



DHL Group Retirement Plan

DC Section

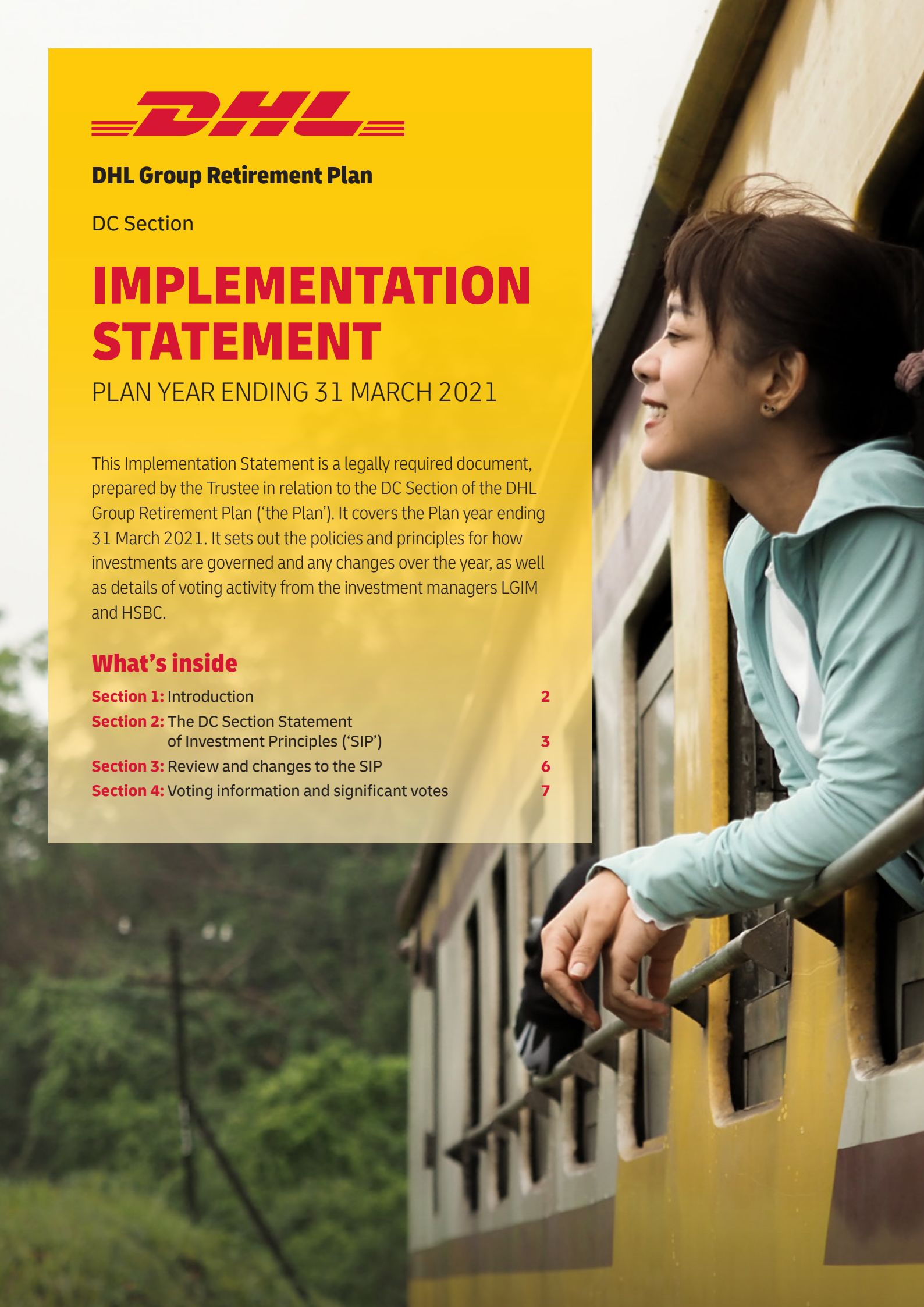
IMPLEMENTATION STATEMENT

PLAN YEAR ENDING 31 MARCH 2021

This Implementation Statement is a legally required document, prepared by the Trustee in relation to the DC Section 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 LGIM and HSBC.

What's inside

Section 1: Introduction	2
Section 2: The DC Section Statement of Investment Principles ('SIP')	3
Section 3: Review and changes to the SIP	6
Section 4: Voting information and significant votes	7



SECTION 1: INTRODUCTION

This Implementation Statement has been prepared by the Trustee in relation to the DC Section 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 DB Sections of the Plan.

The purpose of this Implementation Statement is to:

- ☑ summarise how the Statement of Investment Principles ('SIP') for the DC Section has been followed during the year;
- ☑ outline any changes that have been made to the SIP; and
- ☑ provide a description of voting behaviour (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

The SIP is a legally required document produced by the Trustee. The DC Section SIP sets out the principles the Trustee follows in order to provide a suitable range of investment funds for the Plan's members.

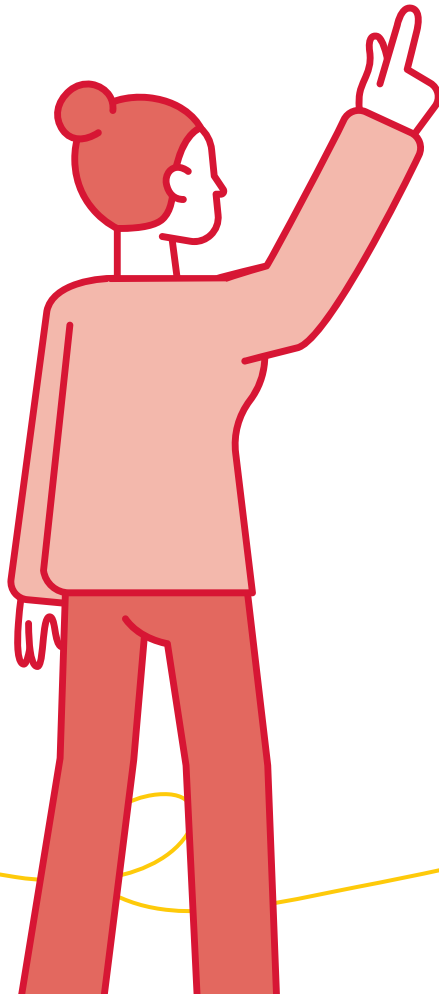
The latest version of the DC Section SIP can be found online [here](#). ↓

In summary, the Trustee believes that:

- a. the policies outlined in the DC Section 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.




Having monitored the investment managers over the year, and reviewed the voting information outlined in this statement, the Trustee is satisfied that the managers are acting in the members' best interest and are effective stewards of the DC Section assets.

The Trustee will continue to monitor the investment managers' stewardship practices on an ongoing basis.



SECTION 2: THE DC SECTION STATEMENT OF INVESTMENT PRINCIPLES ('SIP')

The table outlines the policies in the SIP for the DC Section 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
<p>Governance</p> 	<p>The Trustee delegates specific responsibilities for the running of the Plan to several committees. The committee that oversees the DC Section is the DC Committee (DCC).</p>	<p>Over the year under review, the DCC has performed its duties in line with the activities set out in its terms of reference, which are reviewed every year.</p>
<p>Investment objective and strategy</p> 	<p>The Trustee's objective is to provide members with a range of investments, through funds where the money from individual members is 'pooled together'. Together with new contributions from members and the employers, its objective is that this will provide an account at retirement with which to pay the retirement benefits selected by members.</p> <p>The Trustee has a policy of obtaining ongoing advice on whether those funds continue to be satisfactory, and that the LGIM investment platform continues to be appropriate.</p>	<p>During the previous Plan year, the Trustee completed a detailed review of the Plan's DC investment strategy. This involved implementing changes to the underlying composition of the funds that make up the Lifestyle strategies, and some of the Freestyle funds. In addition, three new funds (the DHL UK Equities fund, the DHL Global Property fund and the DHL Corporate Bonds fund) were introduced and the Alternatives Fund was closed.</p> <p>During the last Plan year, the DCC, with advice from its DC investment adviser, undertook a review of the investment options, and concluded that they remained satisfactory.</p> <p>The DCC also received a report from its DC investment adviser on the performance and suitability of the LGIM investment platform, which concluded that it continued to be appropriate for the Plan.</p>
<p>Responsible investment and sustainability</p> 	<p>The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process, and Environmental, Social and Corporate Governance (or 'ESG') issues, including climate change, are financially material.</p>	<p>The way in which ESG issues are integrated into individual funds is delegated to the investment managers. However, the Trustee monitors the managers' approach to sustainable investment and takes account of ESG in its selection of the funds available to members. For example, in the previous Plan year equity funds were added within both the Lifestyle strategies and Freestyle fund range which explicitly take account of the approach that companies take to ESG issues.</p> <p>During this Plan year the DCC, with its DC investment adviser, undertook a sustainable investment review of the DC investment managers. The review included a focus on how investment managers bring ESG considerations into their portfolio and investment process, where relevant to the specific fund. Generally, the managers scored well across the areas considered in the review.</p>

Policy

In the Plan year to 31 March 2021

Stewardship



The Trustee delegates responsibility for stewardship activities (including voting rights and engagement activities) related to investments to the investment managers.

The Trustee expects the Plan's investment managers to take on engagement activity with companies that includes:

- their performance;
- their strategy;
- their capital structure and the management of actual and potential conflicts of interest of investee companies and other stakeholders; and
- the ESG impact of underlying holdings.

The Trustee periodically reviews engagement and stewardship activity undertaken by their investment managers to ensure that the policies outlined above are being met.

As part of the sustainable investment review, the DCC reviewed the investment managers' stewardship policies and practices. This included reviewing information on how managers had exercised their voting rights over the year, the key engagements managers had undertaken with investee companies over the year, and any changes to managers' voting and stewardship policies over the year.

Overall the DCC was satisfied that both LGIM and HSBC are exercising an appropriate degree of stewardship over the companies in which the funds invest.

Performance objectives



Whilst the Trustee is not involved in each investment manager's day-to-day method of operation and therefore cannot directly influence whether the target performance of investments are reached, it will regularly assess performance and review the managers that are appointed.

The DCC reviewed the funds' performance on a quarterly basis through this Plan year.

The DHL Diversified Growth fund and the DHL Diversified Cautious fund have long term performance objectives that aim to beat inflation, measured by the Consumer Prices Index (CPI). This aims to ensure that the value of the money invested increases at a higher rate than the cost of goods and services.

The target for the DHL Diversified Growth fund is CPI + 4% per year and the DHL Diversified Cautious fund is CPI + 2% per year. Both funds have outperformed their target objectives over the 5 years to 31 March 2021.

All other funds are managed passively, meaning that they aim to broadly match the performance of a 'benchmark index'. An index is used to represent the performance across a group of investments that share similar characteristics – for example a similar geography or industry. All funds have delivered performance in line with expectations over the Plan year and longer term.

Policy

Relationship
with investment
managers



Alignment between an investment manager's management of the Plan's assets and the Trustee's policies and objectives is a fundamental part of the appointment process of an investment manager. The Trustee and DCC, through its regular monitoring of investment funds and managers will seek to ensure that all funds are being managed in a way that is consistent with the Trustee's policies. Should this appear not to be the case, the Trustee will engage with the investment manager to understand the reasons for this and whether closer alignment can be achieved. If this is not possible the Trustee may look to replace the fund.

The Trustee reviews the costs incurred in managing the Plan's assets, including the costs associated with portfolio turnover, on an annual basis.

In the Plan year to 31 March 2021

During the Plan year, the latest SIP was sent to all investment managers, who were asked to highlight if there is any misalignment between the Trustee's policies and how they manage the Plan's assets. No concerns were raised.

The DCC reviewed the DC Section funds' ongoing costs and charges through a report provided by its DC investment adviser. This report included details of incurred fees over the year, including underlying fees such as transaction costs, including portfolio turnover costs.

The DCC has received information on the levels of turnover within each of the underlying funds during the Plan year, i.e. turnover through the buying and selling of investments that make up those funds. Overall the DCC is comfortable that the levels appear appropriate, in the context of the way each fund is managed, and the total levels of cashflow in and out of each fund during the year.

Risk
management



The Trustee recognises a range of specific investment risks with reference to the Plan's DC arrangements which are summarised in the SIP.

The Trustee monitored and managed these risks during the Plan year through:

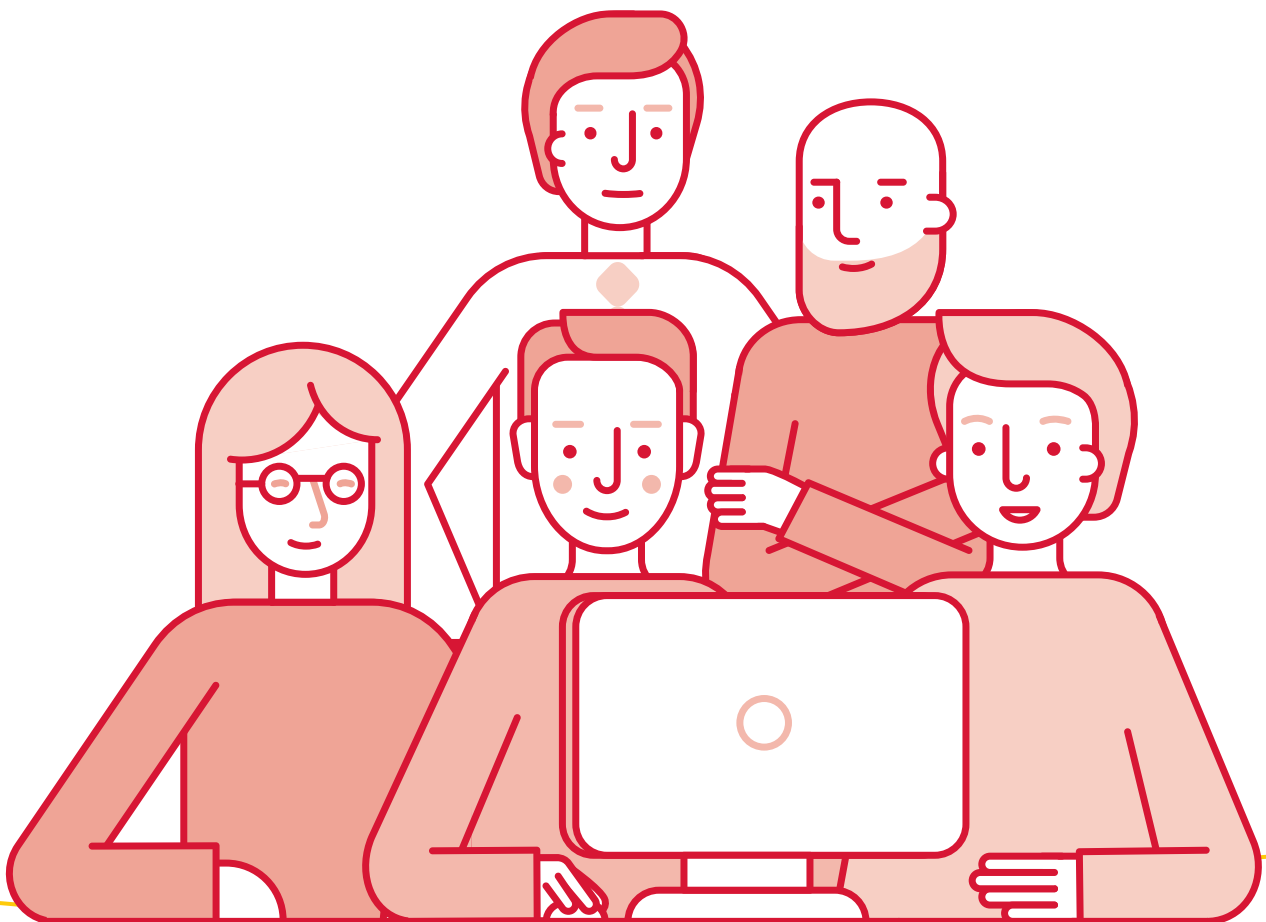
1. The regular reporting received by its investment advisers and managers
2. The range of Lifestyle strategies offered to members, which are designed to help members address different investment risks they face throughout their membership of the Plan
3. The range of Freestyle funds offered, which enable members to consider the risks that are most relevant to them and to invest to mitigate these

The Trustee was comfortable no changes to the investment strategy or options were required during the Plan year.

SECTION 3: REVIEW AND CHANGES TO THE SIP

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

- How the DC Section's 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



SECTION 4: VOTING INFORMATION AND SIGNIFICANT VOTES

The DC Section offers a diverse range of asset classes through the Lifestyle strategies and the Freestyle fund range. The information in this section focusses on the equity investments within underlying funds of both Lifestyle and Freestyle options which have voting rights. This means shareholders have the ability to vote on decisions made by a company, like substantial changes to its operations, mergers and acquisitions, the make-up of the board of directors or their incentives.

Because these equity investments are in 'pooled funds' and are managed on a passive basis, the voting entitlements in these funds lie with the investment managers. More information on pooled funds and passive management can be found on pages 3 and 4.

This section sets out the voting activities of LGIM and HSBC over the year including details of LGIM and HSBC's use of proxy voting services.

LGIM

LGIM has a voting policy which determines its approach to voting, and the principles to be followed when voting on investors' behalf. LGIM uses voting proxy advisers which aid the decision-making when voting. Details are summarised opposite:

“ LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decision.

LGIM uses ISS recommendations to augment its own research. LGIM's internal investment stewardship team also uses research reports of Institutional Voting Information Services (IVIS) to supplement the research reports received from ISS for UK companies when making specific voting decisions.

LGIM has a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM has the ability to override any vote decisions which are based on this custom voting policy if it sees fit. ”

HSBC

HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills. Details are summarised opposite:

“ HSBC use voting research and platform provider ISS to assist with the global application of their voting guidelines. ISS reviews company meeting resolutions and provides recommendations, highlighting resolutions which contravene HSBC's guidelines.

HSBC review voting policy recommendations according to the scale of HSBC's overall holdings. The majority of holdings are voted in line with the recommendation based on HSBC's guidelines. ”

The table on the following pages sets out the key voting activity of the Scheme's equity investment managers, on behalf of the Trustee, over the year.

Manager and strategy	Exposure within the DC Section funds	Voting activity	
LGIM Future World Global Equity Index Fund	DHL Diversified Growth fund	Number of resolutions on which manager was eligible to vote:	51,008
	DHL Diversified Cautious fund	Percentage of eligible votes cast:	100%
	DHL Global Equities fund	Percentage of votes with management:	84%
		Percentage of votes against management:	16%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	0%
LGIM Future World UK Equity Index Fund	DHL UK Equities fund	Number of resolutions on which manager was eligible to vote:	7,322
		Percentage of eligible votes cast:	100%
		Percentage of votes with management:	93%
		Percentage of votes against management:	7%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	1%
LGIM Future World Emerging Markets Equity Index Fund	DHL Emerging Markets Equities fund	Number of resolutions on which manager was eligible to vote:	22,689
		Percentage of eligible votes cast:	100%
		Percentage of votes with management:	84%
		Percentage of votes against management:	15%
		Percentage of votes abstained or withheld:	1%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	0%

Manager and strategy	Exposure within the DC Section funds	Voting activity	
LGIM Infrastructure Equity MFG Fund	DHL Diversified Growth fund	Number of resolutions on which manager was eligible to vote:	1,158
	DHL Diversified Cautious fund	Percentage of eligible votes cast:	100%
		Percentage of votes with management:	85%
		Percentage of votes against management:	15%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	0%
LGIM Heitman Global Prime Property Securities Fund	DHL Diversified Growth fund	Number of resolutions on which manager was eligible to vote:	1,223
	DHL Diversified Cautious fund	Percentage of eligible votes cast:	100%
	DHL Global Property fund	Percentage of votes with management:	84%
		Percentage of votes against management:	16%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	0%
HSBC Islamic Global Equity Index Fund	DHL Shariah Global Equities fund	Number of resolutions on which manager was eligible to vote:	1,597
		Percentage of eligible votes cast:	92%
		Percentage of votes with management:	88%
		Percentage of votes against management:	12%
		Percentage of votes abstained or withheld:	0%
		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:	8%

The following table outlines a number 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:

Most significant votes cast	Coverage in portfolio
Company: Olympus Corporation	LGIM Future World Global Equity Index Fund
Meeting Date: 30th July 2020	
Type of resolution: Management	
Resolution: Elect Director Yasuo Takeuchi	
Company Management Recommendation: For	
How LGIM voted: Against	
Outcome of vote: For	

Commentary: Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below.

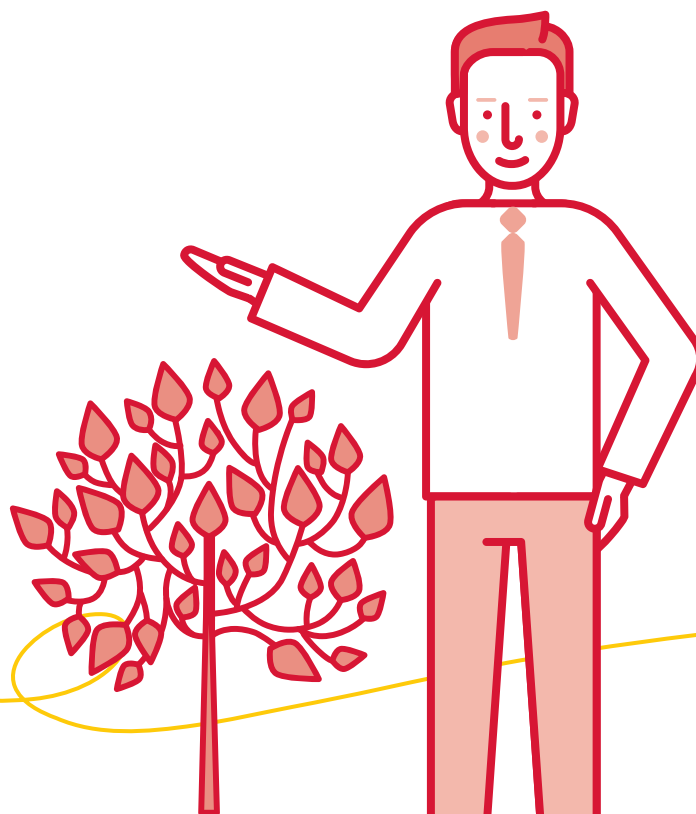
On a global level LGIM consider that every board should have at least one female director as an absolute minimum. Overall, LGIM aspire to all boards comprising 30% women.

Last year in February LGIM sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that they expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation.

In the beginning of 2020, LGIM announced that they would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100.

LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.

94.9% of shareholders supported the election of the director. LGIM will continue to engage with and require increased diversity on all Japanese company boards.



Most significant votes cast

Coverage in portfolio

Company:	The Procter & Gamble Company (P&G)	LGIM Future World Global Equity Index Fund
Meeting Date:	13th October 2020	
Type of resolution:	Shareholder	
Resolution:	Report on effort to eliminate deforestation	
Company Management Recommendation:	Against	
How LGIM voted:	For	
Outcome of vote:	For	

Commentary: P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020.

Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp.

Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits.

Only FSC certification offers guidance on land tenure, workers, communities and indigenous peoples' rights and the maintenance of high conservation value forests.

LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. LGIM spoke to representatives from the proponent of the resolution, Green Century. In addition, they engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns.

Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could.

The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies they invest clients' assets in are not contributing to deforestation.

LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.

Most significant votes cast	Coverage in portfolio
-----------------------------	-----------------------

Company:	Barclays Plc	LGIM Future World Global Equity Index Fund
Meeting Date:	7th May 2020	LGIM Future World UK Equity Index Fund
1 . Type of resolution:	Management	
Resolution:	Approve Barclays’ commitment to tackling climate change	
Company Management Recommendation:	Against	
How LGIM voted:	For	
Outcome of vote:	For	
2 . Type of resolution:	Shareholder	
Resolution:	Approve ShareAction requisitioned resolution	
Company Management Recommendation:	Against	
How LGIM voted:	For	
Outcome of vote:	Against	

Commentary: In January 2020, a coalition of investors filed a shareholder resolution asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with articles 2.1(a) and 4.1 of the Paris Agreement (the shareholder resolution). Barclays proposed its own resolution (the management resolution) at its annual general meeting (AGM) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays has committed to provide further details of the strategy by the end of the year.

The resolution proposed by Barclays sets out the firm’s long-term plans and had the backing of ShareAction and co-filers. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.

Most significant votes cast

Coverage in portfolio

Company:	SIG	LGIM Future World Global Equity Index Fund
Meeting Date:	9th July 2020	LGIM Future World UK Equity Index Fund
Type of resolution:	Management	
Resolution:	Approve one-off payment to Steve Francis (interim CEO)	
Company Management Recommendation:	For	
How LGIM voted:	Against	
Outcome of vote:	For	

Commentary: The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period (February - April). The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. The additional payment was subject to successfully completing a capital-raising exercise to improve the liquidity of the business.

The one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support for its payment. LGIM does not generally support one-off payments and believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments.

In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.

Whilst the resolution passed, 44% of shareholders did not support it. LGIM believe that with this level of dissent the company should not go ahead with the payment, and will engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.



Most significant votes cast

Coverage in portfolio

Company:	Samsung Electronics	LGIM Future World Global Equity Index Fund
Meeting Date:	17th March 2021	LGIM Future World Emerging Markets Equity Index Fund
Type of resolution:	Management	
Resolutions:	Election of 3 Directors: Park Byung-gook (Outside Director), Kim Jeong (Outside Director), Kim Sun-uk (Outside Director to Serve as an Audit Committee Member)	
Company Management Recommendation:	For	
How LGIM voted:	Against	
Outcome of vote:	Results not yet available	

Commentary: In January 2021, Lee Jae-yong, the vice chairman of Samsung Electronics and only son of the former company chairman, was sentenced to two years and six months in prison for bribery, embezzlement and concealment of criminal proceeds worth about KRW 8.6 billion. Lee Jae-yong was first sentenced to five years in prison in August 2017 for using the company's funds to bribe the impeached former President Park Geun-hye. While Lee was released from prison, he was not acquitted of the charges. Based on the court's verdict, Lee actively provided bribes and implicitly asked then president Park to use her power to help his smooth succession. The court further commented that the independent compliance committee established in January 2020 has yet to become fully effective.

LGIM engaged with the company ahead of the vote. However, they were not satisfied with the company's response that ties have been severed. LGIM are concerned that Lee Jae-yong continues to make strategic company decisions from prison. Additionally, they are not satisfied with the independence of the company board and that the independent directors are really able to challenge management.

LGIM voted against the resolutions as the outside directors, who should provide independent oversight, have collectively failed to remove criminally convicted directors from the board. The inaction is indicative of a material failure of governance and oversight at the company.



Most significant votes cast	Coverage in portfolio
-----------------------------	-----------------------

Company:	Alphabet Inc	HSBC Islamic Global Equity Index Fund
Meeting Date:	3rd June 2020	
Type of resolution:	Shareholder	
Resolution:	Approve recapitalisation plan for all stock to have one vote per share	
Company Management Recommendation:	Against	
How HSBC voted:	For	
Outcome of vote:	Against	

Commentary: HSBC supports the principle of one share-one vote as they believe that this is the best means of ensuring accountability to all shareholders, in the long-term interest of the company.

HSBC considers this vote to be relevant on the basis it was cast against the management recommendation and covered a relevant shareholder right issue.

Most significant votes cast	Coverage in portfolio
-----------------------------	-----------------------

Company:	Chevron Corporation	HSBC Islamic Global Equity Index Fund
Meeting Date:	27th May 2020	
Type of resolution:	Shareholder	
Resolution:	Report on climate change	
Company Management Recommendation:	Against	
How HSBC voted:	For	
Outcome of vote:	For	

Commentary: HSBC favours resolutions that request increased reporting and accountability on climate change issues. They had voted against the management recommendation on the important issue of transparency about lobbying, intended to ensure that any lobbying funded by the company was consistent with the Paris climate agreement.

HSBC will contact the company to explain their rationale. They will request an explanation from the company of the steps it intends to give effect to the recommendations of this advisory resolution.

