



DHL Group Retirement Plan (DHL GRP)

Defined Contribution Section

CLIMATE REPORT

SEPTEMBER 2023



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“In this, our second annual climate report, we’re continuing our work to better understand how climate-related risks and opportunities might affect the Plan’s assets, enabling us to consider changes to the expected risk adjusted returns in the Plan’s investment strategy, helping to protect the value of your pension savings.”

**Peter Flanagan,
P.F. Trustee Ltd.,
Chairman of the DTL Board**

INTRODUCTION



DHL Trustees Limited ('the Trustee') is Trustee of the DHL Group Retirement Plan ('the Plan'). The DTL Board believes climate change creates a material financial risk and should be considered as part of its investment decision making. The Trustee has produced this Climate Report to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The sub-headings in this report address 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 Trustee believes that by reporting annually in line with the TCFD recommendations this will ultimately lead to better risk assessment and strategic planning, identify potential investment opportunities, and ultimately lead to better outcomes for the Plan's members.

The Trustee has a legal duty to consider matters which are financially material to its investment decision making. The Trustee believes that the impact of, and potential 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.

This, our second annual climate report outlines how the Trustee's beliefs on climate risk and opportunities impact the investment and funding strategy, inform the approach to risk management and influence the choice of metrics and targets. The Trustee has also reported on those metrics – one year on from last year's report – and on our progress towards our targets.

The Plan has six Defined Benefit (DB) Sections, whose assets are commingled in the DHL Pensions Investment Fund ('Fund'), 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. This report will solely cover the DC Section of the Plan, over the Plan year from 1 April 2022 to 31 March 2023, and the DB Sections will be reported separately. For convenience, we refer in this report to reporting in line with the applicable Regulations as TCFD reporting.

On behalf of the DHL Group Retirement Plan

Peter Flanagan, P.F. Trustee Ltd., Chairman of the DTL Board

SECTION 1: GOVERNANCE

OVERSIGHT AND INVESTMENT BELIEFS

DHL Trustees Limited ('the Trustee') as Trustee of the DHL Group Retirement Plan ('the Plan') has responsibility for and oversight of the impact of climate risks and opportunities arising from the transition to a low carbon economy as they relate to the Plan.

The Trustee's approach to climate change and Environmental, Social and Governance ('ESG') issues more broadly is informed by its investment beliefs and outlined in its Statement of Investment Principles ('SIP') for the DC Section. The investment beliefs reflect the Trustee's core, long-term views and drive all decisions in relation to investment strategy. The investment beliefs are reviewed and discussed annually and are summarised below:

- ✓ The Trustee considers long-term sustainability to be an important and relevant issue to consider throughout the investment process.
- ✓ The Trustee recognises that an investment's financial success can be influenced by a number of factors including those arising from ESG issues, including climate change.
- ✓ The Trustee considers ESG issues, including climate change, to be financially material and takes them into account when designing and monitoring the Lifestyle 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.
- ✓ The Trustee believes that the impact of, and potential 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.
- ✓ The Trustee expects the Plan's investment managers' engagement activities to cover a range of relevant matters including the ESG impact of underlying holdings.
- ✓ Where practicable the Trustee will seek to avoid investment in controversial weapons (defined as weapons which are contrary to international treaties or conventions).

With regards to climate risks and opportunities, the Trustee accepts that there is a wide range of uncertainty in both the future climate scenarios and the timing and choice of policy responses. A carbon tax, as just one example, could have financial implications for the profitability and competitive position of companies that are impacted. The Trustee believes that climate change risks should be considered in the selection of individual investments by investment managers. 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.

The Trustee believes that climate risk scenario testing can also be useful in understanding the Plan's exposure to climate risks. 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, and that this position is likely to improve over time and should be kept under review. The Trustee is pleased to see that the proportion of the DC funds for which carbon emissions data is available has generally increased from a year ago.

SECTION 1: GOVERNANCE

ROLES AND RESPONSIBILITIES

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

- **The DC Committee (DCC)** in relation to the investments in the DC Section, is responsible for undertaking the governance and reporting requirements relating to climate-related risks and the TCFD and making recommendations to the Trustee. These requirements include undertaking 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. Further details of the Scenario Analysis is covered in Section 3.
- **The Audit & Risk Management Committee (ARMC)** is responsible for maintaining the DC Section's risk management framework and risk register, and carrying out a risk assessment and review for the Plan, with input from the DCC, and reporting the results to the Trustee. The risk register has been reviewed and amended to include climate risk. Further details can be found in Section 4 – Risk Management.
- **TCFD Working Group** consisting of representatives of Law Debenture is responsible for considering the requirement for additional expertise/support in assessing climate-related risks and opportunities.
- **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 have managed all aspects of the project to meet the TCFD requirements, and are responsible for the maintenance of various policy documents including the Climate Risk policy.
- **Investment Adviser** is responsible for advising on investment strategy, taking into account climate-related risks and opportunities. The Investment Adviser also supports the DCC with monitoring in relation to ESG and stewardship.
- **Investment Managers** are current managers, and potential new managers 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 are also responsible for providing the Trustee with the relevant data required to meet the TCFD requirements.
- **Legal Adviser** is responsible for ensuring the Trustee is compliant with the regulations.
- **Communications Adviser** is responsible for ensuring that related communications to members, including those related to investment and climate-matters, are clear and easy to understand.

Roles and Responsibilities

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 reviewed its investment and actuarial advisers climate competencies based on the guide published by the Investment Consultants Sustainability Working Group ('ICSWG').

As part of the annual assessment of its Investment Adviser's performance against strategic objectives, the Trustee considers how each adviser has supported the Climate Risk policy. In relation to the DC Section the last such assessment was carried out in November 2022, and this included an assessment of how WTW had assisted the Trustee in the development and implementation of its ESG policies (including climate change). The Trustee concluded that WTW had fulfilled this objective, evidenced by the detailed Sustainable Investment reporting WTW had provided during the year, and the work to fulfil the Trustee's obligations in the context of TCFD reporting.

The Trustee appointed WTW to carry out Scenario Analysis every three years, which is detailed later in the report.

SECTION 1: GOVERNANCE

KNOWLEDGE AND UNDERSTANDING

Knowledge and Understanding

The Trustee has continued to build on its knowledge and understanding of climate risk, through the work on the first TCFD report, and an update from WTW on the DC Section’s climate metrics. It also met with LGIM in May 2022 and learned more about the manager’s approach to assessing climate risk within their funds.

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

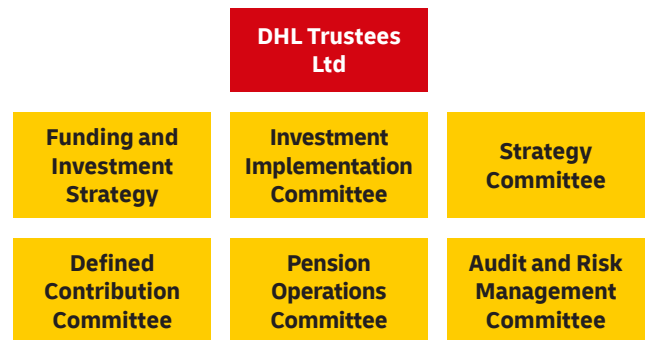
The Trustee views climate risk as a significant risk, and therefore a significant amount of time has been dedicated to increasing the Trustee’s knowledge and understanding in relation to climate-related risks and opportunities. This has been a standing item on the agenda for various committees throughout the Plan year.

The Trustee will continue to ensure it receives appropriate ongoing training in relation to climate risk and all training is formally recorded by the Trust Secretary in the Trustee’s training log.

DTL Board



Committees



SECTION 2: STRATEGY

IMPACT ON INVESTMENT STRATEGY

Climate-related risks and opportunities over the short, medium and long-term

The Trustee has considered climate risks and opportunities over the short, medium and long-term, reflecting the time horizons for members with different terms to retirement. In this context, it has considered the potential impact on members' projected account values at retirement, where 'short-term' is taken to be the investment horizon for a member in the default lifestyle investment strategy who is five years from retirement. 'Medium-term' has been considered as the investment horizon for a member in the middle part of their career who will shortly enter the initial de-risking phase of the default lifestyle strategy. 'Long-term' has been considered as the investment horizon for a new joiner to the DC Section with 40 years to go until retirement.

The Trustee has also considered what the potential impact may be on members' current account values arising from a climate shock assuming this took place over any given one-year period.

Types of risks and opportunities

The Trustee has identified the following key climate-related risks to its investment strategy for the DC Section of the Plan:

Physical Risks

This 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. This 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.



Transition Risks

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



SECTION 2: STRATEGY

IMPACT ON INVESTMENT STRATEGY



Impact on investment strategy

The Trustee undertook Scenario Analysis in November 2021 to consider the impact on the investment strategy and on potential member retirement outcomes over the time periods mentioned on the previous page, taking into account the key climate-related risks. The results from the Scenario Analysis are covered in Section 3.

In summary, the Scenario Analysis illustrated that the impact on members' projected final account values is relatively modest. In the worst climate scenario, projected final account values for the medium and long-term members were predicted to fall by 7% from current expectations.

The Trustee is required to carry out scenario analysis at least every three years. In the interim years the Trustee needs to review the most recent scenario analysis undertaken and determine whether it is appropriate to undertake new analysis. This would be the case for example if there were reason to believe there would be a material change in the results of the most recent analysis, for example a material change to the investment strategy, or a material change in the assumptions used. In November 2022 the Trustee considered whether it was necessary to undertake new scenario analysis for the DC Section, and the conclusion was that no new analysis was needed at that time.

The Trustee used the results of the 2021 Scenario Analysis to consider if changes are required to the investment policy for the DC Section. In summary, the Trustee concluded that no immediate changes were required to the investments as a result of climate risk. This is now being considered again, in the context of the latest triennial review of the DC Section's investment strategy, which is ongoing. As part of that review the Trustee is considering potential changes that could be made to the strategy to reflect climate-related risks and opportunities.

Engagement is at the core of the Trustee's strategy

The Trustee's view that the principal way to bring about meaningful change will be through engagement with investment managers to ensure that climate change considerations are fully integrated into their engagement and voting activities. The DCC monitors the engagement of the DC Section's investment managers through regular reporting provided by the Investment Adviser and through dialogue with the managers. The Trustee's view is also reflected in the choice of metrics that the Trustee has adopted, which is detailed later in the report.

During the Plan year, the Trustee agreed to set stewardship priorities in relation to the following E, S and G factors:

- **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.

These priorities have been communicated to the Plan's investment managers, and will be used as a basis for evaluating the managers' stewardship practices. The managers were asked to provide examples of engagements they have undertaken in these areas, and these are documented in the Implementation Statement for the year ending 31 March 2023.

SECTION 3: SCENARIO ANALYSIS

CLIMATE SCENARIOS

As per the TCFD recommendations, various building blocks have been established by the global climate change research community to facilitate research and assessment of mitigation efforts required to achieve different climate outcomes.

The Trustee accepts that the selected scenarios below 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 of the Plan's portfolios under four scenarios covering a range of likely temperature pathways.

	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, but still just, 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 Negative Emissions Technologies (NETs) at scale.
Temperate 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

Source: WTW

When the Trustee carries out the scenario analysis again in 2024, the choice of scenarios will be reviewed to ensure that they remain appropriate for the DC Section.

SECTION 3: SCENARIO ANALYSIS

CLIMATE SCENARIOS

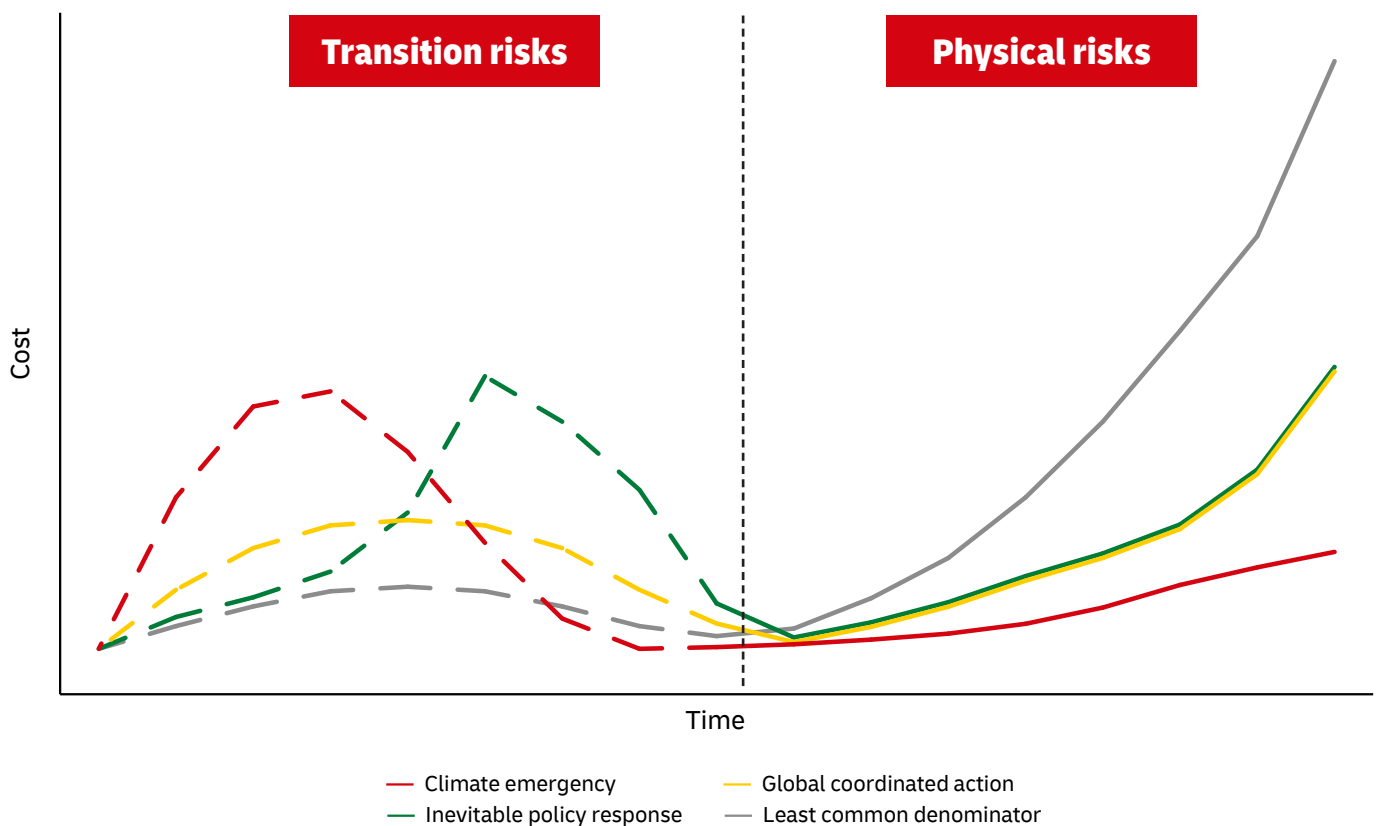
As noted in Section 2, in November 2021 the Trustee used Scenario Analysis to understand if the funding and investment strategy is resilient to the potential impact of climate change. The Scenario Analysis considered two approaches:

- i. The impact on members' projected final account values if climate change impacts on investments materialise as drags on return through time.
- ii. The potential impact on members' account values of the market suddenly pricing in each scenario instantaneously i.e. as a climate shock, which assumes the entire cost of climate change is capitalised immediately.

For each of the above the Trustee looked at the impact for three example members at different stages of their Plan membership, representing short, medium and long-term investment horizons. Members are assumed to invest in the DC Section's default lifestyle investment strategy – the DHL Lifestyle – Annuity. The Trustee also considered one year climate shock impact on returns for each underlying fund used within the default strategy, and also for one additional Freestyle fund – the DHL Global Equities Fund – which has over £100m of investment and, alongside the default lifestyle strategy, is considered to be a 'popular' DC option.

Transition and Physical Risks in different scenarios

The Trustee considered the impact of transition and physical risks in the different climate scenarios. In the below graph transition risks are represented by the dotted segments of the lines whilst the solid segments represent physical risks. The scenarios which see greater transition initially, and therefore transition costs, also see lower levels of costs arising due to the physical impact of climate change in the long run.



Source: WTW

SECTION 3: SCENARIO ANALYSIS

METHODOLOGY

Assumptions

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 on the DC Section of the Plan, in respect of each example member.

The impact of physical and transition risks on cashflows will vary over time with the transition risk being front-end loaded and the physical risk being back-end loaded. It is assumed that the transition risk impact in each scenario bites over the first 10 years and the physical risk over the remainder of the period.

Example members

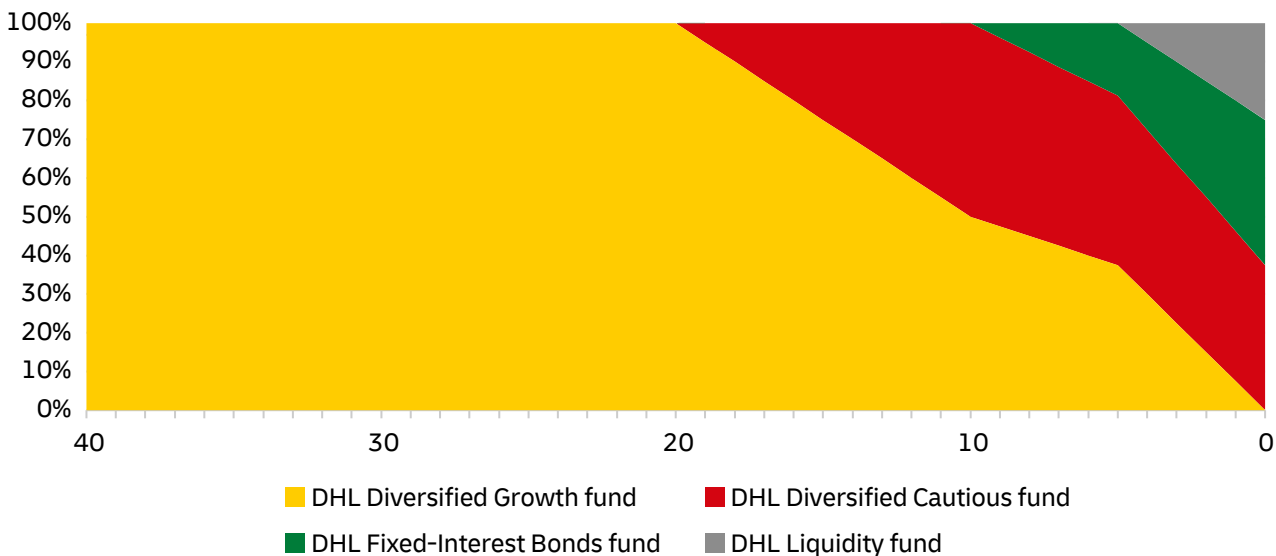
The example members used in the scenario analysis for the DC Section are outlined in the table below:

Member Status	Age	Retirement Age	Existing pot size	Initial salary	Contribution rate	Annual salary increase
New Joiner	25	65	£0	£21,000	9%	CPI*
Pre de-risking	45	65	£30,000	£27,000	12%	CPI*
Pre-retirement	60	65	£50,000	£30,000	15%	CPI*

*Consumer Price Index (CPI)

Default Lifestyle strategy

The DHL Lifestyle – Annuity strategy automatically moves members from more risky investment funds to lower risk investment funds over time, as outlined in the chart below (years to retirement are shown on the x-axis):



SECTION 3: SCENARIO ANALYSIS

IMPACT ON PROJECTED MEMBER OUTCOMES

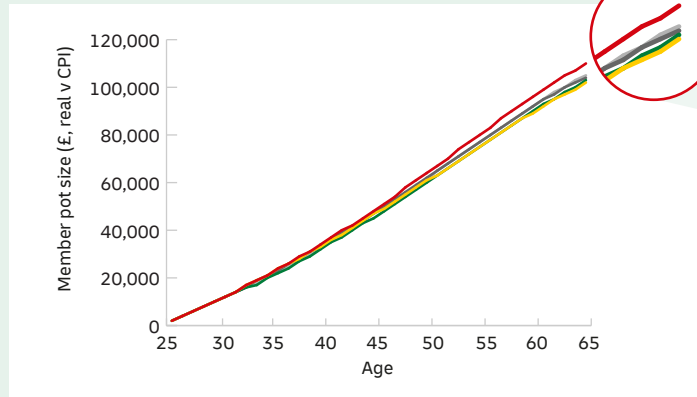
The charts below show the impact on projected final account values under the four scenarios vs. the current base case.



Jack

Age: 25 years
Retirement age: 65 years
Current pension account value: £0, as he's a new joiner

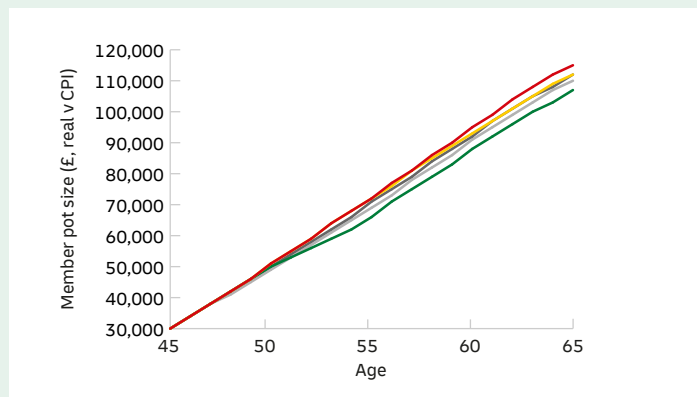
New Joiner



Nadia

Age: 45 years
Retirement age: 65 years
Current pension account value: £30,000

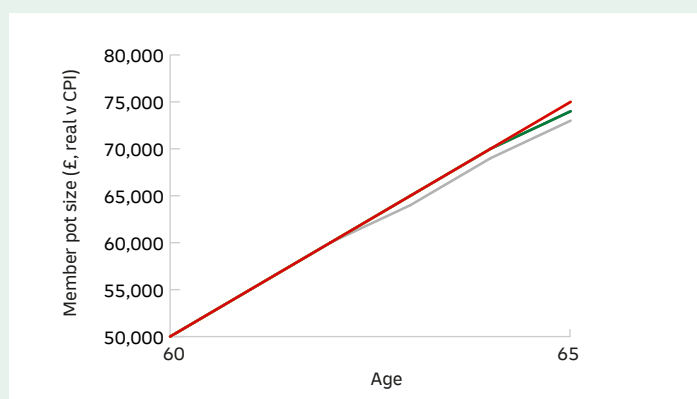
Pre-de-risking



Hannah

Age: 60 years
Retirement age: 65 years
Current pension account value: £50,000

Pre-retirement



The results illustrate that the impact on projected account values is relatively limited under all scenarios, however the relative difference in impact under the different scenarios varies by member, depending on their term to retirement. For example, for the New Joiner, the Least Common Denominator has the worst expected outcome, as the member invests over 40 years and the impact of longer term physical risk is significant. By contrast, the same scenario has the best expected outcome for the Pre-Retirement member, as they are investing over a short time horizon with relatively low transition risk and therefore low impact on investment return.

Source: WTW

SECTION 3: SCENARIO ANALYSIS

SHOCK ANALYSIS

Impact of a climate shock

The analysis over the short term assumes that the impact on the DC Section investments occurs as an instantaneous shock (i.e. the entire climate change impact is capitalised instantaneously). In this analysis, it has been assumed that markets overprice in the outcomes by a factor of 2.

The analysis is shown in the table below with the shock expressed as the impact on each member's current account value over a one year period, expressed as a percentage of the member's salary. The Trustee accepts that the entire impact of climate change on assets being capitalised at once is an unlikely scenario, but nevertheless this shows the risk of early pricing.

Pension account at risk (as proportion of salary)	New joiner*	Pre-de-risk	Pre-retirement
Base Case	0%	0%	0%
Least Common Denominator	0%	-13%	-13%
Inevitable Policy Response	0%	-25%	-29%
Global Coordinated Action	0%	-14%	-15%
Climate Emergency	0%	-20%	15%

* The pension account at risk for a new joiner is zero, because the member has a zero current fund value.

At an individual fund level the table below outlines the expected impact of climate-related risk on each of the relevant funds under each scenario. The shocks reflect the potential impact if markets were to suddenly price in each of the climate scenarios.

Fund	Least Common Denominator	Inevitable Policy Response	Global Co-ordinated Action	Climate Emergency
Impact (%)				
DHL Diversified Growth Fund	-5.7%	-11.1%	-6.2%	-8.8%
DHL Diversified Cautious Fund	-3.6%	-8.5%	-4.3%	-6.7%
DHL Global Equities Fund	-8.2%	-12.4%	-7.8%	-10.5%
DHL Fixed Interest Bonds Fund	-0.7%	-4.2%	-1.3%	-2.8%

Source: WTW

SECTION 4: RISK MANAGEMENT





IDENTIFYING, ASSESSING AND MANAGING RISKS

The Trustee maintains a Risk Register which identifies risks that have the potential to impact on the Plan's ability to achieve its objectives. Each risk is identified and the causes and consequences are populated and then scored from 1-5 based on inherent likelihood and inherent impact. The results are multiplied to arrive at an inherent risk score. The steps taken to mitigate and effectively manage each risk are identified through a three lines of defence system.

The three lines of defence are as follows:

- **First line of defence:** In-house teams/Advisers/Committee that set and operate ESG policies which reflect investment beliefs.
- **Second line of defence:** Committee/Trustee that monitor and oversee compliance with and effectiveness of the ESG policies.
- **Third line of defence:** Third parties that provide independent assurance.

After taking into account the three lines of defence, the residual likelihood and residual impact are scored again from 1-5 and multiplied to give the residual risk score. The key to the risk scores are summarised in the table below:

	Risk Score	Number
	Critical	10–25
	High	6–9
	Moderate	3–5
	Minor	1–2

Over the Plan year, the DCC (in relation to the DC Section) has reviewed the area of ESG factors including climate-related risks (transition and physical risks). The outcome of the review was reported to the Trustee and the Plan's risk register has been updated to incorporate these risks and approved by the Trustee.

The DCC scored the inherent likelihood as 3 and the inherent impact as 5 which resulted in an Inherent Risk Score of 15 which is viewed as Critical. The three lines of defence were then applied to calculate a residual Risk Score. The residual likelihood was assessed as 1, the residual impact as 3, resulting in a Risk Score of 3 which is assessed as moderate.

In addition, the output from the climate Scenario Analysis provides a holistic overview of the ways in which climate-related risks may affect the DC Section's investments. The output has been designed to be considered in the context of the wider risks faced by the Plan and will allow the Trustee to prioritise the risks which pose the most significant potential for loss and are most likely to occur.

During the Plan year, as part of the triennial investment strategy review of the DC section, the DCC began looking more specifically at how it might incorporate climate-focused investment solutions into the strategy, in order to better manage climate-related risks and capture opportunities to generate better outcomes for members. This work is ongoing and is expected to be completed during the Plan year ending on 31 March 2024.

SECTION 4: RISK MANAGEMENT

IDENTIFYING, ASSESSING AND MANAGING RISKS

The three lines of defence that were identified in relation to ESG factors, including climate-related risks are summarised below:

1 First Line of Defence

- The investment beliefs for the DC Section of the Plan reflect the Trustee's position on sustainable investment.
- The DC Statement of Investment Principles sets out the Trustee's policy on responsible investment and sustainability.
- The Trustee has a Climate Risk policy in place which outlines the governance arrangements in place to manage climate risk.
- The Trust Secretary has oversight of the DCC's work in relation to ESG.

2 Second Line of Defence

- The Trustee has delegated responsibility to the DCC to undertake the governance requirements relating to ESG, including the production of the annual Implementation Statement, and for monitoring investment managers regarding their ESG policies and practices.
- The DCC obtain updates and a presentation at least annually from LGIM on their governance practices in relation to ESG matters.
- The DCC obtains an annual update from WTW on the sustainable investment governance practices of all its DC investment managers.
- In respect of DC assets the majority of equity exposure is invested through the LGIM Future World fund range, which aims to reflect specific ESG issues.
- The Committees are supported by their professional advisers and the in-house teams.

3 Third Line of Defence

- In respect of DC assets both Legal and General Investment Management and HSBC Global Asset Management are signatories to the UK Stewardship Code, and the United Nations Principles of Responsible Investment.

The DCC will continue to identify, assess, manage and monitor climate-related risks and report its findings to the ARMC.

SECTION 5: METRICS AND TARGETS

OVERVIEW



Metrics

To inform its understanding and monitoring of the DC Section's climate-related risks and opportunities, the Trustee has selected the following metrics. These have been collated in respect of the funds making up the default investment strategy and for the DHL Global Equities fund:

Absolute emissions metric

Total Emissions

The total Greenhouse Gas (GHG) emissions for the DC Section assets (tonnes of CO₂e emitted). This will cover Scope 1 and 2 emissions, and Scope 3 as available.

Emissions intensity metrics

Carbon Footprint

The total carbon GHG emissions of each fund, divided by the current value of the fund for which emissions data is available (tonnes of CO₂e/\$m of EVIC*).

* EVIC defined as 'Enterprise Value Including' (value of a company's equity and debt, plus cash on the balance sheet)

Weighted Average Carbon Intensity (WACI)

Each fund's exposure to carbon-intensive companies with attribution of emissions based on revenue (tonnes of CO₂e/\$m of revenue).

Portfolio alignment metric

Science Based Targets

Proportion of the portfolio invested in companies with approved Science Based Targets (verified by the Science Based Targets Initiative, SBTi).

Additional metric

Climate-Related Engagement

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 substantive topic.

SECTION 5: METRICS AND TARGETS

OVERVIEW

Data availability

Data for the metrics has been sourced from the investment managers, and sense-checked by the Trustee's Investment Adviser. The table overleaf includes details of the proportion of each fund for which carbon emissions data was reported. For some funds this is under 100%, due to some asset classes such as cash not being eligible for carbon reporting, and because in some cases underlying companies have not disclosed carbon data and it has not been possible for the investment manager to source an estimate.

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. As more data becomes available it is likely that the Carbon Emissions of the DC funds may increase over the next few years.

The emissions metrics will be calculated for the Fund at least annually. The Trustee will review its metrics from time to time to ensure they remain appropriate for the Plan.

What are Scope emissions?

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.



SECTION 5: METRICS AND TARGETS

EMISSIONS METRICS

The tables below show the absolute Scope 1 and 2 GHG emissions for each of the funds, as at 31 December 2022 (data as at 31 December 2021 is shown in brackets as a comparator). The second table shows each example member's 'share' of these emissions, based on their fund allocations and fund values.

Fund	Value 31/12/22 (£m)	Absolute carbon emissions (tonnes)	Carbon footprint (tonnes carbon emissions per US\$m EVIC)	WACI (tonnes carbon emissions per US\$m revenue)	Proportion of fund covered by the emissions analysis
DHL Diversified Growth	1,227.8 (1,388.1)	113,105 (128,153)	76.9 (68.1)	270.3 (441.0)	94% (93%)
DHL Diversified Cautious	542.7 (610.5)	59,275 (67,460)	91.0 (81.6)	288.4 (469.3)	91% (89%)
DHL Fixed Interest Bonds	131.7 (149.3)	8,695 (16,068)	54.7 (79.5)	107.9 (139.2)	76% (52%)
DHL Liquidity	68.4 (61.7)	765 (122)	9.3 (1.5)	17.5 (4.2)	57% (64%)
DHL Global Equities	187.3 (215.1)	6,946 (7,949)	30.9 (27.3)	90.0 (80.9)	98% (97%)

	Assumed fund value (£)	Absolute carbon emissions (tonnes)	Carbon footprint (tonnes carbon emissions per US\$m EVIC)	WACI (tonnes carbon emissions per US\$m revenue)
New Joiner	0	0 (0)	76.9 (68.2)	270.3 (441.0)
Pre De-risking	30,000	2.8 (2.8)	76.9 (68.2)	270.3 (441.0)
Pre Retirement	50,000	4.6 (5.2)	78.9 (76.1)	247.8 (396.8)

Source: Investment Manager, WTW

Whilst the total Scope 1 and 2 carbon emissions has generally reduced, the climate footprint has generally increased. This is likely to be a function of the fund values dropping over the last year, as well as the GBP/US\$ exchange rate falling (which means that the US\$ value of the funds has fallen by more than the GBP value). This would result in a higher carbon footprint for a given level of absolute emissions.

Data coverage has generally improved since last year's report.

SECTION 5: METRICS AND TARGETS

EMISSIONS METRICS

Scope 3 Emissions metrics

The tables below show the absolute Scope 3 GHG emissions metrics for each of the funds, as at 31 March 2023. We note that the investment manager was not able to provide Scope 3 emissions data as at 31 December 2022, which is why we are showing this separately from the data shown on the previous page.

Fund	Absolute carbon emissions (tonnes)	Carbon footprint (tonnes carbon emissions per US\$m EVIC)	WACI (tonnes carbon emissions per US\$m revenue)
DHL Diversified Growth	489,660	349.7	1,415.2
DHL Diversified Cautious	212,312	393.9	1,510.7
DHL Fixed Interest Bonds	35,360	316.8	634.8
DHL Liquidity	4,255	73.5	501.1
DHL Global Equities	70,453	296.2	735.5



SECTION 5: METRICS AND TARGETS

PORTFOLIO ALIGNMENT METRICS



Science Based Targets

The table opposite shows the proportion of each fund that is invested in companies with carbon emission reduction targets listed on the Science Based Targets initiative ("SBTi") database. The SBTi is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

SBTi defines and promotes best practice in emissions reductions and net-zero targets in line with climate science for companies and financial institutions to follow. SBTi provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science, using a team of experts to validate submitted targets to ensure compliance.

Fund	SBTi coverage as at 31/12/22
DHL Diversified Growth	42.5%
DHL Diversified Cautious	32.9%
DHL Fixed Interest Bonds	32.1%
DHL Liquidity	6.0%
DHL Global Equities	55.3%

SECTION 5: METRICS AND TARGETS

TARGET – CLIMATE-RELATED ENGAGEMENT

As outlined in Section 2, engagement is a key strategic priority for the Trustee, and it has therefore chosen 'Climate-Related Engagement' 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 2-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 table below and continued overleaf illustrates how the DC funds have scored relative to this target in over the last two years (ending 31 December 2022).



SECTION 5: METRICS AND TARGETS

TARGET – CLIMATE-RELATED ENGAGEMENT

DHL Diversified Growth		DHL Diversified Cautious		DHL Fixed Interest Bonds		DHL Liquidity		DHL Global Equities	
Name	% of total WACI	Name	% of total WACI	Name	% of total WACI	Name *	% of total WACI	Name	% of total WACI
Emera Inc	3.5%	Emera Inc	2.8%	BG Energy Capital PLC	6.5%	Skandinaviska Enskilda Banken AB/ London	66.9%	Shell PLC	3.2%
Southern Co/The	3.3%	Southern Co/The	2.5%	Engie SA	6.0%	BNP Paribas SA/London	5.6%	Holcim AG	3.1%
Xcel Energy Inc	3.2%	Xcel Energy Inc	2.5%	Shell International Finance BV	4.8%	BNP Paribas SA/London	3.1%	Chevron Corp	1.9%
Duke Energy Corp	2.8%	American Electric Power Co Inc	2.3%	Enel Finance International NV	4.8%	KBC Bank NV/ London	1.5%	NextEra Energy Inc	1.9%
American Electric Power Co Inc	2.8%	Duke Energy Corp	2.2%	Shell International Finance BV	3.8%	First Abu Dhabi Bank PJSC/United Kingdom	1.1%	Linde PLC	1.8%
Entergy Corp	2.6%	Entergy Corp	2.0%	BHP Billiton Finance Ltd	3.1%	First Abu Dhabi Bank PJSC/United Kingdom	1.1%	Valero Energy Corp	1.6%
Ameren Corp	2.5%	Ameren Corp	2.0%	United Parcels Service Inc	2.6%	First Abu Dhabi Bank PJSC/United Kingdom	1.1%	Duke Energy Corp	1.5%
Power Assets Holdings Ltd	2.4%	Power Assets Holdings Ltd	1.9%	Electricite de France SA	2.6%	KBC Bank NV/ London	0.9%	Total Energies SE	1.5%
WEC Energy Group Inc	2.1%	WEC Energy Group Inc	1.6%	Rio Tinto Finance PLC	2.2%	Bank of Nova Scotia	0.9%	South32 Ltd	1.4%
Fortis Inc/ Canada	1.9%	Fortis Inc/ Canada	1.5%	Electricite de France SA	2.0%	Santander UK PLC	0.7%	Southern Co/The	1.4%
1**	Total: 27.1%	1**	Total: 21.3%	3**	Total: 38.4%	3**	Total: 82.9%	4**	Total: 19.3%

Source: Investment Managers, WTW

* The DHL Liquidity fund holds more than one security for some banks, and so information is provided separately for each.

** This figure represents the number of names from the top 10 that LGIM have engaged on climate change with in the last two years (to 31 December 2022).

SECTION 5: METRICS AND TARGETS

TARGET – CLIMATE-RELATED ENGAGEMENT



The DCC monitors each manager’s engagement with the top 10 contributors, and will actively discuss the results of this monitoring with the managers.

The number of companies in the above table with which the investment manager has engaged on climate change in the last two years is low, and of course well under the Trustee’s target of 100%, although the investment manager has engaged with more of the companies over a longer time frame. In addition the DCC understands that the information provided for this report solely covers engagements related to climate change, and that the managers of each fund will seek to engage with issuers on a number ESG topics. While managers would be expected to engage on climate risk with issuers who are the largest carbon emitters within their portfolio, the DCC would expect managers to engage on topics that are most relevant for any given issuer. That said the DCC will continue to review the manager’s engagement on climate change as part of its ongoing monitoring, and will actively discuss the results of this monitoring with the manager.

Source: WTW