of the DHL GRP, but not the Defined Contribution (DC) Section, and has been set-out in line with the 12 Principles of the Code.

The DHL GRP is a long-term supporter of the Code, having initially become a signatory in 2016. Environmental, Social and Corporate Governance (ESG) factors, in particular those related to stewardship and engagement, are integral to the DHL GRP's investment process and are embedded throughout its culture.

The DHL GRP is the sponsored pension plan for UK employees of DHL. The DHL GRP has approximately 173,000 members across the DB and DC Sections. There are 6 DB sections of the DHL GRP, and the assets of the DB Sections are commingled in the DHL Pensions 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 DHL GRP. The members of the Investment Implementation Committee (IIC) are the Directors of the DHL PIF and are responsible for all aspects of the operation of the DHL PIF.

In 2022, the IIC produced its second annual Stewardship and Engagement Report to cover the calendar year 2021. This provides details of the Stewardship and Engagement activity across the DHL PIF for each investment manager for all asset classes. In this report, we have provided exerts of the Stewardship and Engagement Report under the relevant principles.

On behalf of the DHL Group Retirement Plan

Peter Flanagan

Peter Flanagan, Chairman of the DTL Board

PRINCIPLE 1

PURPOSE, STRATEGY AND CULTURE

Signatories' purpose, Investment Beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Purpose, Values & Culture and Diversity

The fiduciary duty of the DTL Board is to act in the best interests of its members, with the primary objective of meeting members' benefits.

The DTL Board strives to achieve best practice in all areas and has established a governance structure that ensures there is an appropriate level of focus on all areas. The culture which flows from the DTL Board through to the various Committees is one where significant value and importance is placed on:

- **Continuous improvement.**
- **Achieving best practice.**
- **Effective Governance and decision making.**
- **Collaboration between all stakeholders.**

The DTL Board recognises that it is a long term investor and therefore places a significant amount of emphasis on being a responsible long-term steward of capital. The DTL Board supports the Code which it recognises as best practice.

Over the period, the culture of continuous improvement and achieving best practice has led to the following outcomes:

- A significant amount of training undertaken in relation to climate risks and the opportunities arising from a transition to a low carbon economy, to prepare the DTL Board and the various Committees for compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, including providing annual disclosures in line with the current recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- A Climate Risk Policy was developed, in order to identify and manage the risks and opportunities that may arise from climate change.
- The second annual Stewardship & Engagement Report being completed which included detailed reporting on all of the investment managers within the DHL PIF on their Stewardship & Engagement and voting activities over 2021. As part of the review, the investment managers were rated in terms of whether they are 'behind', 'catching up' or 'leading' with respect to Stewardship & Engagement.
- A third-party provider (ClearGlass) produced their first set of reports on the transaction costs incurred by the DHL PIF's investment managers over the calendar year 2020.
- A Communications advisor (WTW) produced member-friendly versions of the Plan's governance documents, such as the Statement of Investment Principles (SIP) and Implementation Statement, to improve communications that are issued to members.
- The appointed Cyber Security Adviser is supporting the DTL Board with the implementation of its Cyber Risk Management Journey Plan.
- The appointment of Muse Advisory as Risk Management Adviser to progress the work associated with the Effective System of Governance (ESOG) and Own Risk Assessment (ORA) as prescribed by the Pensions Regulator's New Code of Practice which is expected to be laid before Parliament in November 2022.

PRINCIPLE 1

PURPOSE, STRATEGY AND CULTURE

Signatories' purpose, Investment Beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

These are examples in addition to the business as usual activities in relation to effective stewardship which are covered in more detail within this report.

The DTL Board believes that having a diverse board, with a range of skills, knowledge, experience, background, personal characteristics (taking account of gender, age, ethnicity, culture, disability and sexual orientation) and viewpoints leads to effective decision making. The DTL Board is committed to having a culture of openness and mutual respect, at all levels of its governance structure. The DTL Board is also due to formalise its Diversity and Inclusion Policy in December 2022.

Beliefs

The DTL Board has agreed a set of Investment Beliefs, (a summary is shown opposite), that reflect their core, long-term views, which are reviewed annually. The Investment Beliefs drive all decisions in relation to asset allocation. These Beliefs capture the Directors' views on ESG factors, Stewardship and Engagement and climate risks and opportunities, which are captured under belief 7. We have outlined the underlying Beliefs in relation to ESG factors. In particular, the Directors believe that ESG factors, including climate change risks, can be financially material to security prices and should therefore be considered as part of the investment process.

Strategy

These Beliefs are applied consistently across asset classes, and feed into how the IIC approaches and monitors the stewardship and engagement activities of its investment managers.

The IIC is highly engaged with managers on ESG considerations and seeks to work through their expectations with managers in a collaborative manner. They expect all of their investment managers to be signatories of the Code and/or the UN PRI and managers are questioned and challenged on their decision if, as an organisation, they have not committed to these principles. Evidence of the outcome in terms of requesting managers to sign up to the UN PRI is explained in Principle 8.

Assessment

The DTL Board believes that its culture, values and governance structure enable appropriate focus on stewardship. However, it also recognises that there is always room for improvement. Climate risks and the opportunities arising from a transition to a low carbon economy are a significant area of focus over the period and the activities being progressed in this area are described in later sections of the report.

Investment Beliefs* for the DB Sections

1. Risk and return are related.
2. Return requires risk but risk does not guarantee return.
3. Diversification of risky assets reduces volatility.
4. The world is complex.
5. Behavioural issues are important.
6. Governance is important.
7. ESG factors can be financially material to security prices:
    - The Directors believe that ESG factors can be financially material to security prices.
    - The Directors believe that good active managers have considered how to incorporate ESG factors into their investment process.
    - The Directors believe that investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation.
    - The Directors believe that the impact of, and potential responses to, climate change creates a material financial risk. In particular, the Directors believe that companies should adjust their business strategies to align with the 2015 Paris Agreement.
    - The Directors believe active stewardship can improve investment returns.
    - The Directors believe that investments in controversial weapons are not appropriate under any circumstances.

*refer to appendix for full Beliefs.

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Signatories' governance, resources and incentives support stewardship.

Governance Structure

The DTL Board is ultimately responsible for managing the DHL GRP and ensuring its fiduciary duty and objectives are met. The structure and composition of the DTL Board is illustrated below.

The DTL Board believes that an effective governance structure is critical for success in achieving best practice with respect to its fiduciary duty. To ensure that the appropriate level of skill, attention and diligence is applied to all areas of managing the DHL GRP, the DTL Board has appointed a number of Committees to oversee specific areas. These are detailed in the figure below. The Pensions Secretariat team which consists of 4 experienced team members support the DTL Board and the Committees in their activities.

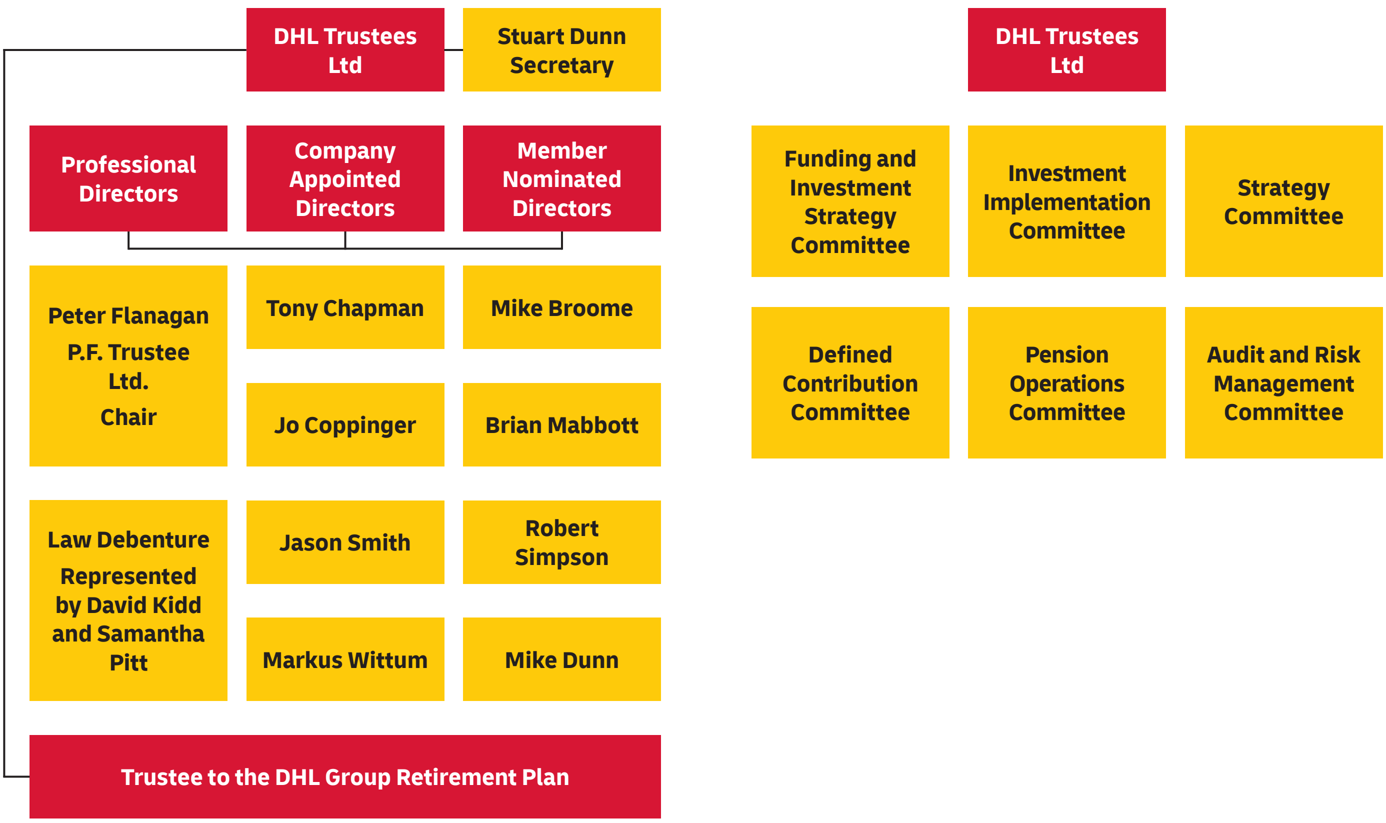
The Committees that have a significant focus on the DB assets are the Funding and Investment Strategy (FISC) and the IIC.

The FISC is responsible for a number of areas (outlined in its terms of reference) including recommending to the DTL Board the appropriate level of risk or expected return to be targeted within the DB Sections (the investment objective).

The IIC is responsible for the implementation of the investment objectives which includes decisions on asset allocation and the selection, retention and termination of investment managers. The IIC has appointed a number of investment managers with delegated authority to invest the DHL PIF's assets, within mandated guidelines and restrictions. The investment managers are responsible for implementing the DTL Board's ESG Beliefs on the IIC's behalf. The IIC has the responsibility for overseeing and monitoring each manager's stewardship activities, supported by the investment consultant.

DTL Board

Committees



PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

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Oversight of Stewardship

The DTL Board believes that the governance structure, choice of service providers and investment managers enables it to be an effective steward of assets. There is always room for improvement and, as such, the IIC has set a target for its investment managers to engage with each of the top 10 contributors to carbon emissions within their portfolio over a 2-year period, as part of DHL GRP annual Climate Report, published in September 2022.

Incentives

The IIC takes a long-term approach to assessing investments and has a preference for 'investing' over 'trading', which is articulated clearly to the investment managers from the outset of their appointment.

This preference for a long-term approach is also reflected in the way in which mandates are structured and the types of managers that are appointed e.g. equity managers that have a long-term, low-turnover approach and investment-grade credit portfolios which are managed in line with a 'buy-and-refresh' approach. Managers that align with this long-term philosophy fully integrate active stewardship and engagement into their investment process to ensure that they are creating long-term sustainable value for the DHL PIF.

In terms of other incentives, there is currently no direct link between the incentives of the in-house team and the approach to integrate stewardship into investment-decision making. In terms of the investment consultant, there is a performance related fee structure in place which is described in Principle 8. The quality of advice and reporting that is provided to the IIC on ESG considerations (e.g. advice on Beliefs, Stewardship & Engagement Report, TCFD reporting) forms part of the assessment of the performance-related fee.

Training

The DTL Board and the IIC undertake regular training to ensure they are kept informed of the latest developments. The IIC holds an annual training day and ESG has been a significant topic of discussion for a number of years. For example, the DTL Board held a climate risk workshop in June 2021, delivered by WTW, to understand better climate-related risks and opportunities. This was followed up with a climate scenario analysis workshop in November 2021. Further, at the IIC's training day in June 2021, the topics of social housing and systematic impact investing was considered. In addition to annual training days, the DTL Board and the Committees are kept informed by their advisors through quarterly 'Hot Topics' and industry and legal updates.

The DTL Board has agreed a target of 15 hours Continuous Professional Development (CPD) per annum for each non-professional Trustee Director, in line with the Pensions Management Institute's (PMI) Trustee Group. For the year to 31 December 2021, the PMI certified that the DTL Board had completed the required standard of CPD.

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Signatories' governance, resources and incentives support stewardship.

Resources

Investment Implementation Committee (IIC)

The IIC or the IIC sub-committee meets with each of the DHL PIF's investment managers on an annual basis, during which they must present metrics and examples on how they have engaged with issuers and other entities over the course of the year on ESG factors.

Investment Consultant

The DTL Board has appointed an investment consultant, Momentum Investment Solutions & Consulting (Momentum) to aid with ongoing monitoring of the DB assets and their investment managers. The investment consultant carries out an annual review of the Stewardship and Engagement activities of the investment managers, which is then reviewed by the IIC. The Momentum consulting team has on average c. 20 years of advising large DB clients on all aspects of investment strategy, including the integration of ESG considerations in all aspects of investment policy. In addition, Momentum partner with Gordian Advice, a boutique firm specialising in responsible investment to further enhance the capabilities of the team.

The investment consultant supports the IIC in the selection, monitoring and termination of investment managers. As part of this process, the investment consultant is responsible for reviewing the ESG Beliefs, policies and practices for each of the investment managers. The investment consultant is also responsible for monitoring the integration of the manager's ESG Beliefs, policies and practices into the investment process.

In-house Team

The in-house team is responsible for ensuring that there is effective governance, risk management and internal controls in operation. The Pensions Secretariat Team is headed up by Stuart Dunn who is a Fellow of the Pensions Management Institute with over 30 years pensions experience. Further, the Finance function of the in-house team prepare the annual Report and Accounts, co-ordinate the annual audit and is responsible for ensuring all financial transactions are correctly processed and recorded. The Finance Team is headed up by Margaret Lumley who is a Chartered Accountant with over 20 years pensions and investment experience. Both Stuart and Margaret report to Dan McDonald, who is a Fellow of the Institute of Actuaries with over 13 years experience in the pensions industry.

Custodian

Whilst the investment managers are able to provide much of the data that is used as part of the reporting for the DHL PIF, the IIC is also working with the Custodian, BNY Mellon, to ensure that there is a single, independent source of ESG data and metrics that can be used to assess investment managers.

Cost Transparency

On an annual basis, ClearGlass provide data on the costs incurred by the investment managers to the IIC, as a means of providing further transparency of these costs to the IIC.

PRINCIPLE 3

CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Conflicts of Interest Policy

The DTL Board has clear policies in place which address the identification, management and disclosure of conflicts of interest that may arise for Directors and its officers when making decisions on its behalf, which includes those in relation to stewardship activities. The Conflicts of Interest Policy is reviewed formally by the DTL Board at least every 3 years. A Conflicts of Interest Register is maintained for all officers of the DTL Board and this is reviewed at the start of each formal meeting.

The Conflicts of Interest Policy sets out the broad framework for identifying and dealing with actual or potential conflicts. This applies to both the DTL Board, professional advisors and the in-house team. A summary of the framework is set out below:

- Recognising potential conflict situations.
- Declaration and register of interests.
- Declaration and register of conflicts.
- Evaluating and managing conflicts.
- Conflicts arising in relation to the different sections of the DHLGRP.
- Trustee awareness and understanding.
- Managing advisor conflicts.
- Review.

The Conflicts of Interest Policy can be found in full in the appendix to this report.

Investment Managers

Day-to-day implementation of the DHL PIF's stewardship activity has been delegated to external investment managers. The IIC expects its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of the DHL GRP's members are prioritised.

The IIC's investment consultant receives and reviews the conflicts of interest policy for each of the DHL PIF's managers and highlights any potential area of concern (if any) to the IIC. Factors considered in the review of each manager's policy include:

- An explanation of how the manager acts in the best interest of clients.
- A description of how conflicts of interest arise and how they are identified.
- The process that is followed when a conflict of interest is seen to exist.

At present, there is one concern regarding a potential conflict with one of the DHL PIF's investment managers. This is described in the box to the right.

Example – Conflicts Identified with an Investment Manager

The IIC recently identified a potential conflict of interest with one of the DPIF's investment managers whereby there was an indirect link between the provisions made in the fund accounts in relation to investments in the fund and the teams' remuneration. The IIC identified this potential conflict and challenged the investment manager on how this was being managed. The investment manager has responded to these challenges both at its annual review meeting with the IIC and in writing following the meeting. There were also additional meetings arranged to discuss the issue in detail.

Whilst there are differing opinions between the IIC and the investment manager on whether a conflict exists, the IIC has been robust in challenging the investment manager and ensuring that its disappointment with the manner in which this situation has been handled was communicated to senior management at the firm.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

The IIC's investment consultant provides the first response to market-wide risks. The investment consultant reviews market conditions on a weekly basis and updates the IIC on market related considerations quarterly through the regular reporting. The quarterly reporting provided to the IIC also provides an update on the risks within the DHL PIF (using Value at Risk and funding level volatility metrics) and also includes detailed reporting on the collateral and counterparty risks within the liability hedging mandate. Given the importance and complexity of the liability hedging mandate, the IIC has a sub-committee which meets quarterly with the liability hedging manager and the investment consultant to review market conditions and risks in relation to the liability hedging mandate. The effectiveness of the investment consultant in identifying and responding to market-wide and systemic risks is reviewed as part of their annual performance review outlined in Principle 8.

Once a risk is identified, there is a governance structure in place that these can be easily and quickly relayed back to the IIC and any action required can be implemented quickly. A good example of this is the response to the Russian invasion of Ukraine, which is detailed below.

Climate Risks

The IIC monitors emerging risks, with the current focus being on climate-related risks. The DTL Board is a supporter of the TCFD and has completed the implementation of the various requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, including:

- Ensuring the appropriate governance arrangements are in place including outlining the roles and responsibilities for the DTL Board and the various Committees.
- Carrying out climate training for the DTL Board and relevant Committees.
- Undertaking scenario analysis.
- Collecting climate metrics from the investment managers to obtain a baseline position.
- Ensuring metrics and targets are aligned with the DTL Board's ESG Beliefs and investment philosophy.
- Agreeing a Climate Risk Policy.

Although the DTL Board has considered implementing a net zero target, it has opted not to adopt this at the moment. Rather, the DTL Board has agreed to target 100% engagement on climate-related issues for each of the top 10 carbon emitters in each portfolio over a 2-year period.

Case Study: Russian Invasion of Ukraine

In response to the Russian invasion of Ukraine, the IIC's investment consultant contacted each of the DHL PIF's investment managers to ascertain their exposure to Russia and Ukraine, and to provide detail on the impact of these positions on their portfolios. In summary, for the relevant liquid mandates, 3 managers had no exposure to either nation, and 4 managers had minimal levels of exposure. This information was then provided to both the IIC and its sub-committee.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Industry Wide Initiatives

The DTL Board and the IIC encourage their advisors and investment managers to participate in industry-wide initiatives where this is aligned with the DTL Board's fiduciary duty to its members.

The investment managers also participate in initiatives to promote responsible investment. An example of this is illustrated in the case study below, where the IIC has received regular updates on the manager's work in this area since the issue was identified.

Case Study: Social Housing Regulator

Context: The IIC invests in social housing in their Secure Income portfolio. Due to its quasi-government nature, the sector generally is well regulated and well governed providing a clear social benefit to those who may not be able to afford homes themselves. In recent years, there has been an increased focus on ESG in the sector, driven by multiple factors including poor energy efficiency in older houses, cladding and fire safety issues, as well as fuel poverty driven by rising energy prices more broadly.

Objective: The investments in social housing are managed by one of the IIC's investment managers. Their objective was to create a new Sustainability Reporting standard for Social Housing that both Banks, Housing Associations and Investors could agree on.

Action: The manager invested in the production of new ESG reporting, which, following various industry workshops, led initially to several iterations. They further engaged with Housing Associations and Investors to receive feedback on the new templates in order to refine a final version.

Outcome: As a result, numerous Banks, Investors and Housing Associations have now signed up to undertake the new reporting. This includes increased disclosures from Housing Associations on topics including cladding, fuel poverty and fire safety issues. Some associations have created specialist ESG reports. The improved data means the manager can easily identify weaker areas and therefore provides a means of more focussed engagement, ultimately reducing the investment risk on these long term assets.

PRINCIPLE 5

REVIEW AND ASSURANCE

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Statement of Investment Principles

The DTL Board reviews its Statement of Investment Principles (the SIP), with input from the IIC, at least every 3 years and after any significant change in investment policy. Changes to the SIP can only be made once the DTL Board has obtained and considered the advice of someone who the DTL Board believes to be qualified in their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the DHL PIF's investments. The SIP can be viewed by clicking **here**.

Investment Beliefs

As mentioned under Principle 1, the DTL Board has adopted a set of Investment Beliefs that reflect their core, long-term views. These are reviewed annually and are included in the appendix.

Risk Register

The DTL Board maintains a risk register, summarising the key risks to which the DHL GRP is exposed to, and which Committees are responsible for managing these risks. The risk register is reviewed annually and has been amended over the year to include greater emphasis on risks relating to ESG and climate risks.

Climate Policy

The DTL Board has agreed its first Climate Policy setting out how it will manage climate-related risks and opportunities. The DHL PIF's investment managers will be expected to invest in a manner that aligns with the policies set out in the Climate Policy.

The DTL Board continually seeks to improve all policies in relation to stewardship as evidenced by its work on the climate policy. The governing documents mentioned above were all reviewed over the period under review. In particular, the SIP was amended as follows:

- A number of changes were introduced to align the SIP with updates to the role of the various committees. This includes changes to the IIC's responsibilities to align with recent changes to the Terms of Reference. The key responsibilities are:
    - To ensure that there are sufficient assets in place for a longevity hedging transaction which was implemented over the period.
    - The governance and reporting requirements relating to climate-related risks and the TCFD Disclosures.
- The appointment of ClearGlass to monitor and report on portfolio turnover and ongoing investment costs, which are reviewed on an annual basis.
- The expectation of the IIC for managers to take into account how companies are adjusting their business strategies to align with the 2015 Paris Agreement.

PRINCIPLE 5

REVIEW AND ASSURANCE

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

External Assurance

Each year, the IIC asks each investment manager to report any exceptions that are raised in their internal controls reports. Any exceptions are discussed with the investment manager and followed up by the investment consultant until they are resolved in a satisfactory manner. The IIC has chosen this approach, given these are industry standard reports which are carried out by auditors.

Over the period, the IIC has continued to engage with one of the investment managers where its accounts have been qualified. There have been a number of meetings with the investment manager to discuss this issue and the IIC will continue to monitor this until it is resolved to their satisfaction.

Quality of Reporting

The DTL Board continues to improve the manner in which its Stewardship activities are reported. The DTL Board has recently appointed a communications advisor who is involved in reviewing documents such as the Statement of Investment Principles, the Implementation Statement and the Climate Report. Their main objective is to ensure that communications which are available to members are presented in a manner which is easy to understand.

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

The Membership

The DHL GRP is a UK based pension scheme with c. 48,000 members in the DB Sections. Around 63% of the membership is pensioners and dependants, with the remaining c. 37% representing deferred members. The DB Sections of the DHL GRP are relatively mature – as at the 31 March 2021 Actuarial Valuation, the average age of the pensioner population is 74 years and the average age for a deferred member is 56.

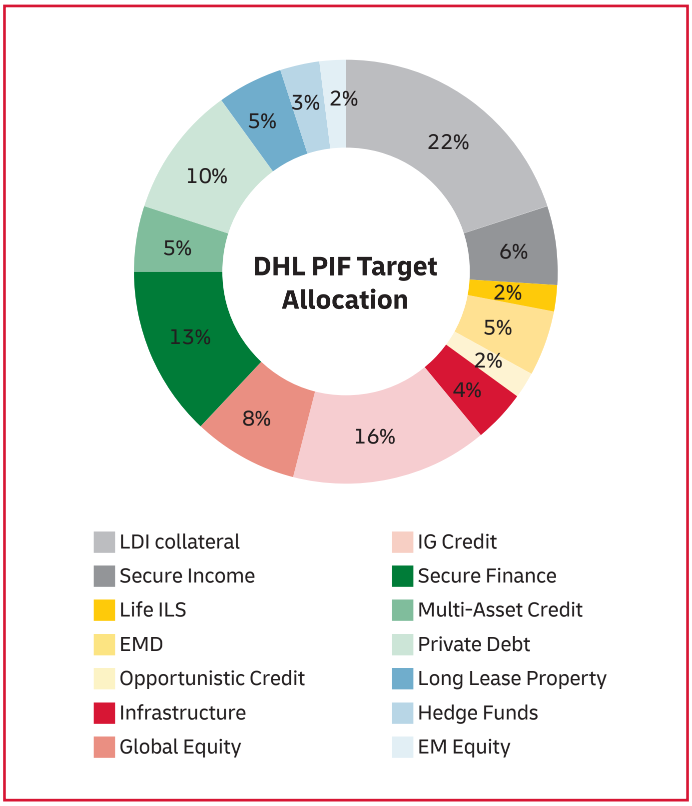
The majority of deferred members are expected to retire in the next 10 years and the overall duration of the DHL GRP's DB liabilities was around 16 years as at the 31 March 2021. It is the Trustee's primary duty to ensure the members' benefits are paid in accordance with the rules of the DHL GRP. To this end, they operate an Integrated Risk Management policy to consider funding, investment and the Company's covenant. The FISC takes into account the duration of the liabilities when recommending the overall level of risk/return to the DTL Board to target for each DB Section. There is therefore a direct link between the profile of the membership and the time horizon that feeds into the integrated funding and investment strategy, which in turn drives the investment strategy adopted. The approach is summarised in the Integrated Risk Management Summary which sets out how funding, investment and covenant risks in relation to the DB Sections are managed. The framework covers the DB Sections' risk oversight structure, objectives, the key risks to meeting these objectives, and how these risks are monitored and mitigated. An Integrated Risk Management Monitoring Dashboard was also approved in September 2022.

Asset Allocation

Each of the 6 sections of the DHL PIF has its own specific strategic asset allocation, depending on their funding levels and risk/return requirements, though these are broadly similar across the sections. The strategic asset allocation for the DHL PIF as a whole, as at 31 March 2022 is shown below.

Asset Class	Geography	Allocation
Liability hedging	UK	21.5%
Investment Grade Credit	Global	16.0%
Secure Income	UK	5.5%
Secured Finance	Global	13.3%
Life ILS	Global	2.2%
Multi-Asset Credit	US & Europe	4.5%
EMD	Emerging Markets	5.0%
Private Debt	US & Europe	9.5%
Infrastructure Income	UK	2.5%
Property	UK	5.0%
Hedge Funds	Global	2.9%
Equity	Global	10.1%

Geography	Allocation
Global	44.5%
UK	34.5%
US & Europe	14.0%
Emerging Markets	5.0%



PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Communication of Stewardship & Investment Activity

The DTL Board produces an annual newsletter for members, which provides members with key updates over the year. The newsletter in the period included a section called 'Investment Responsibly, our Approach to Climate Change and Investment Principles', which sets out the DTL Board's responsible investment strategy and the increased focus within it on climate change risk. This is issued by post to all members. The DHL GRP has a website where different forms of communication are used such as videos and written explanations. The website covers a number of areas including:

- How the DHL GRP works.
- Plan Governance.
- Saving and Planning for Retirement.
- Automatic enrolment.
- Tools such as a Pension Tracker app.

The link to the website is: **https://mypension.dhl.co.uk/Homepage**

The IIC takes an active approach across the investment policy which ensures that the IIC can hold investment managers to account in the way in which Stewardship and Engagement activities are carried out.

The IIC's investment consultant conducts an annual review of the DHL PIF's managers' Stewardship and Engagement activities and produces an annual Stewardship and Engagement Report for the IIC.

The DTL Board also produces an Implementation Statement which is included in the annual Report and Accounts and details how the DHL PIF has followed the policies set out in the Statement of Investment Principles, including those related to ESG, Stewardship and Engagement over the year.

The statement is designed to be easy to read and visually appealing (see extracts on the right) to allow for better engagement with members. The in-house team also produces a member-friendly version of the SIP and works with the investment consultant to produce Implementation Statements that are consistent across both DB and DC Sections. The Implementation Statement and the SIP are available to members on the DHL GRP website.

The DTL Board has appointed a communications advisor, WTW, to aid with communications to members. For example, in May 2022, a letter was sent to all members regarding the Russian invasion of Ukraine, which included details on the effect of the conflict on the DHL GRP's assets. The letter also noted that the DTL Board has a long-term investment strategy, and that the funds have been selected to ensure short-term volatility such as this can be managed.


SECTION 3: ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

Here are some highlights:

15 out of 15 managers are signatories to the United Nations Principles of Responsible Investment

10 out of 15 managers are signatories of the UK Stewardship Code

530 entities were engaged with over calendar year 2021 (an interaction between an investment manager and a company they invest in, regarding an ESG issue)


SECTION 6: VOTING INFORMATION AND SIGNIFICANT VOTES

How many meetings were you eligible to vote at?	4,927
How many resolutions were you eligible to vote on?	50,760
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	82%[1]
Of the resolutions on which you voted, what % did you vote against management?	17%[1]
Of the resolutions on which you voted, what % did you abstain from voting?	1%[1]
In what % of meetings, for which you did vote, did you vote at least once against management?	58%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	7%

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Integration of Investment Beliefs

The DTL Board takes an integrated approach to stewardship which flows from the Investment Beliefs, shown below. These reflect their long-term, core views and are embedded fully into all aspects of the investment process, across asset classes and across geographies.

DHL Board Investment Beliefs

The Investment Beliefs are included in the appendix. The Beliefs in relation to ESG are summarised below:

ESG factors can be financially material to security prices

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

Climate Policy

The DTL Board has identified climate risks and the opportunities arising from a transition to a low carbon economy as specific areas of focus over the period under review and has formalised its approach in its Climate Risk Policy. The policy was approved at the DTL Board meeting in September 2021.

Investment Exclusions

The IIC has discussed investment exclusions in detail and concluded that investments in businesses and corporate entities that are involved in the production of controversial weapons pose significant reputational and regulatory risks which may be financially material. The IIC further understands that, given the nature of the DTL PIF's segregated mandates, this exclusion is unlikely to have a material negative impact on the financial outcomes of the investment portfolios. These investments are therefore prohibited within the DHL PIF's segregated mandates.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Manager Selection and Monitoring

ESG factors, including Stewardship and Engagement, are integrated fully into the IIC's investment process, across all asset classes and investment managers. When selecting a new manager, the IIC's investment consultant will review the managers' approach to ESG to ensure that this is in-line with expectations. The IIC's investment consultant reviews any changes in each manager's approach and managers are expected to report on any changes to their ESG approach at their annual meeting with the IIC or the IIC sub-committee.

The investment consultant reviews the investment manager's approach and any changes or enhancements to their approach are discussed as part of the annual manager review process. Over recent years, the common theme across investment managers has been the overall enhancement of ESG integration and processes, particularly with respect to climate reporting.

The IIC looks to apply the same rigour and process to integrating stewardship across all asset classes and geographies. However, the IIC accepts that the approach to stewardship by investment managers will vary according to asset class.

Integration of ESG Across Asset Classes

As described above, the IIC integrates Stewardship and Engagement across all asset classes and investment managers. Ratings for each investment manager in terms of whether they are 'behind', 'catching up' or 'leading' with respect to Stewardship & Engagement are provided to the IIC by the investment consultant, together with quantitative and qualitative information on the quality, quantity and variety of engagement topics. The IIC, or a sub-committee of the IIC, uses this report as a basis for its monitoring of the investment managers as part of their annual review meeting. This is supplemented by quantitative reporting provided by the Custodian in relation to ESG metrics.

Public Equities and Bonds

The DHL PIF's listed equity and bond managers are able to demonstrate high levels of engagement and stewardship. Examples of their approach are covered in Principle 9. An example of the approach to engagement taken by one of the DHL PIF's global equity managers is shown on the next page.

Private Assets

The IIC is satisfied with the manner in which the investment managers integrate stewardship within their investment process. However, the reporting that is currently available from investment managers on their engagement is a work in progress. A good example is provided in the response to Principle 9.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Case Study: Global Equity

This manager manages a global equity mandate for the DHL PIF. The manager is a signatory to both the UN PRI and 2020 UK Stewardship Code.

Global Equity – Environment

In 2021, the manager engaged with the company on their carbon strategy after identifying they had yet to release any formal carbon targets.

The company is a diversified technology company operating a series of businesses across markets such as diagnostic and therapeutic imaging, and weighing equipment for process and packaging.

The manager engaged to understand where they were on their decarbonisation journey, and to encourage progress. The company explained why group targets were difficult for them as they are made up of multiple independent niche companies. The manager emphasised that making no apparent efforts to measure, target or report on decarbonisation would reflect poorly.

The manager specifically began engaging on the company's decarbonisation plans at the beginning of 2021 and had 3 subsequent engagements over the year. Engagements were carried out by members of the international equity team including the Portfolio Manager responsible for the stock and the Head of ESG Research. On the company side, the meetings were attended by members of the C-suite, as well as investor relations executives and their Chief ESG Officer.

The company very much welcomed the manager's engagement and questioning on carbon; while they acknowledged investor interest is on the increase, the manager's engagement was one of the first they had experienced on the subject.

Several weeks later, the manager was invited by the company to participate in a consultation with a leading sustainability integration consultant to explore views on ESG best practice. The manager stressed the importance of targets, the development of Scope 3 and supply and value chain engagement, better diversity and inclusion metrics, and a clear framework for cyber and data security. The manager also suggested they highlight more effectively the positive environmental and social initiatives many of their underlying companies are engaged in.

This engagement has not influenced their voting actions with this company over 2021 because climate is not a major risk to the company and the manager is satisfied with the direction of travel. They did, however, vote against their pay plan due to a combination of easy targets plus short vesting in the Long Term Incentive Plan.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

Arrangements with Service Providers

The IIC employs a number of investment managers and service providers to meet their investment objectives. The roles and responsibilities, including details of how the IIC monitors these, is summarised below:

Investment Managers

The IIC has appointed a number of investment managers in various asset classes across both public and private markets. The investment objectives for each manager are specified in investment management agreements with clear guidelines as to how the investments are to be managed. Fees are agreed in advance of the manager appointment being confirmed and the IIC seeks to ensure that 'Most Favoured Nation' clauses are agreed with the investment manager to ensure fees are competitive and fair. The IIC reviews the suitability and performance of each investment manager through quarterly reporting provided by the investment consultant and carries out a thorough review with each investment manager on an annual basis. Should the IIC believe that the manager is no longer suitable to deliver the overall objectives of the DHL PIF, or confidence in the investment manager to deliver their specific objectives has reduced, the manager will be terminated and the IIC will look to replace the manager with a suitable alternative.

As part of their annual monitoring meeting, the IIC expects each manager to report on the following:

- Whether or not they are a signatory to the Code and UN PRI.
- How ESG factors are considered within the investment process, including relevant ESG examples and metrics.

In 2022, to further enhance reporting, the IIC systematically collated this information as part of their second annual Stewardship and Engagement Report. The IIC reviews the information provided by the investment managers, asks challenging questions and follows up where a manager's approach is deemed as unsatisfactory.

Case Study: Private Debt

Previously, one of the DHL PIF's private debt managers had been the only one of the DHL PIF's managers to not be signed up to the UN PRI. However, following pressure from the IIC, and having reviewed its ESG policies and procedures, the manager did sign up to the principles in October 2021. Furthermore, the manager also appointed a dedicated Head of ESG in December 2021 to further develop their ESG reporting capabilities across their private debt funds.

The IIC has found that investment managers are receptive to these dialogues and often it's a resource issue internally that needs to be solved rather than any change to the way in which ESG is integrated throughout the manager's process (which is considered as part of the manager selection and retention).

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

Investment Consultant

The IIC has appointed an investment consultant who advises the DTL Board, the FISC and the IIC on all aspects of investment strategy including setting investment objectives, asset allocation, manager selection & monitoring and implementation. The contractual arrangements between the DTL Board and the investment consultant specify the services that are to be provided and the fee arrangements.

The DTL Board has set clear objectives for the investment consultant and the performance of the investment consultant is reviewed annually against these objectives.

The fees of the investment consultant have a discretionary performance-based element which is based on the IIC's assessment of the quality and quantity of work that has been undertaken by the investment consultant. The level of the performance-based element is also reviewed as part of the annual review. The performance of the investment consultant was most recently reviewed in December 2021 and the DTL Board approved the IIC's recommendation to award the investment consultant 100% of the target performance-based fee. If the IIC was dissatisfied with the performance of the investment consultant, the appointment would be reviewed immediately. It is also part of the 5-year strategic plan of the DTL Board to carry out a market tender exercise for this role.

Custodian and Custodian Advisor

BNY Mellon UK and MJ Hudson-Amaces have been appointed as the DHL PIF's Custodian and Custodian advisor respectively. In addition, BNY Mellon US were appointed by the DTL Board to be the Custodian of the DHL GRP's assets in respect of the longevity swap. The contractual arrangements between the DHL PIF and the providers specify the services that are to be provided and the fee arrangements. Both providers attend an annual meeting with the IIC to discuss the Custodian's performance over the year. If the IIC was dissatisfied with the performance of either provider, the appointment would be reviewed immediately. BNY Mellon and MJ Hudson-Amaces attended a meeting in February 2022 and although areas for improvement were raised with regards to the BNY Mellon arrangement, the IIC was satisfied with both appointments. In terms of areas that are working well, the internal team has observed that the online processing system for payments, has resulted in a more efficient processing of transactions, whilst maintaining an appropriate level of control and oversight. In addition, the IIC identified the level of ESG reporting from BNY Mellon as an area that they were dissatisfied with, and would like to improve. As a result, BNY Mellon produce a quarterly report which details a range of ESG metrics and scores for each of the DHL PIF's mandates and their holdings.

Cost Transparency

ClearGlass produced their first set of reports on the transaction costs incurred by the DHL PIF's managers over the calendar year 2020. The IIC reviewed these and noted that the ongoing charges incurred by the Emerging Market Debt manager was high relative to its peer group. As a result, the manager was notified of this, and following a re-negotiation agreed to reduce the management fees for this mandate.

PRINCIPLE 9

ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

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. The IIC expects its investment managers to directly engage with the debt or equity issuers on ESG issues to improve the issuer's performance on a medium to long-term basis. The IIC or a sub-committee of the IIC communicates this expectation to investment managers both as part of the initial selection and as part of their annual review meeting. In addition, the investment consultant re-enforces these expectations as part of their regular monitoring on behalf of the IIC. The quality of each investment manager's approach forms part of the assessment of its ongoing suitability.

Engagements over 2021

The total number of the entities that were engaged with was:	**530 entities**
Of the managers for which data was available, the total percentage of entities that were engaged with on average was:	**32% of the Manager's NAV**
Of the resolutions where the equity managers were eligible to vote, there were:	**53,000 resolutions voted on**

Case Study: Global Equities

The manager manages a global equity mandate on behalf of the DHL PIF. The manager is also a signatory to the UN PRI and the Code. Detailed below are some of their engagement highlights over 2020.

97% of the AUM of the portfolio was engaged with

29 entities engaged with over 2021

100% of the resolutions were voted on for which the manager was eligible

100% of the entities within the portfolio were engaged with

64 engagements over 2021

11% of the votes were against management

PRINCIPLE 9

ENGAGEMENT

Case Study: Engagement Priorities – Global Equities

Engagement Priorities

The IIC has not set its own engagement priorities. Instead, the IIC has collated this information across its investment managers and is satisfied with the information that has been received. In particular, it has been noted that climate change was typically in the top priorities across the investment managers.

An example of the information that is collected from the DHL PIF's managers is shown on the next page. This particular case study illustrates the manager's engagement priorities over 2021. This is used to compare and contrast approaches within asset classes and to challenge managers on their actual activity.

In this instance, the managers are asked to illustrate the relative level of engagement activity for each topic on a scale of 1-5 stars, with 1 signalling a low number of engagements and 5 meaning a high number of engagements or high time commitment.

Case Study: Global Equities

Environment	Climate change	★★★★★
	Natural resource use/impact (e.g. water, biodiversity)	★★★★★
	Pollution, waste	★★★★★
Social	Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying)	★★★★
	Human and labour rights (e.g. supply chain rights, community relations)	★★★★
	Human capital management (e.g. inclusion & diversity, employee terms, safety)	★★★★
	Inequality	★★★★
	Public health	★★★★
Governance	Board effectiveness (e.g. diversity, independence, oversight)	★★★
	Leadership – Chair/CEO	★★★
	Remuneration	★★★
	Shareholder rights	★★★
Strategy, Financial and Reporting	Capital allocation	★★★
	Corporate reporting (e.g. audit, accounting, sustainability reporting)	★★★
	Financial performance	★★★
	Firm strategy/purpose	★★★
	Risk management (e.g. operational risks, cyber/information security, product risks)	★★★

PRINCIPLE 9

ENGAGEMENT

Case Study: Data Availability within Private Markets – Private Debt

Data Availability

Whilst many of the managers are able to provide good quality data on their engagements, it can be inconsistent across asset classes and investment managers. This is something that the IIC is looking to take forward into the future, with a particular focus being on climate data.

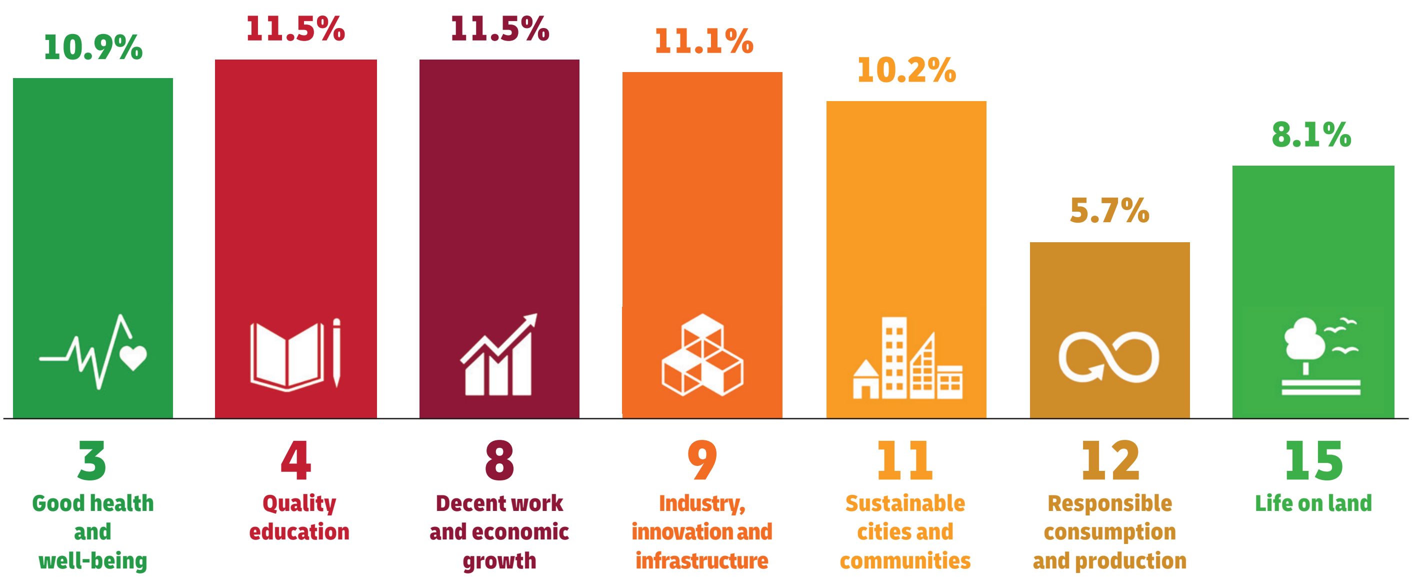
Whilst data for liquid mandates is typically more readily available that for illiquid mandates, a case study of one of the Private Markets manager that has been able to provide excellent quality data is shown to the right.

Case Study: Private Debt

The manager manages Private Debt on behalf of the DHL PIF. They became a member of the UN PRI in December 2019, and have collaborated with the UN PRI in developing a suitable framework for private debt. They support the objectives of the Code but are not currently signatories.

UN Sustainable Development Goals (SDGs)

The manager assesses each portfolio company based on its alignment with the UN SDGs. The chart below show the proportion of portfolio companies that contribute to specific SDGs for one of the manager's private debt funds that the DHL PIF is invested in, as at 31 December 2021.



Target Improvement Plans

In March 2021, they formalised their engagement approach and began offering Environmental & Social (E&S) 'Target Improvement Plans' (TIPs) to all new primary borrowers, whereby borrowers are offered financial incentives for meeting E&S performance targets. For the 12 months to 31 December 2021, there were 2 TIPs that had been signed and documented.

PRINCIPLE 9

ENGAGEMENT

Case Study: Engagement Highlights over 2021 – Global Equities – Investment Grade Credit

Case Study: Global Equities

During the second half of 2021, the manager engaged with Charter Communications. The company intends to drive efficiency by achieving carbon neutrality across operations by 2035 (Scope 1+2). They have also adopted the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

The manager engaged with the company to discuss their intentions of setting Science Based Targets (SBTs). The company confirmed this is an area they are considering, however, the logistics of implementing these targets is challenging, as one of the key carbon 'hot spots' relates to the bucket trucks used by the company which at present, cannot be electrified. For the moment, the route to reducing emissions is to work towards achieving fewer truck rolls, and to assess how they can lower emissions as they replace their fleet of trucks. In the meantime, they are exploring how they can reduce their emissions over a short to medium timeframe using carbon offsets.

The manager will continue to engage with the company to encourage progress.

Case Study: Investment-Grade Credit

The company is a multinational manufacturer and distributor of electricity and gas. They are currently one of the largest producers of fossil fuels and has a higher-than-average weighted average carbon intensity.

The manager's first climate-related engagement with the entity was in Q1 2021, with 2 follow ups in Q4. The engagements were between one of their analysts and the lead Buy and Maintain portfolio manager and the company's investor relations and sustainability team. The engagements covered emissions' reductions targets, feedback on the manager's client's perspective, and the manager's Net Zero Asset Managers' involvement.

Before engaging the company had set SBTs (committed to a reduction in carbon emissions by 70% from a 2017 base). The engagement in October of 2021 consisted of a discussion on how they planned to meet this target. The company was differentiated by its willingness to share data and specific plans for closing coal plants and reducing emissions over time.

The manager re-engaged in December and the company was able to provide further detail about the coal plant closures set to occur over the next 5 years, and the manager received more detail on the company's work with suppliers to manage their Scope 3 carbon emissions.

PRINCIPLE 10

COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Where practical, the IIC encourages its investment managers to work collectively with other managers in order to encourage positive change.

Case Study: Investment Consultants Sustainability Working Group

The investment consultant is a member of the Investment Consultants Sustainability Working Group (ICSWG). The ICSWG is a collaboration between 17 firms formed in 2020 taking action to support and accelerate sustainable investment initiatives in the UK.

The ICSWG views reporting on ESG metrics such as carbon emissions and engagement as a key priority. As such, over the 12 months to 31 March 2022, the investment consultant has collaborated as part of the ICSWG to produce a set of standardised templates for managers to report on a range of ESG metrics, as well as their engagement activities. These templates have been produced with the key objective of improving the standard and consistency of reporting on these metrics across the industry.

The ICSWG Engagement reporting template was used as part of the data collection process for the second annual Stewardship and Engagement Report, and it was noted that the completeness and consistency of the data reported for the annual review was far greater than had been seen for the prior report. That being said, there are still areas to improve on, such as with ESG reporting for private assets, though it is expected that this will improve in the near future.

Other Collaborative Engagements

PLSA

Peter Flanagan, Chair of the DTL Board, is a member of the both the Defined Benefit and Pension Dashboard co-ordination committees of the PLSA. The DB Committee is focussed on the PLSA's 6 priorities including Responsible Investment.

Legal Advisor

The Plan uses Sackers and Stuart O'Brien specifically to review their policies in relation to Climate Risk and compliance with the Climate Change Governance and Reporting Regulations. Stuart is a leading industry figure for ESG investment issues. He chairs the Pensions Climate Risk Industry Group and sits on a number of high profile committees including recent PLSA working groups providing guidance to trustees on ESG and implementation statements.

PRINCIPLE 11

ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

The IIC recognises that the use of constructive engagement with company management can help protect and enhance shareholder value. Typically, the IIC expects its investment managers to intervene with investee companies when they view that there are material risks or issues that are being inadequately addressed.

The IIC, or a sub-committee of the IIC, reviews the engagement carried out by investment managers as part of their annual meeting with the IIC, in conjunction with research carried out by the IIC's investment consultant. This includes consideration of:

- For equities, whether or not voting activity has led to any changes in company practice.
- Whether the investment manager's policy specifies when and how they will escalate engagement activities.
- Overall engagement statistics (volume and areas of focus).
- Examples of most intensive engagement activity discussed as part of the manager's annual review meeting.

The IIC is satisfied that a number of the DHL PIF's managers have demonstrated areas in which they have escalated their stewardship duties through the case studies that have been discussed as part of the annual review meeting.

The following page provides further detail on a couple of case studies from one of the DHL PIF's Buy & Maintain investment grade credit manager.

Engagement Versus Disinvestment

Whilst engagement is always preferable, disinvestment from a portfolio company is used as a 'last resort' where the manager is unsatisfied with the lack of positive outcomes following continued engagement with the investee company. The manager may also wish to issue a public statement about the investee company in order to encourage change.

PRINCIPLE 11

ESCALATION

CASE STUDIES: Engagement Highlights over 2021 – Buy-and-Maintain Investment Grade Credit

Social

This firm operates as an investment holding company, with a global presence in the motorway and airport infrastructure sector. They manage toll motorways in Europe, the Americas, and Asia. The manager's main concerns for the firm are their quality and frequency of inspection and maintenance after the 2 bridge collapses as well as their overall risk framework.

The manager has engaged with investor relations at an ESG update meeting and discussed the company's exposure to environmental risks. The firm claimed that they are restricted in steps they can take to reduce the carbon footprint associated with their network, since the users of their network are the emitters (i.e. cars and airplanes) and the firm is highly regulated which prevents them from making unilateral decisions. In regard to the 2 bridge collapses, the manager discussed how they plan to prevent this from reoccurring. The firm is creating a new holistic risk assessment system which will assess all types of risk, including risk from safety issues. The firm is also increasing the number of funds allocated towards safety and maintenance.

The manager will continue to engage and monitor the firm's relationship with the government and safety regulation standards. While the firm's social issues continue to weigh negatively on their ESG score, the measures they are taking show that the firm is heading in the right direction.

Environmental

This company is a leading international mining company with headquarters in North America and operates large, long-life assets with significant proven and probable reserves of copper, gold and molybdenum. It has significant mining operations, including an operation in South America, where water scarcity is one the biggest emerging risks to the metals and mining sector.

MSCI upgraded the company's ESG rating to BBB from BB in August 2021. MSCI cited the company's strong business ethics practices as a key contributor to the upgrade. The company has also improved its climate risk management highlighted by the adoption of a 30% reduction in GHG emissions in its Americas division by 2030.

However, the manager's senior metals and mining industry analyst engaged with the company's President and CFO in November, and asked the company to review its water scarcity strategy (given the company's operations in regions with a high degree of water scarcity). The analyst was advised that the company's strategy in South America will be building water desalination plants and that North America was also a priority area due its key operations there.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities

Voting Policy

The IIC believes that good stewardship can enhance long-term portfolio performance, and 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 has not formulated its own voting policy and therefore votes are cast in accordance with each manager's voting policy. The investment advisor has reviewed these voting policies and is comfortable that these are in line with the DTL Board's Investment Beliefs.

Monitoring

The IIC also requires managers to report regularly and disclose all voting and engagement activity undertaken on behalf of the DHL PIF, and may engage with the managers as part of its stewardship monitoring process. The IIC reviews these voting records as part of its annual Stewardship and Engagement review. Where the DHL PIF's equity managers have proxy voters in place, the manager is also expected to report on where they have voted against the advice of their proxy voter and their rationale behind this.

Proxy Voting

The investment managers do make use of proxy voting services to analyse vote issues and make recommendations. They are not obliged to follow these recommendations and vote all proxies based on their own voting policies.

Stock Lending

Stock lending is not permitted.

Voting Activity

The voting activity for each of the investment managers over 2021 is summarised in the table on the following page. The voting information for the individual managers, including significant votes has been reviewed by the IIC.

Other areas of investment policy

With regards to the fixed income areas of the investment policy, the IIC accepts that they cannot directly seek amendments to terms and conditions for these assets as this is delegated to the investment managers. The case study on private debt outlined in Principle 9 highlights how incentives are being designed by fixed income managers to promote effective stewardship.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Voting Activity

The voting activity for each of the investment managers over 2021 is summarised in the table below:

	Manager 1	Manager 2	Manager 3	Manager 4	Manager 5
How many meetings were you eligible to vote at?	2,081	32	64	4	2,078
How many resolutions were you eligible to vote on?	17,764	486	484	44	26,204
What % of resolutions did you vote on for which you were eligible?	100%	100%	100%	100%	100%
Of the resolutions on which you voted, what % did you vote with management?	85%	89%	91%	93%	80%
Of the resolutions on which you voted, what % did you vote against management?	15%	11%	4%	6%	20%
Of the resolutions on which you voted, what % did you abstain from voting?	2%	0%	5%	0%	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	41%	75%	20%	25%	77%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	0%	8%	14%	6%	13%

Examples of the significant votes cast by the managers over the year are shown on the following page.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Voting Activity

Significant Votes

The investment managers are also required to report on any significant votes that have taken place over the period. The voting information for the individual managers, including significant votes is then reviewed by the investment consultant. A couple of examples of significant votes are included below.

Case Study 1:

On 20 April 2021, one of the equity managers voted against a resolution to ratify named executive officers' compensation. This was due to continued concern with the short vesting period, non-performance based long-term incentive plan (LTIP), and poor disclosure around targets.

The vote was passed, but the manager continues to engage on the topic.

Case Study 2:

On 23 April 2021, another one of the equity managers voted against a resolution to elect the directors. This was due to concerns about a non-independent Board and a non-independent Chairman and another insider nominee.

After many years of engaging the company on governance and board composition, the manager felt that voting against all directors up for re-election this year would send a strong signal to the company. However, the vote was passed.

Case Study 3:

The equity manager voted for the proposal for the company to report on the effectiveness of workplace sexual harassment policies, as the company faces potential controversies related to workplace sexual harassment and gender discrimination. Additional information on the company's sexual harassment policies and the implementation of these policies would help shareholders better assess how the company is addressing such risks.

As a result, the vote was passed.

Case Study 4:

The equity manager voted for the proposal for the company to report on the gender/racial pay gap as shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives. However, the vote was not passed. The equity manager continues to engage with the Company on this issue.

DHL Group Retirement Plan (DHL GRP)
DB Sections

APPENDIX

APPENDIX: DHL GROUP RETIREMENT PLAN ('THE PLAN') INVESTMENT BELIEFS

DEFINED BENEFIT ASSETS – SEPTEMBER 2022

1. Introduction

The purpose of this paper is to document the Investment Beliefs that have been adopted by the Trustee Directors ('the Directors'). These Beliefs guide all decisions relating to the investment of the Plan's DB assets, and form the foundation of discussions on strategy and asset allocation.

Although these Beliefs reflect core, long term views which are not expected to change frequently, the Directors intend to review them annually.

The paper is broken into 2 main sections. First, section 2 below sets out a number of fundamental propositions which underpin the more specific Investment Beliefs. This is followed in section 3 by the specific Investment Beliefs that the Directors have adopted.

2. Fundamental Propositions

This section sets out a number of fundamental propositions which were used to develop the specific Investment Beliefs.

Risk[1] and return are related.

Capital markets are broadly efficient over the medium to long term – if the expected return on an asset exceeds that on a second similar asset, there is likely to be an additional risk associated with holding the former asset.

The Directors accept however, that there will be periods when markets do not operate efficiently. Whilst such periods will provide exposure to additional risks they also present an opportunity to enhance return.

Return requires risk but risk does not guarantee return.

Risk-taking does not guarantee that an additional return will be achieved even over long time periods.

Diversification of risky assets reduces volatility[2].

Combining assets, whose returns are less than perfectly correlated, reduces the volatility of overall portfolio returns. It also reduces the Plan's reliance on each individual component of the investment policy.

[1]Risk is a measure of uncertainty. In its broadest sense, 'risk' refers to the possibility that actual outcomes are worse than expected outcomes. For the Directors, the key 'risk' that needs to be managed is the risk that the assets and future contributions from the sponsor will not be sufficient to meet the Plan's obligations to its beneficiaries.

[2]Volatility is a measure of the variability of returns, and is often used to quantify 'risk'. However, it should be noted that, whilst volatility is a useful measure of risk, it is a far from perfect measure.

The world is complex.

Financial market theories are of considerable assistance in understanding real world investment issues, but they should not be relied upon in isolation when establishing a suitable investment policy.

Behavioural issues are important.

Behavioural issues apply at the security level, at the asset class level and in the construction of the overall investment portfolio.

Governance is important.

Good decision-making procedures and effective controls improve the chances of successful management (i.e. better risk-adjusted returns) of investment portfolios.

Environmental, Social and Governance ('ESG') factors can be financially material to security prices.

ESG factors, including climate change risks, can be financially material to security prices and should therefore be considered as part of the investment process.

APPENDIX: DHL GROUP RETIREMENT PLAN ('THE PLAN') INVESTMENT BELIEFS

DEFINED BENEFIT ASSETS – SEPTEMBER 2022

3. Investment Beliefs

This section sets out the specific Investment Beliefs that have been developed based on the fundamental propositions covered in section 2 on the previous page.

3.1. Risk and return are related

The Directors believe that the liabilities are bond like.

The 'risk free'[1] assets are government bonds with similar characteristics to the liabilities[2] (i.e. by maturity and nature). Government bonds therefore provide a 'hedge' for the liabilities. In practice any liability hedge would need to make use of derivatives, as physical bonds are not sufficiently flexible (by term and nature). Corporate bonds also have bond-like characteristics which provide a hedge for the liabilities, but also have an expected return which is higher than the expected return on government bonds. This higher expected return is not risk free, however, and so the credit component of a corporate bond investment can be viewed as a 'risky' asset.

[1]The Directors recognise that government bonds are not truly risk free given the inherent default risk of bonds, but that they are the lowest level of risk that can be taken in the investment policy.

[2]The Directors recognise that the liabilities themselves are a series of uncertain future cashflows. The expected cashflows can be estimated in advance, but the accuracy of these estimates will be dependent on a number of financial (e.g. inflation) and demographic (e.g. mortality rates) assumptions.

The Directors believe that assets that do not match the liabilities of the Plan 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.

Asset and liability modelling ('ALM') can be used to consider the risks inherent in the investment policy. Whilst the Directors accept the limitations of modelling, they should consider the output of an ALM exercise periodically.

Regarding risk measurement, the Directors acknowledge that there is no one right way of measuring the risk of the Plan's investment strategy. However, in terms of measuring potential adverse scenarios, Value at Risk ('VaR') and funding level volatility are considered to be useful metrics for quantifying the potential downside risk that the Plan is exposed to.

The Directors also believe that risks should only be tolerated to the extent that the Directors are satisfied they can be fully underwritten by the Founder.

The Directors regularly seek confirmation from the Founder that it has the resources to ensure that the risk of failing to meet the obligations to beneficiaries is extremely low. The Directors also seek independent confirmation of the Founder's ability to do so. However, the Directors believe that provided the Founder covenant can support the risks involved, taking investment risk in order to control expected future cash contribution requirements is perfectly reasonable.

The Directors believe that equities and credit should be expected to outperform government bonds over the long-term.

There is a fundamental economic rationale for equities and credit to outperform government bonds over the long-term (i.e. a 10-year period), but the Directors accept that this expected excess return is not guaranteed, and that over long periods of time, equities and credit can underperform relative to government bonds.

The Directors believe that assets with low liquidity should offer a liquidity premium.

Asset classes which can be expected to offer a liquidity premium include private equity, property and corporate bonds (both public and private debt). For those pension schemes which have a relatively long-term investment horizon, there is the potential to benefit from liquidity premia.

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DEFINED BENEFIT ASSETS – SEPTEMBER 2022

3.2. Return requires risk but risk does not guarantee return

The Directors believe that unrewarded risks should be removed if markets allow at a fair price.

For example, if markets are fairly priced, currency risks should not be rewarded.

UK investors take on currency risk when they invest in assets that are not denominated in sterling. They do this because they wish to hold the non-sterling securities in question rather than in the expectation of the foreign currency appreciating relative to sterling. This clearly introduces risk, because the foreign currency could either appreciate or depreciate relative to sterling, affecting the sterling value of the security. However, in the absence of currency mis-valuation, this risk should not be rewarded over the longer-term.

The Directors accept, however, that there will be periods when certain currencies are not 'fairly valued' and that these mis-pricings can result in a secular expectation that some currencies will appreciate relative to others.

3.3. Diversification of risky assets reduces volatility

The Directors believe that diversification of risky assets, both across and within asset classes, reduces risk and volatility.

This belief has been a central goal of the Directors when establishing a suitable investment policy. In particular:

- The equity portfolio should be diversified between UK and overseas markets, and across international equity markets.
- The management arrangements should be diversified across a range of investment managers, ideally with contrasting approaches.
- Allocations to alternative asset classes such as property, private equity, growth fixed income and active strategies such as Global Tactical Asset Allocation ('GTAA') are an appropriate means for achieving diversification of the Plan's assets.

The main reason for limiting diversification is that governance is limited, and so for practical reasons mandate size also matters.

3.4. The world is complex

The Directors believe that judgement and qualitative research are at least as important as quantitative analysis.

In particular, the Directors would not invest in a new asset class simply because an optimisation process suggests it is attractive. The Directors would need to be convinced that there is a fundamental rationale for making any investment.

The Directors also recognise that highly unlikely events occur, and that they occur more frequently than modelling would suggest they should. The Directors will therefore invest in an asset only if they are able to understand the nature of the risks involved, and how these risks can be managed.

The Directors believe that high quality, proprietary research is needed to construct portfolios capable of generating superior risk adjusted returns.

Developing best practice investment portfolios requires a substantial commitment to research, as some form of competitive advantage or insight is required to achieve better than average outcomes. This is true for investment managers when building portfolios capable of beating market returns, and also true for consultants when evaluating asset classes and investment managers.

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3.5. Behavioural issues are important

The Directors believe that investor behaviour can result in market inefficiencies.

A belief that market inefficiencies exist is a necessary, but not sufficient condition, for active management to be worthwhile. The additional requirements are that:

- Skilled investors who are able to exploit market inefficiencies exist.
- It is possible to identify these skilful investors.
- The excess returns achievable (through the use of active management) provide sufficient compensation for the additional fees charged by active managers, transaction costs, and the additional risks taken by active managers in pursuit of these excess returns.
- That assets under management of a particular investment strategy are such that this does not impede the active manager's ability to implement effectively their best ideas.

The Directors also believe that market inefficiencies (and therefore the scope for outperformance) are more prevalent on a global basis (rather than regional) as well as in less developed markets.

These additional requirements are not Beliefs, but factors that the Directors will review periodically on a market by market basis. The following inefficiencies should be considered:

- Stock price inefficiencies in global equity markets.
- Security mis-pricing in global bond markets.
- Market mis-valuations across global equity, bond and currency markets.
- Asset class mis-valuations (e.g. under-valuation of corporate bond market).

The Directors believe that active management of investment grade credit is preferable compared with a passive approach.

The forced selling/buying of issues that are downgraded/upgraded from/to a particular credit index can have a material impact on investment returns. This is due to the behaviour of index-tracking investors who are forced to sell/buy issues at any price, and consequently the value of certain assets can be under-valued/over-valued relative to their assessed fundamental value for a period of time.

Other disadvantages associated with a passive approach include any unintended concentration to certain sectors and issuers who comprise the largest constituents of an index when assessed on a market capitalisation weighted basis.

The Directors believe that market sentiment can result in opportunities for long-term investors.

Whilst market sentiment can result in over and under-valuation of securities and markets in the short-term, over the long-term, fundamental factors should drive markets. Long-term investors such as pension funds should, therefore, be able to exploit short-term inefficiencies. However, this does require a long-term perspective, and it is unrealistic to expect fundamental views, or fundamentally driven active management strategies, to be rewarded over short periods.

The Directors believe that the implementation of any change in policy needs to allow adequately for prevailing market conditions.

For example, when making a policy change, in volatile markets, there may be a case for implementing the change slowly over time.

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3.6. Governance is important

The Directors believe that good governance improves the quality of investment decision-making (i.e. better risk-adjusted returns).

Where the Directors do not have the skills or resources to make good decisions, they seek to obtain the skill or resource or they delegate decision-making to third parties with demonstrable skill, resources and expertise (e.g. day-to-day investment management is delegated to professional fund managers).

The Directors believe that it is appropriate to set investment guidelines which control the risks taken within investment mandates.

The Directors seek to set controls which limit risk without compromising an investment manager's ability to construct efficient investment portfolios.

The Directors believe that the interests of investment managers should be aligned with the interests of the Plan.

The Directors do not believe that performance-related fees change behaviour, but they do align interests. Where performance-related fees are used, these should be fairly structured (i.e. the manager's 'share' of the alpha generated needs to be appropriate). Furthermore, the Directors will always seek to ensure that managers are incentivised to achieve the targeted performance rather than to gather assets. They will also seek to ensure that the Plan is treated fairly by negotiating 'Most Favoured Nation' clauses whenever possible.

The Directors believe that effective monitoring improves the timeliness of decision-making.

Performance and risk should be monitored to ensure that the reasons for making an investment remain valid. This applies to both investments in broad markets, and investments in particular investment manager arrangements.

The Directors believe that governance processes and controls need to evolve over time.

Good governance is not a static concept and the Directors recognise that processes and controls need to adapt in response to, inter alia, changes in the circumstances of the Plan, the sponsor, the investment environment, and the regulatory environment.

The Directors believe that an ability to make decisions quickly can be advantageous.

This belief recognises that market conditions can change quickly, and that opportunities can be missed if decisions are not made in a timely fashion.

The Directors believe that training and education is important.

Without adequate training and education on investment issues, the Directors recognise that their ability to make well informed decisions could be compromised.

The Directors believe that good planning is important.

Time is a scarce resource, and so time available to the Directors needs to be used effectively. This requires good planning to ensure that the Directors do not spend time on activities that could be dealt with outside formal meetings. In particular, the Directors support the use of sub-committees to progress any implementation work and to fulfil some of the Directors' monitoring responsibilities between formal meetings.

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3.7. ESG factors can be financially material to security prices

The Directors believe that ESG factors can be financially material to security prices.

ESG factors such as environmental disasters, poor labour practices and accounting failures can lead to poor performance. The Directors also believe that consideration of ESG factors can lead to outperformance through the increased focus on the long-term sustainability of returns. Therefore, active managers conducting security level research should consider ESG factors in their investment research process.

The Directors believe that good active managers have considered how to incorporate ESG factors into their investment process.

ESG factors can be financially material so good active managers will consider them. An active manager's approach to ESG factors should be understood. Material weaknesses in their approach would count against their selection and retention.

The Directors believe that investment teams are likely to have stronger ESG analysis if the importance of ESG is recognised by their broader organisation.

Stronger investment team approaches to ESG are likely to be found when the broader organisation shows strong ESG commitment. This can often be seen through broader resources and better internal discussion and debate. More detailed diligence on the strength of a manager's ESG approach may be required where their broader organisation does not show strong ESG alignment.

The Directors believe that the impact of, and potential responses to, climate change creates a material financial risk. In particular, the Directors believe that companies should adjust their business strategies to align with the 2015 Paris Agreement.

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. Climate change risks should be considered in the selection of individual investments by investment managers. In particular, 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 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.

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

The Directors believe active stewardship can improve investment returns.

Some academic evidence shows improved investment returns from a range of activist engagement approaches. The Directors prefer managers with good stewardship approaches.

The Directors believe that investments in controversial weapons are not appropriate under any circumstances.

The Directors believe 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 Directors consider this and discuss it with investment managers, but is defined as weapons which are contrary to international treaties or conventions. These investments are prohibited within the Plan's segregated mandates. The Directors understand 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.

4. Summary

This paper sets out the Investment Beliefs that have been adopted by the Directors. These Beliefs should form the basis of all investment policy decisions. The Beliefs will be reviewed annually, but it is not expected that changes will be needed this frequently.

APPENDIX: CONFLICTS OF INTEREST POLICY

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

1. Purpose

This policy sets out:

- how DHL Trustees Limited (the "Trustee") (as Trustee of the Plan) will deal with any actual or potential conflicts of interest;
- how the Trustee expects professional advisers to deal with conflicts of interest.

A summary of the general trust law principles which apply to conflicts is included in Annex 1 to this policy. It is understood that these principles are recognised by DHL when appointing Trustee Directors.

2. Identifying conflicts

Recognising potential conflict situations

Potential conflicts of interest arise in three key areas:

- Conflicts between the Trustee Director's duty to the Plan and the Trustee Director's own interest e.g. as a member. These are known as "personal interest conflicts".
- Conflicts between the Trustee Director's duty to the Plan and other fiduciary duty e.g. as a director of DHL. These are known as "conflicts of duty".
- Where the Trustee Director is in possession of confidential information (by virtue of another role) which he/she may not share with his/her fellow Trustee Directors because of a duty of confidentiality owed to another person. These are known as "confidentiality conflicts".

When undertaking Trustee business, Trustee Directors should ask themselves if they feel able, without restriction or undue bias, to answer yes to the following questions:

- Can I continue to act in the best interest of the beneficiaries of the Plan?
- If there are competing interests, can I maintain and hold the balance fairly between those competing interests?
- Am I in possession of information relevant to a decision that I believe/know other Trustee Directors do not know and I am able to disclose?

If the answers are not a clear "yes", the Trustee Director should raise the matter with the Chair of the Trustee, and if appropriate with the Trustee's legal advisers. It is important for the Trustee Director to be careful that disclosing his/her potential conflict to the Chair does not put the Chair in a conflict position.

The Trustee Directors should take time to consider what decisions are scheduled for the year ahead and determine whether any conflicts are likely to arise. In preparing and considering a Trustee meeting agenda, the Chair and the Secretary to the Plan should consider any potential conflicts in issues arising for discussion.

Possible areas that could give rise to conflicts include, for example:

- Setting investment strategy and reviewing investment choices;
- Setting assumptions for actuarial valuations;
- Approving discretionary benefits to a member;
- Choosing different Trustee advisers;
- Setting contribution rates;
- Setting a recovery plan for correction of a deficit;
- Negotiating funding, including the choice of actuarial assumptions;
- Dealing with bulk transfers in or out;
- Discussing benefit changes proposed by DHL;
- Settling a death in service benefit claim; and
- Dealing with the allocation of any surplus.

A summary of the possible issues from DHL's perspective is set out in Annex 2 to this policy.

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Declaration and register of interests

New Trustee Directors are required to complete a declaration of interests upon appointment. All declared interests will be recorded on the register of interests.

The register of interests is included within all regular Trustee meeting packs and Trustee Directors must update their own declarations as and when any changes in circumstance occur.

Declaration and register of conflicts

As soon as a Trustee Director becomes aware that he/she has a conflict, or potential conflict, this must be declared to the Chair of the Trustee or, if appropriate, the Trustee Board as a whole.

Trustee Directors must declare any conflicts or potential conflicts at the beginning of each Trustee meeting (as regards items for discussion at that meeting) so that this declaration can be recorded in the minutes.

Any Trustee Director wishing to speak from DHL's view must state this clearly in a meeting and have this recorded in the minutes.

3. Evaluating and managing conflicts

When a conflict has been identified, the Chair of the Trustee or, if appropriate, the Trustee Board as a whole must assess its impact and decide whether an active form of management is needed.

To identify the appropriate option(s) for managing a particular conflict, the Chair or Trustee Board, as appropriate, must take into account the:

- Particular circumstances of the conflict;
- Actual risks the conflict poses; and
- Legal rules governing the Plan.

The Chair/Trustee Board will confirm if it is safe for the Trustee Director to participate in the meeting/discussion or will ask the Trustee Director to withdraw.

Where a Trustee Director's withdrawal has been pre-arranged, this is to be noted on the agenda.

Where the Chair, or any Trustee Director, has any doubt, the Trustee's legal adviser should be requested to advise. However, if this involves disclosing information that is confidential to DHL, the advice should be sought from DHL's legal advisers.

Any action taken to manage the conflict must be recorded appropriately.

General principles to take into account include:

- A purely trivial/coincidental or hypothetical interest that may conflict with Trustee duties may be discounted.
- Where the matter in question is not considered significant by the Chair, the conflict may or may not be disclosed to the Trustee Board by the Chair, and if the Chair considers suitable, the Trustee Board may be asked to accept that the Trustee Director can continue to take part in decision-making.
- Where a Trustee Director's interest is later thought to have been material to a decision, it is for the Trustee Director to show that it was not. For this reason, where a Trustee Director conflict is acute, the Chair should advise the Trustee Board that the Trustee Director has been asked to withdraw from discussions and decision-making as the burden of proof is too onerous.

APPENDIX: CONFLICTS OF INTEREST POLICY

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

- Where information which is confidential to DHL is the issue, the Trustee Director may:
  - Seek DHL's agreement up-front to release him/her from the obligation to DHL not to disclose the information to his or her fellow Trustee Directors; or
  - Seek DHL's agreement so that the Trustee Director is not involved in situations where confidential information is passed to him/her in day to day employment (either generally or for a particular period or in connection with a particular matter, if appropriate).
- If the conflict is highly significant and pervasive, the Trustee Director may decide, or be asked, to resign as a Trustee Director.
- If there is to be negotiation with DHL, the parties should establish a clear procedure. Where required, there should be genuine "Information Barriers" to protect the integrity of those on the Trustee side and the DHL side, and also their advisers. For example, DHL may establish a committee excluding any Trustee Director. The Trustee may set up a committee excluding anyone involved from DHL's perspective. Information (minutes/papers etc.) should also be carefully managed to prevent breaching the Information Barrier.
- The Trustee Board should ensure that its management of conflicts does not weaken its decision-making procedure or breach any quorum requirement.

Conflicts arising in relation to the different sections of the Plan

The Plan is a sectionalised scheme and the Trustee is Trustee of each section.

The Trustee Directors consider it unlikely that a conflict will arise as between the sections of the Plan but will be vigilant of the interests of each different section.

If the Trustee Directors consider that a conflict is likely to arise which requires active management, they will consider the appropriate action to take. This may include forming separate sub-committees of the Trustee Board, one for each conflicted section. Each sub-committee will have delegated authority to take decisions on behalf of the Trustee about the issue which is the subject of the conflict, and the conduct of those meetings will be as if the committee meeting were a Trustee Board meeting, with its decisions binding on the Trustee Board.

This policy is without prejudice to any special powers of the Ocean Section Trustee (currently Law Debenture) in relation to the Ocean Section.

4. Trustee awareness and understanding

To be able to identify and manage conflicts of interest appropriately, the Trustee Directors must understand:

- Their legal duties,
- The circumstances in which they may find themselves in a position of conflict of interest,
- This conflicts policy.

Trustee Director Candidates should be provided with information on the above key points and should be asked to carefully consider declining appointment if they anticipate any significant conflicts arising which could substantially frustrate their fulfilment of the role. It should be noted, however, that the Pensions Regulator recognises that it can be beneficial to appoint senior staff from the sponsoring employer as Trustees, particularly in terms of knowledge, expertise and experience.

The Pensions Regulator has issued guidance on conflicts of interests and a copy is available at the Pension Regulator's website at: **www.thepensionsregulator.gov.uk**.

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5. Managing adviser conflicts

If a conflict (potential or actual) is identified by an adviser or manager they must notify the Trustee Board as soon as practicable and recommend an appropriate course of action to manage that conflict.

Where there is likely to be a conflict of interest in giving advice, the Trustee Board should consider carefully:

- Whether it is appropriate to appoint the adviser in the first place.
- Whether the adviser should be removed and/or a new adviser appointed, either generally or in respect of a particular project.

To avoid conflicts of interest when using external advisers, the Trustee Board has directly appointed external advisers under separate agreements with the Trustee (e.g. in the context of legal, investment and actuarial advice).

The DHL Pensions team includes individuals who undertake work for both DHL and the Trustee Board (although certain individuals work primarily for the Trustee). This helps to promote a good partnership between the Trustee and DHL, but can lead to conflict issues. In practice for these individuals the Plan operates similar procedures for considering and disclosing conflicts as for individual Trustee Directors – although in the first instance potential difficulties within the team would be raised with the Secretary to the Plan before the Chair. If the Plan Secretary has any potential difficulties these will be raised with the Chair. Where the Chair considers appropriate, the relevant pension's team member would be asked to leave a meeting.

6. Review

This policy will be kept under periodic review and may be amended from time to time in the light of Plan experience and guidance from the courts and Pensions Regulator.

APPENDIX: CONFLICTS OF INTEREST POLICY

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Annex 1

Reminder of general trust law principles which apply to conflicts

- Trustees are required to act on behalf of all classes of members.
- When acting in a Trustee capacity, Trustees are required to put their duties as Trustee above any other duties which they may have, for example any duties they have as an employee or officer of DHL. However, when a Trustee is an employee or officer of DHL and is taking a decision for DHL, they have a duty to DHL.
- Trustees are not prohibited from acting when they have conflicting duties. They are prohibited from choosing to put themselves in a position of conflict, but not from acting if a conflict arises through circumstances, so long as they manage the conflict appropriately.
- If a Trustee is in possession of confidential DHL information which is material to the conduct of Scheme business which the Trustee knows but his/her fellow Trustees do not, he/she must ask DHL to share the confidential information with his/her fellow Trustees or permit him/her to do so, so as to remove the conflict of duty. If the sharing of confidential information is not permitted, for whatever reason, then that Trustee must declare that he/she has a conflict so that it can be managed appropriately.
- Unless it is in the public domain, Trustees must keep any information (for example, about individual members or DHL's financial affairs) they receive as part of their role confidential.
- A Trustee should be alert to occasions when their personal interest may be paramount in their mind and may unduly influence their decision-making. For example, a revision of a future benefit or scheme factor that would impact the value/timing of a Trustee's own imminent retirement.

Annex 2

Possible issues from DHL's perspective

- In practice DHL will have to disclose financially sensitive information to the Trustee and potentially consult with the Trustee over a range of corporate transactions.
- Appointing senior officers or board members of DHL as Trustee Directors has many advantages that outweigh the potential disruption that may be caused by dealing with conflict. In the main, when such individuals are Trustee Directors this helps maintain a strong relationship with DHL, a culture of openness and transparency in discussions and leads to more efficient and better quality scheme governance. Inclusion of such individuals also brings a range of skills and expertise to the Trustee Board, building confidence in the decision-making process.
- The real issue with such individuals is they may worry about becoming conflicted by knowledge or information, acquired in their positions during their employment which they may be prohibited, usually contractually or perhaps because of market abuse or insider dealing legislation, from disclosing.
- However, a Trustee Director (who is employed by DHL) should not feel conflicted if they are aware of matters that whilst not known by other Trustee Directors, would not be significant or relevant to the decision, or where it is not certain knowledge (e.g. informal discussion about a disposal where no decision has been made).
- The requirement, in certain circumstances, for DHL to report notifiable events or seek clearance, requires disclosure of many significant decisions that are relevant to the Plan. Reporting could help remove conflict for a Trustee Director.