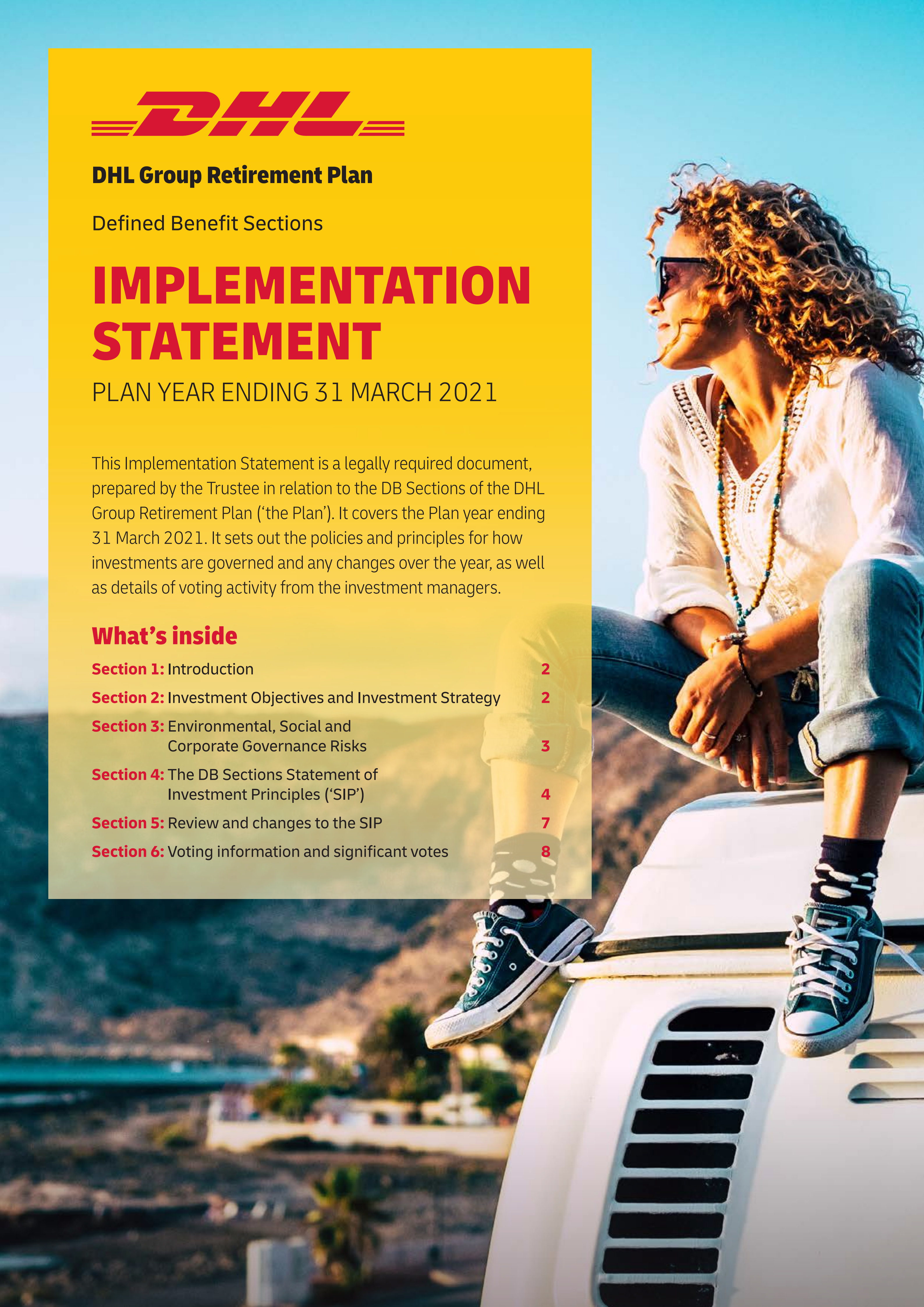

DHL Group Retirement Plan

Defined Benefit Sections

IMPLEMENTATION STATEMENT

PLAN YEAR ENDING 31 MARCH 2021

This Implementation Statement is a legally required document, prepared by the Trustee in relation to the DB Sections of the DHL Group Retirement Plan ('the Plan'). It covers the Plan year ending 31 March 2021. It sets out the policies and principles for how investments are governed and any changes over the year, as well as details of voting activity from the investment managers.

What's inside

SECTION 1: INTRODUCTION

This Implementation Statement has been prepared by the Trustee in relation to the DB Sections of the DHL Group Retirement Plan ('the Plan'). It covers the Plan year ending 31 March 2021. It should be read in conjunction with the Annual Implementation Statement in relation to the DC Section of the Plan.

The purpose of this Implementation Statement is to:

- summarise how the Statement of Investment Principles ('SIP') for the DB Sections has been followed during the year;
- outline any changes that have been made to the SIP; and
- provide details of how the Trustee's policies (as set out in the SIP) on Environmental, Social, and Corporate Governance (ESG) issues, including climate change risks, and policies on engagement and voting have been adhered to. Key highlights from an ESG perspective are shown on page 3, and a summary of some significant votes made on behalf of the Trustee are set out on page 8.

The latest version of the DB Sections SIP can be found online **here**.

This Statement has been produced in accordance with new regulatory requirements now in force and the guidance published by the Pensions Regulator. In summary, the Trustee believes that:

a) the policies outlined in the DB Sections SIPs in force have been adhered to over the Plan year; and

b) the investment managers activities aligned with the Trustee's policies on Environmental, Social and Corporate Governance (ESG) issues, engagement and voting.

SECTION 2: INVESTMENT OBJECTIVES AND INVESTMENT STRATEGY

The Trustee's primary objective is to invest each DB Section's assets in the best financial interests of its members and beneficiaries. To try and achieve this, each Section is invested in a range of different types of investment. When combined, this 'diverse portfolio' of investments helps reduce exposure to risk while still trying to grow the value of each DB Section's assets in line with its 'investment beliefs' (see Section 4 on investment decisions for more information).

The Investment Strategy for each of the DB Sections aims to have at least a 50% chance of being 100% funded by 2030. At this point, it is assumed that the assets will be invested in low risk, low return investments such as gilts (effectively lending money to the UK Government) and high quality corporate bonds (effectively lending to high quality companies).

Each DB Section's assets are highly diversified across a range of asset classes, in both public and private markets and use a number of investment managers. This is what provides the potential to increase the value of the assets above the returns on gilts.

A formal review of the investment strategy was undertaken during the Plan year, and no changes to the investment objective and investment strategy were made.

SECTION 3: ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

The Trustee believes that Environmental, Social, and Corporate Governance (ESG) issues, including climate change risks, can be financially material to security prices and should therefore be considered when reviewing how the DB Sections' assets are invested, the agreements it has in place with asset managers and the principles and policies which help govern both. On the following pages you can see the DB Sections Statement of Investment Principles ('SIP').

Here are some highlights:

15 out of 16

managers are signatories to the
United Nations Principles of Responsible Investment

15 out of 16

managers are signatories/supporters of the
UK Stewardship Code

351

engagements over 2020 (an interaction between an investment manager and a company they invest in, regarding an ESG issue)

SECTION 4: THE DB SECTIONS STATEMENT OF INVESTMENT PRINCIPLES ('SIP')

The table outlines the policies in the SIP for the DB Sections of the Plan and explains how these have been implemented for the Plan year to 31 March 2021.

	Policy	In the Plan year to 31 March 2021
Governance	The Trustee delegates the responsibilities of running the Plan to several committees. The relevant committees from an investment perspective are: a) the Funding and Investment Strategy Committee (FISC); and b) the DB Investment Implementation Committee (IIC).	Over the Plan year, the FISC and IIC have performed their duties in line with the activities set out in their respective terms of reference. The terms of reference for the FISC and IIC were reviewed and updated during the Plan year.
Investment decisions	The Trustee has adopted a set of 'investment beliefs' when considering the expected return, risk and diversification within the investment policy for the DB Sections, which are intended to guide future decisions relating to the investment of the DHL Pension Investment Fund's ('the Fund') assets.	The investment decisions that have been made over the Plan year are consistent with those investment beliefs. For example, the IIC continued to reduce risk by increasing the overall target liability hedging ratio for the DB Sections of the Plan. This helps reduce the overall risk that arises from uncertainty in future interest rates, one of the largest sources of risk for a pension plan. If interest rates were to fall, then the DB Sections' funding levels would be better protected because of the higher liability hedging ratio.
Risk management and measurement	There are various risks to which the DB Sections are exposed. The IIC has set out their approach to managing these risks in the SIP.	The IIC manage risks by setting an appropriate investment strategy, using suitably qualified and experienced providers, diversifying the investment portfolio of the Fund and regularly monitoring all of these. For example, the IIC have monitored the risk of the investment strategy and the key sources of risk in the quarterly investment reports over the Plan year. The Trustee was comfortable no changes to the investment strategy or options were required during the Plan year.
Portfolio construction	The Trustee has adopted a framework in structuring the Fund's investments which is described in the SIP. The implementation of the framework is the responsibility of the IIC.	Any enhancements to the Fund's investment policy over the period have been made in line with the framework adopted. For example, the IIC appointed a new investment manager over the year to invest approximately 2% of the DB Sections' assets in companies that generate the majority of their revenue from operating in less developed countries.

	Policy	In the Plan year to 31 March 2021
Investment objectives and investment strategy	The investment objectives of the DB Sections are linked to the funding objectives and are set by the Trustee. The Trustee recognises that its primary objective is to invest each DB Section's assets in the best financial interests of the members and beneficiaries of that DB Section. The investment strategy for each of the DB Sections aims to have at least a 50% chance of being 100% funded by 2030. At this point, it is assumed that the assets will be invested in low risk, low return investments such as gilts (effectively lending money to the UK Government) and high quality corporate bonds (effectively lending to high quality companies).	The IIC reviews the ongoing appropriateness of the investment strategy on a regular basis through the quarterly reporting provided by the relevant advisers. A formal review of the investment strategy was undertaken during the Plan year, and no changes were made.
Day-to-day management of the assets	The IIC delegates the day-to-day management of the DB Sections' assets to a number of investment managers, and regularly reviews the continuing suitability of investments, as well as the appointed managers. The IIC seek long-term, ongoing partnerships with their investment managers to incentivise medium to long-term financial and non-financial performance. The investment adviser provides advice on the guidelines that are agreed with each investment manager, which confirms the objectives are consistent with the Plan's SIP. The IIC reviews the turnover and ongoing investment costs on an annual basis using current industry standard templates.	The IIC has met with each of the investment managers over the Plan year in accordance with the policies in the SIP to assess the managers' performance and capabilities, and to review the turnover and ongoing investment costs in the portfolios. The IIC reaffirmed that it is comfortable with all of the manager appointments, except for one manager that was terminated. The IIC is happy that the contractual arrangements in place continue to incentivise the managers to make decisions based on medium to long term financial and non-financial performance. Performance expectations have been linked to the objectives of each of the investment portfolios. Where possible, investments have been structured with a longer-term objective or 'buy & maintain' approach to encourage 'investing' over 'trading' and are assessed as such. The investment adviser has provided advice on the guidelines that are agreed with each investment manager, which confirms the objectives are consistent with the Plan's SIP.
Realisation of investments	The investment managers have discretion in the timing of realisation of investments – for example, when an investment is sold. They also have discretion in considerations relating to the ease at which investments can be bought or sold (known as liquidity). This is subject to certain parameters in the appointment documents, which outline the agreements between the Fund and the investment managers, and the prospectuses of each fund.	The majority of the investments are held in segregated portfolios (where the investment objectives and guidelines are specific to the Fund) or pooled investment vehicles (where assets are co-invested with other investors and the IIC accept the guidelines of the pooled fund) with regular dealing cycles. The majority of the assets held are publicly traded assets. Where investments have been made in less liquid or 'illiquid' assets (meaning investments that can't be sold or exchanged for cash quickly and easily, like property) the IIC has considered the suitability of this based on advice from the DB investment adviser. The IIC monitors the liquidity requirements associated with the liability hedging mandate on a quarterly basis and seeks to maintain a prudent level of collateral to support this mandate. This liability hedging mandate helps reduce the overall risk that arises from uncertainty in future interest rates, one of the largest sources of risk for a pension plan. The collateral to support the liability hedging mandate consists of gilts and cash.

	Policy	In the Plan year to 31 March 2021
Cash requirements	The DB Sections have varying cashflow requirements. The IIC reviews the cashflow for the Fund and ensures each of the underlying Sections hold sufficient cash to meet the cashflow needs of that DB Section.	The liquidity requirements for the DB Sections are reviewed on an annual basis. A cashflow generating portfolio has been implemented – this is a collection of assets which produce consistent, income and maturity payments which are used to meet some of the cash outflow requirements, like paying benefits due to pensioner members.
Environmental, Social and Corporate Governance (ESG) risks	The Trustee delegates responsibility for the Plan's policy on Environmental, Social and Corporate Governance (ESG) risks to the IIC. The IIC believes that ESG issues, including climate change risks, can be financially material to security prices, and has given investment managers full discretion to evaluate ESG issues in the selection, holding and realisation (for example selling) of investments. The IIC believes that the impact of, and potential policy responses to, climate change creates a material financial risk, and that active stewardship can improve investment returns and should therefore be considered when appointing active managers. The Trustee and IIC do not require their investment managers to take non-financial matters into account in their selection, retention and realisation of investments.	The evaluation of how the Fund's active investment managers identify and manage material ESG risks including climate change, along with the quality of their stewardship activities, form part of the IIC's and the investment adviser's ongoing appraisal of a manager's appointment. The performance reporting prepared on a quarterly basis by the custodian includes several ESG related metrics in relation to total assets of the DB Sections. The investment adviser has provided an annual Stewardship & Engagement Report to the IIC with an assessment of the investment managers' ESG policies and how these have been implemented over the year. In future, the IIC will assess how the DB investment managers are identifying and integrating climate change risks, through an annual climate risk report.
Stewardship: Exercise of voting rights and engagement activities	The Trustee delegates responsibility for the Plan's policy on stewardship including the exercise of voting rights and engagement activities to the IIC. The IIC believes that good stewardship can enhance long-term portfolio performance, and 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 requires managers to report regularly and disclose all voting and engagement activity undertaken on behalf of the Fund, and may engage with the managers as part of its stewardship monitoring process. In addition, the IIC expects managers to comply with the **UK Stewardship Code** (where appropriate), and to have effective policies addressing potential conflicts of interest in matters of stewardship.	The IIC has delegated its voting rights to the investment managers. The IIC does not use the direct services of a proxy voter (a service used to enable someone else to vote on behalf of a shareholder). 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. The Fund has limited exposure to listed equities, and the voting records of these managers is summarised in the Stewardship & Engagement Report. The IIC has not had direct engagement with the issuers or other holders of debt or equity. Fifteen out of sixteen managers are signatories/supporters of the **UK Stewardship Code** – a high set of standards for investment managers, owners and service providers that encourage active and engaged governance in the interests of members and beneficiaries.

	Policy	In the Plan year to 31 March 2021
Investment restrictions	The Trustee has set investment restrictions within the segregated mandates to prohibit investments in business and corporate entities involved in the manufacture of controversial weapons as defined by the **United Nations Principles of Responsible Investment**.	No managers have reported a breach of this restriction over the Plan year.
Monitoring & reporting	The IIC reviews the appointment of the investment managers based on an assessment of their performance, processes and capabilities, and in the context of their ongoing suitability on the Fund's overall investment policy. The custodian also performs an independent performance monitoring role to help the IIC monitor the performance of the investment managers against their respective benchmarks.	The IIC has met with each of the investment managers over the Plan year in accordance with the policies in the SIP to satisfy themselves that the managers continue to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the DB Sections. Investment manager performance is assessed on investment returns after their fees have been subtracted.

SECTION 5: REVIEW AND CHANGES TO THE SIP

The DB Sections' SIP was reviewed and updated once in the year, in September 2020. The updates reflected new requirements to disclose:

- How the DB Sections' investment managers are incentivised to align their investment strategy and decisions with the policies in the SIP
- How the investment managers are incentivised to make decisions based on medium to long-term financial and non-financial performance of an investment (for example a company)
- How the investment managers are incentivised to communicate with those investments directly to improve their performance in the medium to long term
- How the method and time horizon for the investment managers' evaluation is in line with the Trustee's policies in the SIP
- How the Trustee monitors the costs of the investment manager buying and selling investments – known as 'portfolio turnover' – as well as how they define and monitor those costs
- The duration of the arrangement in place with those investment managers

Changes were also made to reflect the merger between the NHS and Exel Sections and the change of Custodian from State Street Bank and Trust Company to the Bank of New York Mellon Corporation.

SECTION 6: VOTING INFORMATION AND SIGNIFICANT VOTES

The voting information from the investment managers in the DB Sections over the period is summarised in the table below. Voting information for the individual managers, including significant votes has been reviewed by the Trustee. The most significant votes are viewed as those where the investment manager voted against company management. There were a number of such votes over the Plan year; a couple of examples are summarised below.

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.

In summary: voting activity of the investment managers	
How many meetings were you eligible to vote at?	4,872
How many resolutions were you eligible to vote on?	54,435
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%
Of the resolutions on which you voted, what % did you vote against management?	17%
Of the resolutions on which you voted, what % did you abstain from voting?	1%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%

The following table outlines examples of significant votes cast by the investment managers in respect of the funds the Plan invests in. These were deemed to be significant as the manager voted against company management:

Examples of significant votes	
Reckitt Benckiser Group plc	**Sunny Optical Technology**
On 12 May 2020, one of the equity managers Morgan Stanley Investment Management (MSIM) voted against a resolution to approve Reckitt Benckiser Group's remuneration report. This was due to concerns over the short and long-term performance metrics. The vote was passed, but MSIM continue to engage on the topic. Reckitt Benckiser is a British multinational consumer goods company that produces health, hygiene and nutrition products.	On 22 May 2020, another one of the equity managers, Sands, voted against a resolution to approve the issuance of equity or equity-like securities without pre-emptive rights. This is an ongoing issue typical to the Hong Kong market and Sands will vote against a company's right to issue shares without a vote or limit on the discount price.