DHL Group Retirement Plan ("the Plan") Climate Risk Policy

Introduction

This policy sets out how DHL Trustees Limited ("the Trustee") will satisfy the climate governance requirements that underpin the 11 recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and will report annually in line with the TCFD recommendations.

The Trustee is a supporter of the TCFD and believes that the impact of, and potential responses to, climate change create both a material financial risk and an investment opportunity. In particular, the Trustee believes companies should adjust their business strategies to align with the 2015 Paris Agreement.

The Plan has six Defined Benefit (DB) Sections, which are invested in the DHL Pensions Investment Fund ("DPIF"), and a Defined Contribution (DC) Section. It is recognised that, given the different membership profiles, underlying investments and long-term strategic objectives, there will be differences in how climate-related risks impact the DB and DC Sections of the Plan. These differences are highlighted in this policy.

Governance

Knowledge and Understanding

The Trustee continues to work closely with the Founder to share knowledge on how each is addressing climate-related risks and opportunities and complying with and reporting in line with the TCFD recommendations. As an example, Deutsche Post AG ("the Founder") provided an update on its progress towards its climate-related goals in March 2023 as part of the Trustee's Strategy Day.

The Trustee views climate risk as a significant risk, and therefore a significant amount of time has been dedicated to increasing the Trustee's knowledge and understanding in relation to climate-related risks and opportunities.

The Trustee will continue to ensure it receives appropriate training in relation to climate risk and all training will be formally recorded in the training log maintained by the Plan Secretary.

Roles and Responsibilities

The Trustee is ultimately responsible for compliance with the Plan's governance requirements which underpin the TCFD recommendations and for reporting how this has been done. The Trustee has, however, delegated the following responsibilities:

- The Investment Implementation Committee (IIC) – in relation to the DB asset pool, held under the DPIF, is responsible for undertaking the governance and reporting requirements relating to the identification, assessment and management of climate-related risks and opportunities which are relevant to the DB asset pool and making recommendations to the Trustee, including to support reporting by the Trustee in line with the TCFD recommendations.
- The Defined Contribution Committee (DCC) – in relation to DC assets, is responsible for undertaking the governance and reporting requirements relating to the identification, assessment and management of climate-related risks and opportunities which are relevant to the DC assets and making recommendations to the Trustee, including to support reporting by the Trustee in line with the TCFD recommendations. These requirements include consideration of the Scenario Analysis for the DC Section, to enable the Trustee to understand the impact of climate risks on the investments within the DC Section and on the potential impact on member retirement outcomes.
- The Funding & Investment Strategy Committee (FISC) – is responsible for making recommendations to the Trustee in the setting of the funding and investment objectives for the Plan's DB Sections and assessing and managing the Plan's integrated risk management.

- The Audit & Risk Management Committee (ARMC) – is responsible for maintaining the Plan's risk management framework and risk register, and carrying out a risk assessment and review for the Plan and reporting the results to the Trustee using a risk register dashboard.
- The Chairs of the IIC and DCC – forming a TCFD working group and in particular, to consider the requirement for additional expertise / support in assessing climate-related risks and opportunities for the IIC and DCC.
- In-house Teams do not have a decision-making role but are responsible for supporting the Trustee and the various committees in ensuring that there is effective governance, risk management and internal controls in operation. In particular, the in-house teams are responsible for the maintenance of various policy documents including the Climate Risk Policy.
- The investment managers used in the DB Sections are responsible for implementing the Trustee's ESG and climate policies, and are given discretion to evaluate ESG issues (including climate change) in the selection, retention, and realisation of investments. Current managers, and potential new managers are assessed for their integration of climate risks into their wider stewardship activities, and for their ability to understand their portfolio's ability to withstand climate-related risks. For example, the Investment Adviser carries out an annual review of the Stewardship and Engagement activities of the investment managers, which is then reviewed by the IIC.
- The investment managers used in the DC Section are assessed for their integration of climate risks into their wider stewardship activities. For example, the investment adviser provides a report to the DCC each year, providing their reviews and ratings of the managers' ESG and Stewardship policies and practices. The DCC also meets the DC Section's main investment manager, Legal & General Investment Management (LGIM) at least annually, to explore how they are exercising their corporate engagement and voting responsibilities.
- The investment managers in both DB and DC sections are also responsible for providing the Trustee with the relevant data required to meet the TCFD requirements.
- The actuarial adviser is responsible for considering the impact of climate-related risks on the Plan's DB liabilities.
- The investment advisers are responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The investment adviser for the DB sections is also responsible for ensuring investment managers integrate ESG considerations into their investment process in line with the Trustee's beliefs. The investment advisers also support the IIC and DCC with monitoring in relation to ESG and Stewardship.

- The legal adviser is responsible for ensuring the Trustee is compliant with the regulations.
- The communications adviser is responsible for ensuring that communications to members, including those related to investment and climate-related matters are clear and easy to understand.

In complying with its governance and reporting requirements, the Trustee is supported by its professional advisers and the in-house team.

In particular, the Trustee has obtained details of its investment advisers' climate competencies based on the guide published by the Investment Consultants Sustainability Working Group ("ICSWG") and will obtain details of any revisions to the competencies as and when they are made.

As part of its annual assessment of its investment advisers' performance against their respective strategic objectives, the Trustee will consider how each adviser has supported the climate-risk policy.

The Trustee has appointed WTW to carry out climate scenario analysis and intends to consider the appointment of a third party to provide data and regularly reports on its progress against agreed targets (see below).

Policy - Statement of Investment Principles ("SIP")

The Trustee sets out in its two SIPs – one for the DB Sections and one for the DC Section, its policies for considering Environmental, Social and Governance (ESG) issues, including climate change.

- DC SIP -

The Trustee considers ESG issues, including climate change to be financially material and takes them into account when designing and monitoring the Lifestyle strategies, considering in particular the time horizons of those strategies. A number of the Lifestyle and Freestyle funds include investments which have been chosen taking account of the approach that companies take to ESG issues.

Within all Lifestyle strategies the Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers (within certain guidelines and restrictions). This includes consideration of all financially material factors, including ESG-related issues where permissible within applicable guidelines and restrictions.

- DB SIP -

The Trustee believes that ESG issues, including climate change risks, can be financially material to security prices and should therefore be considered as part of the DPIF's investment process.

The Trustee has given their investment managers full discretion to evaluate ESG issues in the selection, retention and realisation of investments.

The Trustee believes that the impact of, and potential policy responses to, climate change create a material financial risk. The identification and integration of climate change risks form part of the IIC's monitoring and ongoing assessment of their investment managers.

Strategy and Risk Management and Opportunities

The Trustee has identified the following key climate-related risks (and opportunities) to its investment strategy and funding strategy (DB Sections of the Plan) and the performance of the DC Default Strategy and resulting member outcomes:

- Transition risks – relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations or market forces).

- Physical risks – relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk to coastal systems and low-lying areas from rising sea levels and increased frequency and severity of extreme weather events). These physical risks could cause direct damage to assets and indirect destabilising impacts arising from supply chain disruption. These may also lead to wider economic and social disruption, including mass displacement, environmental-driven migration and social strife.

- Stranded asset risks – the risk of holding assets at some time prior to the end of their economic life that are no longer able to earn an economic return as a result of changes associated with the transition to a low carbon economy.

Climate-related opportunities are unlikely to have a significant impact on the investment strategy for the DB Sections of the Plan, as these mostly arise through investments in Private Equity vehicles, of which the Plan's mandates are all in run-off. That being said, the Plan does have exposure to renewable infrastructure assets through the Infrastructure Income mandate with Aviva, such as those that generate energy from waste. The DB Sections of the Plan also invests in Infrastructure Debt through the mandate with Ares Management, which may lend to, for example, infrastructure companies with projects aimed at converting natural gas liquids to fuels with lower greenhouse gas emissions than traditional gasoline.

Climate-related opportunities may have an impact on the investment strategy for the DC Section of the Plan, particularly through the ESG-focused solutions that the DC Section invests in. In its regular engagement with LGIM, the DCC will explore how climate-related opportunities are being reflected in these funds.

The Trustee will have regard to guidance on Risk Management published by relevant bodies including the TCFD, Department for Work & Pensions and Pensions Regulator when identifying and assessing the above risks.

To mitigate against the above risks, the Trustee expects its investment managers to:

- consider climate-related risks (and opportunities) when selecting, retaining and engaging with individual investments, where the manager has discretion within its mandate to do so. 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.
- 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 and retention of individual investments, where the manager has discretion within its mandate to do so.
- monitor and report on the greenhouse gas (GHG) emissions of its portfolio.
- Provide details of engagement with companies on climate-related risks and voting activity on shareholder resolutions on climate-related issues (see page 10).

For the DB Sections of the Plan, as part of the triennial actuarial valuations, the Trustee will obtain advice and guidance from:

- the Plan Actuary in assessing the direct and indirect impacts on mortality rates of climate-related risks; and
- its covenant advisers in assessing the impact of climate-related risks on the value of the Founder's covenant.

The IIC (in relation to the Plan's DB assets) and the DCC (in relation to the Plan's DC assets), have reviewed climate-related risks (and opportunities) the Plan faces. The outcome of the review was reported to the ARMC and the Plan's risk register, risk register summary and dashboard have all been updated and approved by the Trustee.

The IIC and DCC will continue to identify, assess, manage and monitor climate-related risks (and opportunities) and report its findings to the ARMC. The FISC will consider how climate-related risks could form part of the Plan's Integrated Risk Management framework.

Scenario Analysis

As the appointed adviser to carry out climate scenario analysis, WTW based its analysis on four key building blocks:

i. Modelling future changes in climate, linking GHGs to temperature changes.
ii. Modelling socioeconomic developments, indicating how GHG emissions may vary over time.
iii. The impact of global climate change policy on emissions.
iv. An overall asset model, which translates the impact of the first three blocks into asset returns.

The Trustee sources an assessment of its covenant under equivalent scenarios from its covenant adviser.

The Trustee has undertaken scenario analysis to assess:

- The potential impacts of the effects of global average temperature increases;
- The resilience of the Plan’s investment and funding strategy (DB) and any action needed; and
- The potential impact on the pension account of a specimen member over time (DC).

The Trustee adopted the following scenarios to run for each DB Section and the popular DC arrangements:

	Least common denominator	Inevitable policy response	Global coordinated action	Climate emergency
Description	A 'business as usual' outcome where current policies continue with no further attempt to incentivise further emissions reductions. Socioeconomic and technological trends do not shift markedly from historical patterns.	Delays in taking meaningful policy action result in a rapid policy shift in the mid/late 2020s. Policies are implemented in a somewhat, but not completely, co-ordinated manner resulting in a more disorderly transition to a low carbon economy.	Policy makers agree on and immediately implement policies to reduce emissions in a globally co-ordinated manner. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the Global coordinated action scenario where more aggressive policy is pursued and more extensive technology shifts are achieved, in particular the deployment of NETs at scale.
Temperature rise	~3.5°C	~2.0°C	~2.0°C	~1.5°C
Renewable energy by 2050	30-40%	80-85%	65-70%	80-85%
Physical risk level	High	Low	Low	Low
Transition risk level	Low	High	Low	High

The Trustee accepts that the selected scenarios above do not represent the full range of outcomes, nor do they necessarily capture the most adverse possible scenario, but they provide a useful understanding of potential behaviour under four scenarios covering a range of likely temperature pathways.

The scenarios assume a 'base case' scenario, which reflects what is currently priced into the market. The deviance from the base case under each scenario reflects the impact of climate-related risks.

The first analysis was run as at 31 March 2021 with subsequent analysis undertaken triennially. In the intervening years, the Trustee review the most recent scenario analysis to determine whether a new scenario analysis should be undertaken to get an up-to-date understanding (e.g. due to a material increase in data availability, significant change in strategy, change in industry practice / trends on scenario analysis, improved scenarios or material change in the Plan's position). When the Trustee carries out the next scenario analysis in 2024, the choice of scenarios will be reviewed to ensure that they remain appropriate for the Fund given its circumstances.

Engagement

Engagement is at the core of the Trustee's strategy. It is the Trustee's view that the principal way to bring about meaningful change is through engagement with its investment managers to ensure that climate change considerations are fully integrated into their engagement and voting activities. The IIC and DCC monitor the engagement of the Plan's investment managers through regular reporting provided by the investment advisers and through dialogue with the managers. The Trustee's view is also reflected in the choice of metrics that the Trustee has adopted. If an investment manager's level of engagement was viewed to be unsatisfactory, the IIC and DCC would raise its concerns with the investment manager. If the IIC/DCC's engagement with the investment manager does not result in any improvement over a reasonable period of time, the IIC and/or DCC would consider whether the specific circumstances justified the termination of the mandate.

Within the context of ESG, the Trustee has agreed a number of factors which it considers to be priorities for stewardship activity undertaken by its investment managers.

E - Climate Change: For example, investment managers engaging with companies on their climate change policies and/or voting on resolutions requiring publication of a business strategy that is aligned with the Paris Agreement on climate change;

S - Modern Slavery: For example, investment managers engaging with companies on their modern slavery policies especially with regards to their supply chains; and

G – Diversity & Inclusion: For example, investment managers voting against a director appointment where the board is not sufficiently gender diverse.

The IIC and DCC delegate to its investment consultant the communication to its investment managers of its policy on stewardship, including the Trustee's stewardship priorities set out above.

Within the DB Sections, the investment consultant obtains details of investment managers' engagement activity and provides the IIC with stewardship updates as a part of its regular reports and escalates matters to them as necessary. Additionally, the IIC or a sub-committee of the IIC meets with each of its managers, typically annually, and uses this opportunity to engage on its stewardship priorities.

Within the DC Section the DCC and investment consultant, as part of the regular engagement with LGIM, will discuss how the manager is undertaking engagements in the priority areas, in order to satisfy the Trustee that the manager's policies are sufficiently aligned with the Trustee's policy, and in order to escalate matters if necessary. The DCC and investment consultant will also engage with the DC Section's other investment manager (HSBC) as part of the publication of the annual Implementation Statement, to obtain examples of the manager's engagements in the priority areas.

Metrics and Targets

Metrics

To inform its understanding and monitoring of the Plan's climate-related risks and opportunities, the Trustee has selected the metrics listed below.

Absolute emissions metric	• the total scope 1, 2 and 3 GHG emissions[1] for the Plan's assets (tonnes of CO2e emitted).
Emissions intensity metrics	• Carbon footprint – the total carbon GHG emissions of the portfolio, or part-portfolio, divided by the current value of the portfolio or part-portfolio for which emissions data is available. • Weighted Average Carbon Intensity (WACI) – measures the Plan's exposure to carbon-intensive companies with attribution of emissions based on portfolio weights, rather than the ownership approach (tonnes of CO2e / $m revenue).
Additional metric	• Climate related engagements – proportion of top 10 contributors to emissions held at year-end for which engagement or voting on climate-related risk and opportunities has been a substantial topic.
Portfolio alignment metric	• Science Based Targets – the total number of companies with carbon emission reduction targets listed on the Science Based Targets initiative ("SBTi") database.
In addition to the metrics above, the Trustee will publish from time to time whichever additional metrics it considers appropriate to provide the necessary context for the metrics above.	

The data for the *Absolute* emissions metric will initially be sourced from the investment managers. For the DB Sections the *Emissions intensity metrics* and *Additional metric* will be calculated by the Trustee's investment consultants, using data sourced from the investment managers. Wherever possible, consistent

[1] The emissions measured are the seven gases mandated under the Kyoto Protocol, converted to and expressed as carbon dioxide equivalents (CO2e)

methodology will be used to calculate the metrics. For the DC Section the *Emissions intensity metrics* and *Additional metric* will be obtained from the investment manager for each fund that is part of a popular DC arrangement. The investment consultant will use data from the investment manager to calculate metrics for representative example members who are invested in the default lifestyle arrangement.

The Trustee accepts that there is an ongoing concern with the lack of consistency, availability and quality of data to quantify the exposure to climate risk. The Trustee also accepts that this position is likely to improve over time and should be kept under review.

Full details of the calculations and assumptions will be set out in the **Appendix** to this policy and will be reviewed from time to time.

Because the DB Sections of the Plan have similar characteristics in relation to assets, liabilities and investment policy, the emissions-based metrics are calculated for the DPIF as a whole. For the DC Section, the emissions-based metrics are calculated for the popular DC arrangements. All emissions-based metrics are calculated at least annually.

The Trustee will review its metrics from time to time to ensure they remain appropriate for the Plan.

Targets

As the Trustee sees engagement as a key strategic priority, it has chosen 'Climate-related engagements' as the metric to target as follows:

Review the top 10 contributors to carbon emissions in each portfolio and target 100% engagement on climate-related issues with these entities over a two-year period

An engagement is broadly defined as a purposeful, targeted communication with an entity (e.g. company, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research is not counted as engagement.

The Trustee will monitor each investment manager's engagement with the top 10 contributors as part of the annual review, and will actively discuss the results of this monitoring with the investment managers.

Although climate is just one of the Trustee's engagement priorities, this metric solely covers engagements related to climate change, and the Trustee understands that its investment managers will seek to engage with issuers on a number of ESG topics. While investment managers would be expected to engage on climate risk with issuers who are the largest carbon emitters within their portfolio, the Trustee would expect investment managers to engage on topics that are most relevant for any given issuer.

At the appropriate time, the Trustee may seek to develop Carbon Journey Plans for the DB and DC Sections of the Plan and the DPIF to plot the path to achieving agreed carbon reduction targets. The Trustee will monitor progress against any agreed targets at least annually.

A Carbon Journey Plan might highlight the levers available to the Trustee within the investment strategy to deliver the respective Carbon Journey Plans. The Trustee notes that the following levers are available and will be considered with its investment advisers:

Free-rider (policy impact)	As Governments introduce further measures to encourage the reduction of carbon emissions, the carbon intensity of corporate exposure could fall through no specific action by the Trustee.
Engagement and voting activity	Increased engagement with investment managers. This is the Trustee's preferred lever.
Thematic investing	Investing in funds with a low carbon / Paris Agreement alignment focus.
Impact Investing	Impact investments in carbon negative assets can offset carbon emissions from elsewhere in the portfolio.
Mandate changes	Making changes to the mandates given to investment managers (for the DB Sections of the Plan) and/or to the funds/benchmarks used (for the DC Section) can encourage or instruct a lower carbon portfolio to be held.

De-risking	The Plan's carbon exposure in the DB Sections of the Plan would be expected to fall should the DPIF de-risk out of high carbon assets and into assets, which are expected to have lower carbon emissions, as part of a lower risk investment strategy targeted by 2030.

Reporting

The Trustee will publish its TCFD Reports (one for the DB Sections of the Plan and another for the DC Section) on the Plan's website mypension.dhl.co.uk.

The Trustee will provide details of the location of the TCFD Reports on the Plan's website in its Annual Report and Accounts.

The Trustee aspires to report in line with best practice and, in preparing the TCFD Reports, will adopt the seven principles for effective disclosure:

1	Present relevant information specific to the potential impact of climate-related risks and opportunities on the Plan avoiding generic or boilerplate disclosures that do not add value to members' understanding of the issues.
2	Be specific and sufficiently complete to provide a thorough overview of the Plan's exposure to potential climate-related impacts and the Trustee's governance, strategy and processes for managing climate-related risks and opportunities.
3	Be clear and understandable showing an appropriate balance between qualitative and quantitative information.
4	Be consistent over time to enable Plan members to understand the development and / or evolution of the impact of climate-related issues on the Plan.
5	Be comparable with other pension schemes of a similar size and type.
6	Be reliable, verifiable and objective.
7	Be provided on a timely basis.

Member communication

The Trustee will publish a copy of this policy on the Plan's website.

The Trustee will comply with Disclosure Regulations and the Statutory Guidance when informing members about the published TCFD Reports in the Annual Benefit Statements, DC newsletter and Annual Funding Statements.

Policy review

This policy will be reviewed annually until such time it is agreed that reviews can take place every three years.

Version 1.0 - 23 September 2021
Version 2.0 - 21 September 2022
Version 3.0 – 20 September 2023

Glossary

CO2-equivalent (CO2e) the amount of CO2 that would cause the same integrated radiative forcing (a measure for the strength of climate change drivers) over a given time horizon as an emitted amount of another GHG or mixture of GHGs. Conversion factors vary based on the underlying assumptions and as the science advances.

Paris Agreement adopted within the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015, commits all participating countries to limit global temperature rise to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C, to adapt to changes already occurring, and regularly to increase efforts over time.

Popular DC arrangement is considered to be one in which £100m or more of the scheme's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions). Where popular arrangements use life-styling or a number of target date funds for different age profiles, trustees may carry out the assessment in the round, but should identify risks and opportunities which affect particular cohorts more strongly

Science-based targets are targets adopted by companies to reduce GHG emissions and are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement.

Scope 1 emissions are direct emissions from company-owned and controlled resources. In other words, emissions released to the atmosphere as a direct result of a set of activities, at a firm level. It is divided into four categories: stationary combustion (combustion of fossil fuels, heating sources), mobile combustion (burning of fuel of all vehicles), fugitive emissions (unintentional releases/leaks of GHG) and process emissions (released during industrial processes and on-site manufacturing). All fuels that produce GHG emissions must be included in scope 1.

Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released in the atmosphere, from the consumption of purchased electricity, steam, heat and cooling**.**

Scope 3 emissions are all indirect emissions – not included in scope 2 – that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations.

Appendix

Calculation of metrics

Carbon Footprint:

Methodology Example

The carbon footprint for an investment portfolio can be calculated as follows:

$$\textit{Carbon Footprint} = \frac{\textit{Total Carbon Emissions}}{\textit{Portfolio Value (USD million)}}$$

Therefore, a hypothetical portfolio with total carbon emissions of 20,000 tonnes of CO_2 e and a Portfolio Value of $100m would have the following carbon footprint:

$$\textit{Carbon Footprint} = \frac{20{,}000}{100} = 200\ CO_2\,e/\$m$$

Weighted Average Carbon Intensity ('WACI"):

The WACI for an investment portfolio can be calculated as follows:

Methodology Example

The WACI for an investment can be calculated as follows:

$$\text{WACI} = \frac{\textit{Value of Investment}}{\textit{Portfolio Value}} \times \frac{\textit{Total Carbon Emissions}}{\textit{Revenue (USD million)}}$$

Therefore, an investment in a hypothetical company with carbon emissions of 10,000 tonnes of CO_2 e and revenue of $20m, which represented 15% of the portfolio would have the following WACI:

$$\textit{WACI} = 15\% \times \frac{10{,}000}{20} = 75\ CO_2\,e/\$m \text{ revenue}$$