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

Introduction

This policy sets out how DHL Trustees Limited ("the Trustee") satisfies the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. These regulations are based on the based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD").

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 Deutsche Post DHL Group 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, the Head of ESG Controlling and Reporting at Deutsche Post DHL Group 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 assets, is responsible for undertaking the governance and reporting requirements relating to climate-related risks and making recommendations to the Trustee.
- The Defined Contribution Committee (DCC) – in relation to DC assets, is responsible for undertaking the governance and reporting requirements relating to climate-related risks and making recommendations to the Trustee, including to support reporting by the Trustee in line with the TCFD recommendations.
- 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.
- The TCFD working group, consisting of representatives of Law Debenture, supported by the in-house teams and professional advisers provides additional support in relation to identifying, assessing and managing climate-related risks and opportunities, and is responsible for overseeing the production of the Plan's annual climate reports.
- 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 DB 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 DC 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 DB and DC Investment Advisers are responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The Investment Advisers also support the IIC and DCC with monitoring in relation to ESG and Stewardship.
- The Covenant Adviser is responsible for monitoring the covenant of Deutsche Post AG.
- 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 teams.

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 review updated competencies information from time to time.

As part of its annual assessment of its Investment Advisers' performance against their respective strategic objectives, the Trustee considers how each adviser has supported the climate-risk policy.

The Trustee has appointed WTW to carry out climate scenario analysis at least every three years with covenant adviser input as appropriate.

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 restriction.

- 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 investment process.

The Trustee has given its 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 the 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.

The Trustee expects its Investment Advisers to bring any suitable climate-related opportunities to its attention. The DB Sections currently have exposure to climate-related opportunities through several of the Fund's mandates. For example, they hold 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 invest 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.

As the Trustee develops its long-term (post-2030) DB investment strategy, it will consider the scope to invest in other climate-related opportunities that are consistent with its financial risk and return objectives. However, it notes that the most impactful opportunities typically arise through investments in Private Equity vehicles and future opportunities to invest in such mandates may be muted as the DB Sections reduce risk.

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 explores how climate-related opportunities are being reflected in these funds.

The Trustee has 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 climate-related issues.

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 Adviser in assessing the impact of climate-related risks on the strength of Deutsche Post AG'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 were updated and approved by the Trustee. The ESG risks (including climate-related risks) included within the Plan's Risk Register are normally reviewed annually.

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

The Trustee has undertaken scenario analysis to assess:

- The potential impacts on the Plan's assets and liabilities of the effects of global average temperature increases and any steps taken (by governments or otherwise) because of the increases in temperature;
- The resilience of the Plan's investment and funding strategy (DB) and any action needed; and
- The potential impact on the pension account of specimen members over time (DC).

The most recent scenario analysis was undertaken in 2024 and covered the following scenarios for the DB Sections and the popular DC arrangements:

	Nationally Determined Contributions (previously called "Least Common Denominator")	Delayed Transition Below 2ºC (previously called "Inevitable Policy Response")	Below 2ºC (previously called "Global Co-ordinated Action")	Net Zero 2050 (previously called "Climate Emergency")	Hot House World (New scenario)
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 around 2030. Policies are implemented in a less co-ordinated manner resulting in a more disorderly transition to a low carbon economy. Emissions exceed the carbon budget temporarily, but then decline.	Globally co-ordinated climate policies are introduced immediately, becoming gradually more stringent over time. Companies and consumers take the majority of actions available to capture opportunities to reduce emissions.	A more ambitious version of the 'Below 2ºC' scenario where more aggressive policy is pursued immediately. More extensive technology shifts are achieved with Carbon Dioxide Removal ('CDR') used to accelerate the transition, broadly in line with sustainable levels of bioenergy production.	The world follows a Net Zero 2050 pathway, however the resultant temperature outcome exceeds 2ºC due to a lower than expected remaining carbon budget and/or the impact of climate tipping points. Use of Carbon Dioxide Reduction (CDR) technologies is relatively low.
Temperature Rise	~2.5ºC	~2.0ºC	~2.0ºC	~1.5ºC	~3.0ºC
Renewable energy by 2050	c85%	c90%	c90%	c90%	c90%
Physical risk level (longer term)	High	Medium	Medium	Low-Medium	High
Transition risk level (shorter term)	Low	High	Medium	High	High

Five of the DB Sections of the Plan have similar characteristics in relation to assets, liabilities and funding position, so the 2024 scenario analysis results were considered in aggregate for these DB Sections. The results for the Tibbett and Britten Section were considered separately due to its lower funding level.

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 five 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 scenario analysis will be undertaken at least every three years. In the intervening years, the Trustee reviews the most recent scenario analysis to determine whether 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).

Engagement

The Trustee views engagement and stewardship as being key to managing climate risks and opportunities. The IIC and DCC monitor the engagement of each investment manager, with support from the Investment Advisers, to assess the effectiveness of investment managers in engaging with underlying companies on climate-related risks and opportunities. 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 Advisers 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 DB Investment Adviser 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 DC Investment Adviser, as part of the regular engagement with LGIM, discusses 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 DC Investment Adviser also engage with the DC Section's other investment manager (HSBC) as part of the preparation 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.

Metric	Description
Absolute emissions metric	• the total scope 1, 2 and 3 GHG emissions[1] for the Plan's assets, where data is available (tonnes of CO_2e emitted). Calculated by attributing emissions evenly across equity and debt investors, based on enterprise value of invested capital.
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) – calculated by dividing the GHG emissions of each company by the company's revenue in $m and aggregating across the portfolio based on portfolio weights (tonnes of CO_2e / $m revenue).

[1] The emissions measured are the seven gases mandated under the Kyoto Protocol, converted to and expressed as carbon dioxide equivalents (CO_2e)

Additional metric	• Data quality – the proportion of the portfolio (by weight) for which GHG emissions data is reported, estimated or unavailable.
Portfolio alignment metric	• Science Based Targets – the proportion of the portfolio (by weight) of holdings with science-based targets to reduce their GHG emissions, demonstrated by a target validated by the Science Based Targets initiative (SBTi) or equivalent (eg a company or asset that the asset manager deems has a science-based emissions target). This measures the extent to which the Plan's investments are aligned to the Paris Agreement goal of limiting global average temperature rises to 1.5°C.
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 metrics is sourced from the investment managers. For the DC Section, the Investment Adviser uses data from the investment manager to calculate metrics for representative example members who are invested in the default lifestyle arrangements.

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 proactively raises data quality with investment managers in review meetings and expects that through continuous challenge this position is likely to improve over 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 reviews its choice of metrics from time to time to ensure they remain appropriate for the Plan.

Targets

The Trustee has set targets for the DB and DC Sections in relation to the Science-Based Targets metric as follows:

DB Sections: 60% of the DPIF's corporate bond assets to be covered by a science-based target by 31 March 2030. DC Section: 65% of the DC Section's investments (based on a weighted average of the "popular" DC arrangements covered by the annual climate report) to be covered by a science-based target by 31 March 2030.

The Trustee is taking a number of steps to meet its targets. For existing DB mandates, the Trustee expects managers' engagement to be the main lever to increase the proportion of investments with science-based targets, rather than changes to portfolio construction, in order to have a greater real-world impact. It is also encouraging its managers to improve the level of data available. When new DB mandates are awarded in future, the Trustee intends to consider this target as part of any mandate construction. The DC Section's investments already include allocations to funds that focus on ESG matters, including climate change – for example all of the equity, corporate bond and fixed interest investments used within the Lifestyle options invest in this way.

The Trustee reviews its targets annually. If there are material changes to the investment strategy, or changes in data availability, the Trustee may amend the targets.

Net zero ambition

The Trustee has set an ambition to achieve Net Zero GHG emissions (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio. This ambition is part of the Trustee's efforts to manage the impact of climate change on the Plan's investments and the consequent impact on the financial interests of its members.

For the DB Sections, the Trustee will focus initially on high priority mandates (for example, those with significant assets under management, invested in asset classes with well-established Net Zero approaches) and consider further mandates over time. For the DC Section, the initial focus will be on the popular DC arrangements covered by this report , as these have the most significant assets under management of all the DC funds.

More detail is provided in the Appendix.

Reporting and member communication

The Trustee publishes its annual Climate 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 provides details of the location of the Climate Reports on the Plan's website in its Annual Report and Accounts. It informs members about the published Reports in the Annual Benefit Statements, DC newsletter and Annual Funding Statements.

The Trustee aspires to report in line with best practice and, in preparing the Climate Reports, adopts 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.

The Climate Reports include a section summarizing the key findings, to aid member understanding.

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
Version 4.0 – [11 September 2024]

Glossary

CO_2-equivalent (CO_2e) the amount of carbon dioxide (CO_2) 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).

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.

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

Net zero ambition

The Plan has an ambition to achieve net zero greenhouse gas emissions (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio.

This ambition is part of the Trustee's efforts to manage the impact of climate change on the Plan's investments and the consequent impact on the financial interests of its members.

The steps taken to achieve this ambition are expected to include:

- Monitoring emissions, emissions intensity and portfolio alignment (initially measured using the proportion of assets with a science-based emissions reduction target) of each mandate at least annually.
- Setting and monitoring a target to improve portfolio alignment over the short- to medium-term, for important mandates where sufficient data is available.
- Focusing initially on high priority mandates (for example, those with significant assets under management, where there are no plans to wind down the mandate and the majority of investments are in asset classes with well-established net zero approaches) and extending to further mandates over time.
- For segregated mandates, working with asset managers to identify amendments to the investment guidelines to improve the alignment of the portfolio with net zero pathways over time and, where appropriate, setting interim targets for this alignment.
- For investments in pooled funds, encouraging the asset manager to set and implement a net zero commitment for the fund, with appropriate interim targets.
- For new manager appointments, incorporating net zero considerations in the selection process, favouring managers and funds with credible net zero commitments.
- Focusing on actions that lead to real economy emissions reductions.
- Considering ways of increasing the proportion of the Plan's assets which is invested in the climate solutions needed to achieve a net zero economy.
- Encouraging all of the Plan's managers to implement a stewardship and engagement strategy that is consistent with all assets in the portfolio achieving net zero emissions by 2050 or sooner.
- Monitoring the managers' stewardship and engagement activities in relation to climate change, and the implementation of their net zero commitments, through the IIC Sub-committee and DCC's regular meetings with the managers.
- Engaging with the managers to strengthen their net zero approach where it falls short of the Trustee's expectations, and being willing to take escalatory action if satisfactory improvements are not seen.
- Reporting publicly on progress towards the net zero ambition in the Trustee's annual climate reports.

The Trustee expects these steps to be consistent with fulfilling its fiduciary obligations. In the event of a conflict between its fiduciary obligations and its achieving net zero ambition, its fiduciary obligations will take precedence.