DHL Group Retirement Plan

Defined Benefit Sections

IMPLEMENTATION STATEMENT

PLAN YEAR ENDING 31 MARCH 2023

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 2023. 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 2023. 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 11.

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

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

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

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

c) the implementation of the policies outlined in the DB Sections' SIP in force over the Plan year has been consistent with the overarching aim to achieve the primary objective to invest each DB Section's assets in the best financial interests of its members and beneficiaries, which is expected to drive long term value. This is demonstrated by the changes made to the investment policy and enhancement of the ESG policies over the period, as set out in this Statement.

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 mainly 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 were made. However, the investment policy was revised in August 2022 to take advantage of a de-risking opportunity. In particular, to reduce the expected excess return (and risk) of the investment policy, given the expected excess return at the time was materially higher than the return required to achieve full funding by 2030. The expected target return remains unchanged.

In addition, several further changes were made to the investment policies during the gilt-crisis in September and October 2022 to raise liquidity to top-up the collateral pools supporting the liability hedging portfolios. Furthermore, the liability hedging exposures were restructured to ensure a sufficient level of collateral resilience was achieved.

SECTION 3: ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

The Trustee believes that 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.

During the Plan year, the Trustee agreed the following stewardship priorities within E, S and G:

- **E - Climate Change:** For example, investment managers engaging with companies on their climate change policies and/or voting on resolutions requiring publication of a business strategy that is aligned with the Paris Agreement on climate change;
- **S - Modern Slavery:** For example, investment managers engaging with companies on their modern slavery policies especially with regards to their supply chains; and
- **G – Diversity & Inclusion:** For example, investment managers voting against a director appointment where the board is not sufficiently gender diverse.

Case studies provided by the investment managers (anonymised) for each of these stewardship priorities are included Section 7.

On the following pages you can see extracts from the DB Sections' Statement of Investment Principles ('SIP').

Here are some highlights:

16 out of 16

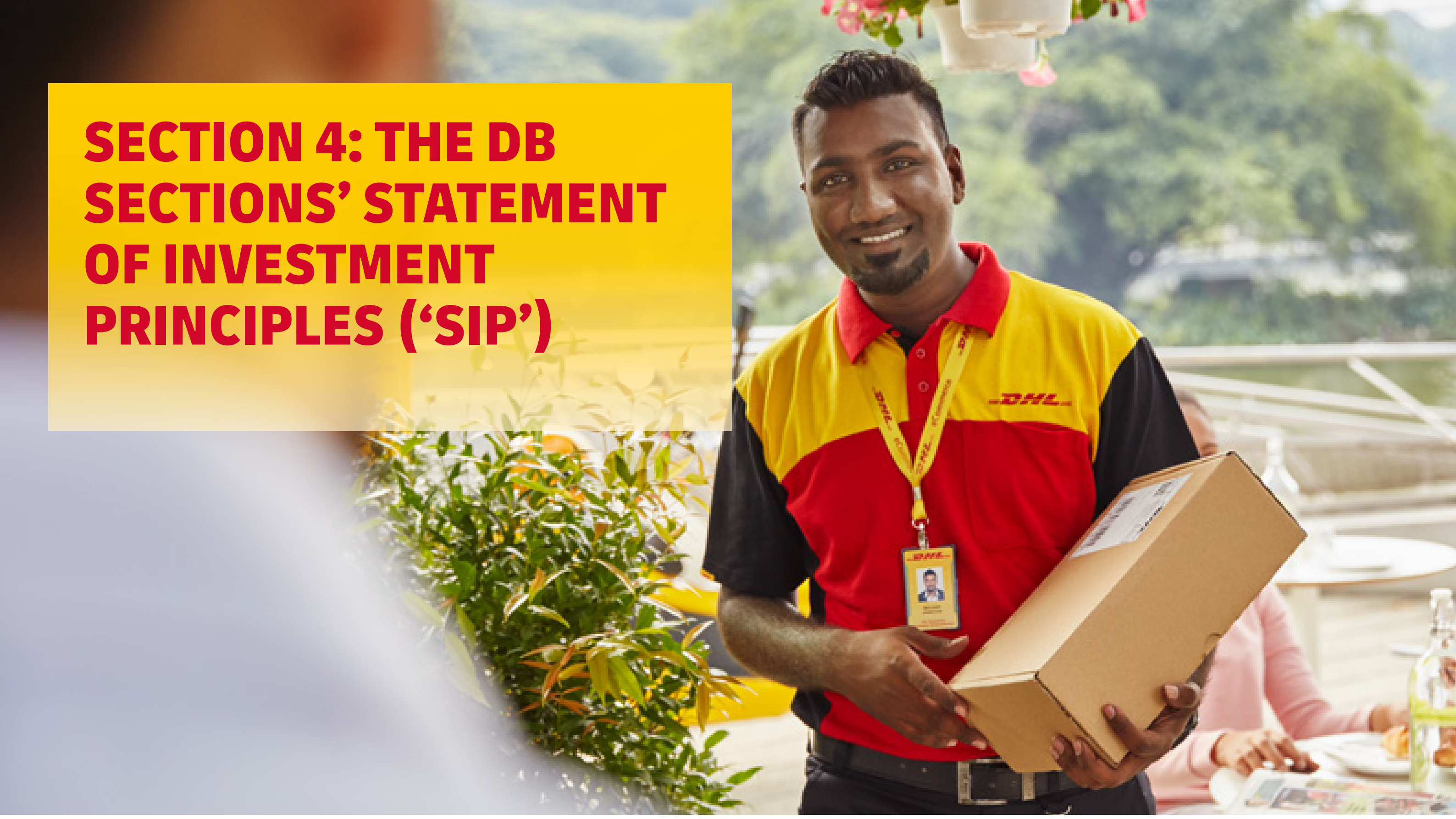
managers are signatories to the **United Nations Principles of Responsible Investment**

12 out of 16

managers are signatories of the **UK Stewardship Code**

413

entities were engaged with over the 2022 calendar year (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 2023.

	Policy	In the Plan year to 31 March 2023
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) and the Sub-Committee of the 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. The investment beliefs were reviewed over the Plan year and were updated to remove the belief that liability-related risks can be rewarded. In addition, further clarification was included in relation to the risk metrics used to quantify the potential downside risk that the Plan is exposed to.

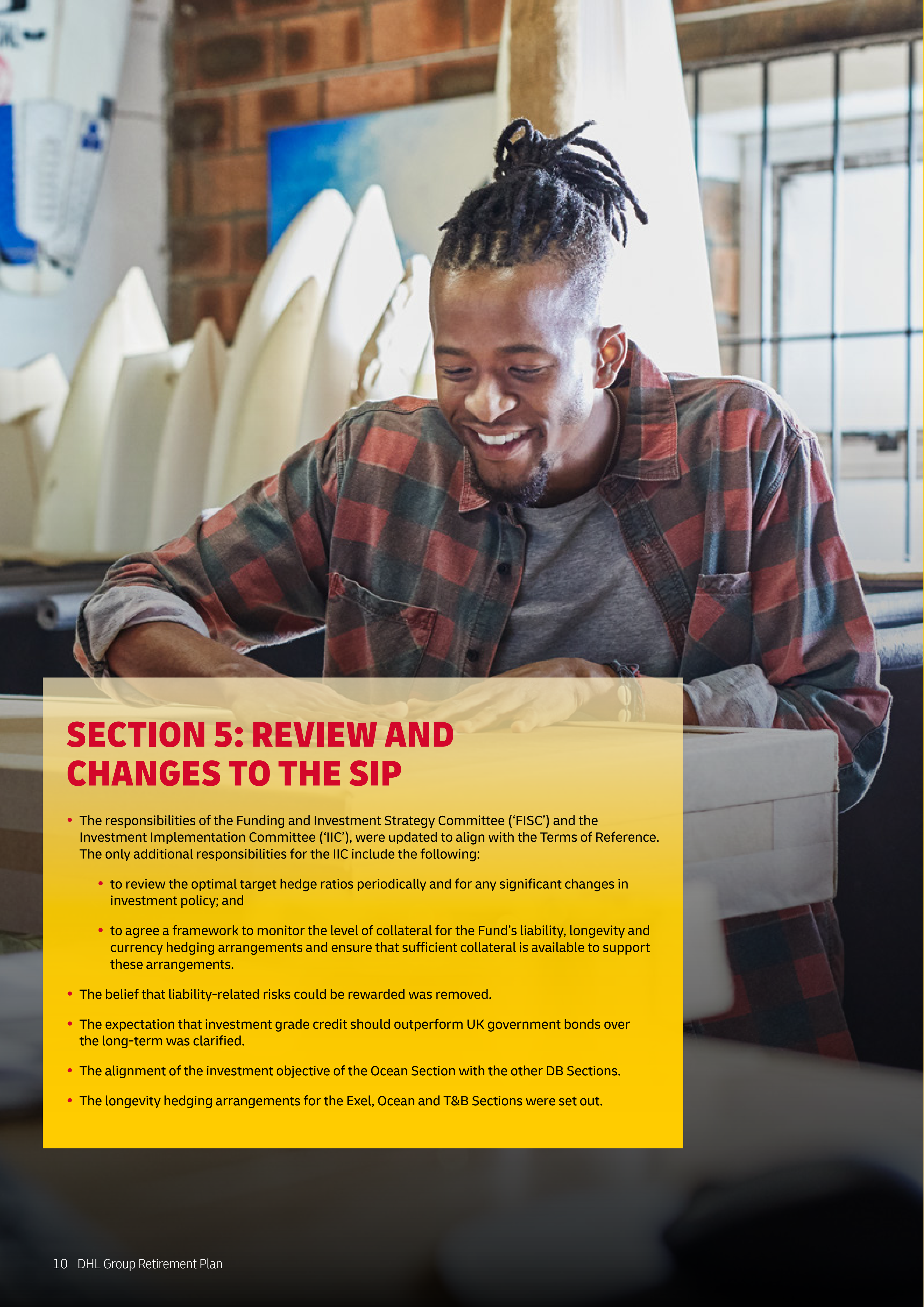
	Policy	In the Plan year to 31 March 2023
Risk management and measurement	There are various risks to which the DB Sections are exposed. The Trustee has set out its approach to managing these risks in the SIP.	The IIC manage risks by setting an appropriate investment strategy, using suitably qualified 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 investment policies for each Section were revised in August 2022 to take advantage of the materially higher excess returns at the time, relative to the returns required to achieve full funding by the target date. To this end, the emerging market debt mandate was terminated, and both the equity and hedge fund allocations were reduced. In addition, it was agreed to rebalance the liability hedging portfolios back to the target allocation with the redemption proceeds raised from these activities. Furthermore, it was agreed to increase the overall target allocation to 'Matching' assets by embedding the overweight allocation at the time to the relevant asset classes. Following the turmoil in investment markets as a result of the gilt-crisis in September and October 2022, the focus of any further changes to the investment policy was to raise liquidity to top-up the collateral pools supporting the liability hedging portfolios. In particular, capital was raised by trimming the allocation to several liquid credit asset portfolios, and by synthesising the equity exposures. Furthermore, liability hedge ratios for each Section were reduced, and the liability hedging arrangements were restructured to ensure a sufficient level of collateral resilience was achieved. Over the year, the benchmarks for the liability hedging portfolios were updated to reflect the latest interest rate and inflation sensitivities in the liabilities. In addition, the liability hedging arrangements for the Global Forwarding, AEI and Express Sections were separated from the T&B Section. Near to the end of the Plan year, the IIC agreed to adopt a more strategic-based rebalancing policy, with the IIC reviewing the position each quarter on a qualitative basis. Factors such as expected excess return, tracking against the funding targets, and collateral headroom would be considered, and rebalancing decisions made accordingly.

	Policy	In the Plan year to 31 March 2023
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 investment policy over the period have been made in line with the framework adopted. In particular, the Trustee agreed to make changes to the investment policy to: • take advantage of the higher excess returns compared to the required returns; and • increase the level of collateral held to support the liability hedging portfolios, and to restructure the liability hedging exposures, to ensure a sufficient level of collateral resilience was achieved.
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 policy was undertaken in August 2022, and again during the gilt crisis in September and October 2022. As a result, several changes were made to the investment policies, as highlighted above.

	Policy	In the Plan year to 31 March 2023
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 seeks 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.	The IIC, or the Sub-Committee of 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 concerns raised in relation to the management of the Aviva infrastructure equity mandate. A specialist provider prepares a report to the IIC on the transaction and ongoing investment costs of the Fund's managers, which is reviewed on an annual basis. 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 prior to the gilt crisis were invested in 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 2023
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. The Fund has a cashflow generating portfolio which 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 ESG risks to the IIC. The Trustee 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 Trustee believes that the impact of, and potential policy responses to, climate change creates a material financial risk. In particular, the Trustee believes that companies should adjust their business strategies to align with the 2015 Paris Agreement and those that fail to do so can face significant investment and climate-related risks. In addition, the Trustee believes that active stewardship can improve investment returns and should therefore be considered when appointing active managers. The Trustee has set investment restrictions to prohibit investments in businesses involved in the manufacture of controversial weapons, where it is practical to do so. The Trustee does 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 in relation to stewardship, engagement and voting, and how these have been implemented over the year. In addition, the Trustee published its first annual Climate Report in line with the requirements, specifically to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The report addressed the specific disclosure requirements in the regulations which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ('TCFD'). The report is available on the Plan's member website. Over the Plan year, the Trustee updated its Climate Risk Policy to reflect changes to its governance, details of the four scenarios adopted (covering a range of likely temperature pathways) for the analysis undertaken in 2021 and that 'climate-related engagements' had been chosen as the metric to target. The Trustee also adopted a fourth metric in relation to TCFD which captures the proportion of investments in companies which have set SBTi ('Science Based Targets initiative') targets for each manager's portfolio. This is an objective measure as the number would be verified by the Science Based Targets initiative, an external body. No managers have reported a breach of the restriction on controversial weapons over the Plan year.

	Policy	In the Plan year to 31 March 2023
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.	During the Plan year, the Trustee agreed to set stewardship priorities in relation to climate change, modern slavery and diversity and inclusion. The priorities are areas that managers were already focusing their engagement strategy on, tie in well with the TCFD requirements and can pose a material financial and/or reputational risk. The Fund no longer has exposure to physical listed equities. Therefore a policy on voting rights is not required. The voting records of the equity managers that were in place for the first part of the year are summarised in the Stewardship & Engagement Report. The Plan has been a signatory of the UK Stewardship Code since March 2022, a high set of standards for investment managers, owners and service providers that encourage active and engaged ownership in the interests of members and beneficiaries. Twelve out of sixteen DB Section investment managers are also signatories of the UK Stewardship Code, and the Trustee expects more of the Fund's managers to become signatories over time.
Monitoring and 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, or the Sub-Committee of 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 responsibilities of the Funding and Investment Strategy Committee ('FISC') and the Investment Implementation Committee ('IIC'), were updated to align with the Terms of Reference. The only additional responsibilities for the IIC include the following:
  - to review the optimal target hedge ratios periodically and for any significant changes in investment policy; and
  - to agree a framework to monitor the level of collateral for the Fund's liability, longevity and currency hedging arrangements and ensure that sufficient collateral is available to support these arrangements.
- The belief that liability-related risks could be rewarded was removed.
- The expectation that investment grade credit should outperform UK government bonds over the long-term was clarified.
- The alignment of the investment objective of the Ocean Section with the other DB Sections.
- The longevity hedging arrangements for the Exel, Ocean and T&B Sections were set out.

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 Trustee views any vote where the investment manager voted against company management as potentially significant. There were a number of such votes over the Plan year. The most significant examples are set out below, and reflect any votes that are likely to have the greatest impact on E, S or G related factors for the underlying company based on the investment manager's assessment against their ESG criteria.

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?	**107**
How many resolutions were you eligible to vote on?	**1,256**
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?	**90%**[1]
Of the resolutions on which you voted, what % did you vote against management?	**10%**[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?	**51%**
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	**11%**

[1] The figures voted for, against or abstained may not equal the total number of votes for a variety of reasons, such as lack of management recommendation, split votes, multiple ballots for the same meeting which were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

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	
Significant Vote – Case Study 1	**Significant Vote – Case Study 2**
On 18 May 2022, one of the equity managers voted against the issuance of equity or equity-linked securities without pre-emptive rights, and against the authorisation of the reissuance of repurchased shares. This was due to the belief that the company was increasingly unlikely to need the flexibility to issue this many shares and given its large market capitalisation (the equity manager took the same view the year before). The vote was passed, but the manager will continue to vote in this way in the future.	On 22 April 2022, one of the equity managers voted against a resolution to elect several individuals to the company board of directors. This was due to concerns that the board was not independent. The manager engaged unsuccessfully with the company over these concerns, and this action was an escalation of the unsuccessful engagement. However, the vote was still passed. The manager has previously voted against similar proposals and has stated that they will likely continue to vote against non-independent board directors in the future.

SECTION 7: STEWARDSHIP PRIORITIES – CASE STUDIES

During the year, the IIC agreed to set three stewardship priorities, following new guidance from the DWP. These stewardship priorities were communicated to the investment managers. Case studies for each of the stewardship priorities are set out below (the manager and company names have been anonymised).

Climate Change

Collateralised Mortgage-Backed Security

Rationale for the engagement:

To obtain better disclosure on the environmental factors affected by the operations of the assets, largely around EPC certificates and energy usage.

The engagement:

The manager asked to be provided with additional information such as the kWh/m2 for 6 of the 8 buildings where details were absent, and also asked if there were any other channels where the manager can obtain detailed EPC reports, or energy usage for those buildings. This was done through verbal and written correspondence with the arranger.

Outcomes and next steps

- Reasonable dissemination of EPC/energy efficiency information which allowed investors to become more comfortable from both an ‘energy efficiency’ as well as a general environmental perspective, which in turn resulted in a more informed investment decision.

Sub-Investment Grade Security

Rationale for the engagement:

A documentary was televised claiming that the company was engaged in non-sustainable practices in relation to procuring biomass, which contradicts their ESG and sustainability objectives.

The engagement:

The Research Analyst contacted the investor relations team to understand the company’s side of the story, the makeup of material in their pellets, and where they source pellet material from.

Outcomes and next steps

- The company argued that biomass is a much better outcome for the climate as if the company did not use it, the material would be burned as a waste product, without generating energy.
- Overall, the manager was satisfied with the answers they received but ultimately decided to exit the position in October/November 2022.
- The company has since taken action by submitting a 2022 Forests report to the Carbon Disclosure Project.

Modern Slavery

Listed Equity

Rationale for the engagement:

Follow up to a shareholder proposal concerning supply chain issues.

The engagement:

The manager engaged on the company's cotton sourcing policy with respect to their human rights disclosures. The engagement was led by a portfolio manager, and the Head of ESG Research also attended.

Outcomes and next steps

- The company stated they were actively working on tools to verify suppliers' claims on sourcing, adding two senior positions within the firm.
- The manger strongly encouraged the company to look into working with a sustainable cotton NGO that offers traceability and a company providing a new technology helping verify the origin of raw materials. The manager continues to follow up on the subject of supply chain management since this engagement.

European Private Senior Loan

Rationale for the engagement:

The company has c.200 suppliers. Companies in the industry typically contract with suppliers in countries with the lowest costs. Therefore, the industry's products are often manufactured in countries that have limited regulations or enforcement protecting workers. This exposes the company to reputational risks.

The engagement:

The manager set two objectives for the company to meet over the coming five years. The first was a target for an increased response rate on their supplier questionaire. For instance, increase the response rate to 82% for FY22. The second was to improve Scope 1 & 2 greenhouse gases emissions each year. The manager signed into the deal which contained the sustainability-linked margin ratchet.

Outcomes and next steps

- Should the company achieve both their targets each year, they will be awarded a 0.075% discount on their loan.
- The manager is awaiting evidence from the company as to whether their objectives have been met.
- Failure to meet both objectives will induce a 0.075% premium on their loan. If one target is met there is no adjustment to the margin on the loan.

Diversity & Inclusion

Listed Equity

Rationale for the engagement:

Contribute to the spirit of the UN Sustainable Development Goals. Specifically goal 5, which seeks to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life.

The engagement:

The manager explored the company's targets for gender parity by 2023 at the executive level, and questioned whether they had conducted pay gap analysis.

Outcomes and next steps

- The company shared that they conducted a global pay-gap analysis in 2021, but have not yet made it public. The manager urged them to do so, especially as they already disclose EEO-1 data.
- The company was receptive to the manager's feedback on their executive compensation scheme. The manager will follow up to review their compensation changes at a later date.

European Private Senior Loan

Rationale for the engagement:

To understand and minimise ESG risks to promote better ESG performance.

The engagement:

The manager set two objectives for the company to meet over the coming five years. The first was a target for increased proportion of women amongst the company's executives, directors, officers and managers. For instance, 28.25% female representation by December 2022. The second was to encourage a reduction in cyber security incidents. The manager signed into the deal which contained the sustainability-linked margin ratchet.

Outcomes and next steps

- Should the company achieve both their targets each year, they will be awarded a 0.1% discount on their loan.
- The manager is awaiting evidence from the company as to whether the first diversity objective has been met. The manager will continue to monitor the company's progress towards their targets each year.
- Failure to meet both objectives will induce a 0.1% premium on their loan. If one target is met there is no adjustment to the margin on the loan.