



**DHL Group Retirement Plan (DHL GRP)
DB Sections**

UK STEWARDSHIP CODE REPORT

YEAR ENDING 31 MARCH 2025



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INTRODUCTION



DHL Group DHL Trustees Limited ('DTL Board' or 'Trustee') is Trustee of the DHL Group Retirement Plan (the DHL GRP). The DTL Board supports the UK Stewardship Code 2020 ('the Code') which it recognises as best practice.

This annual report sets out how the DTL Board has ensured that the DHL GRP has fulfilled its stewardship responsibilities over the year ending 31 March 2025 and the outcomes of this activity. This report covers the Defined Benefit ('DB') assets of the DHL GRP, but not the Defined Contribution ('DC') Section, and has been set out in line with the 12 Principles of the Code.

The DHL GRP is a long-term supporter of the Code, having initially become a signatory in 2016. Environmental, Social and Governance ('ESG') factors, in particular those related to stewardship and engagement and climate-related risks and opportunities, are integral to the DHL GRP's investment process and are embedded throughout its culture.

The DHL GRP is the sponsored pension plan for UK employees of DHL. The DHL GRP has approximately 136,000 members in the DC Section and approximately 45,000 are in the DB Sections. There are 6 DB Sections of the DHL GRP, and the assets of the DB Sections are commingled in the DHL Pensions Investment Fund ('DHL PIF').

The DHL PIF is a common investment fund which was established on 22 July 1988 and is available to all DB Sections of the DHL GRP. The members of the DHL GRP's Investment Implementation Committee ('IIC') are the Directors of DHL PIF Ltd and are responsible for all aspects of the operation of the DHL PIF. The IIC has delegated certain operational responsibilities to the IIC sub-committee, which currently comprises the Chair of the IIC and one other member of the IIC.

The IIC works closely with the DHL GRP's Funding and Investment Strategy Committee (FISC) which has operational responsibility for identifying and considering the funding objective and determining the investment objectives for all DB Sections of the DHL GRP.

In 2025, the fifth annual Stewardship and Engagement Report was produced to cover the calendar year 2024. This provides details of the engagement activity across the DHL PIF for each investment manager for all asset classes. In this report, we have provided information from the Stewardship and Engagement Report under the relevant principles.

On 22 July 2024, the FRC announced a relaxation of its reporting requirements, meaning that some information does not need to be included in this report where there have been no material changes since the DHL GRP's 2023/2024 Stewardship Code Report. Where this relaxation has been used and information has not been repeated, readers are referred to the 2023/2024 Report.

On behalf of the DHL Group Retirement Plan

Peter Flanagan

Peter Flanagan, representing P F Trustee Limited, Chair of the DTL Board

PRINCIPLE 1

PURPOSE, STRATEGY AND CULTURE

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

There have been no material changes to the DHL GRP's approach to Principle 1, which was detailed on pages 4-6 of the 2023/2024 Stewardship Code Report, except for the updates outlined below.

Key stewardship-related activities during 2024/2025

Over the period, the culture of continuous improvement and achieving best practice has led to the following actions or outcomes:

- In June 2024, the IIC held a training day led by its DB investment consultant, LCP. The training provided in-depth insights on social factors, nature and biodiversity, and sustainability reporting. It also set out recommended actions for the IIC to consider. In addition to annual training days, the DTL Board and the Committees are kept informed by their advisers through quarterly 'Hot Topics' and industry and legal updates;
- In June 2024, the Trustee agreed to set a net zero ambition for the DHL GRP following recommendation from the IIC and DC Committee (DCC). The Trustee now has an ambition to achieve net zero greenhouse gas emissions (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio;
- The DTL Board published its third annual Climate Report in line with the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. The report addressed the specific disclosure requirements in the regulations which are based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The report is available on the DHL GRP's member website;
- The Trustee agreed to retain the three Stewardship Priorities initially set in 2022. The priorities are climate change, modern slavery, and diversity and inclusion. As part of the Stewardship and Engagement Report (see next bullet), progress for the proportion of engagements made by the DHL PIF's managers that were in relation to these Stewardship Priorities was reviewed (detailed under Principle 7);
- The fifth annual Stewardship and Engagement Report was completed shortly after the end of the Plan Year (as described under Principle 6);
- The investment beliefs were reviewed over the Plan Year and it was agreed that the beliefs largely remained appropriate. Two changes were made to the headline ESG Factors beliefs, as outlined on page 5;
- The terms of reference for the IIC were reviewed and updated in March 2025 to reflect the ability of the IIC to delegate certain responsibilities to the IIC sub-committee;
- A third-party provider (ClearGlass) produced its fourth set of reports on the transaction costs incurred by the DHL PIF's investment managers over the calendar year 2023;
- A communications adviser (WTW) helped to improve communications that are issued to members, including the DHL GRP's governance documents that are made available to members, such as the Statement of Investment Principles (SIP) and Implementation Statement;
- Working with its appointed Cyber Security Adviser (Aon), the DTL Board has developed a mature cyber resilience framework which involves regular reviews of its cyber governance framework and the cyber security of its third party providers and investment managers; and
- The Audit and Risk Management Committee (ARMC) progressed the work associated with the Effective System of Governance (ESOG) and completed its second Own Risk Assessment (ORA) as prescribed by the Pensions Regulator's General Code of Practice, with support from the risk management adviser (Muse Advisory).

These examples are in addition to the business as usual activities in relation to effective stewardship which are covered in more detail within this report.



Diversity and Inclusion

The DTL Board believes that having a diverse board leads to effective decision making. The DTL Board updated and renamed its Diversity & Inclusion Policy to 'Diversity, Equity, Inclusion & Belonging Policy' in September 2024.

Investment Beliefs for the DB Sections

The DTL Board has agreed a set of Investment Beliefs that reflect their core, long-term views, which are reviewed annually. These Beliefs capture the Directors' views on ESG factors, stewardship and engagement and climate risks and opportunities, under 'Belief 7'. The Investment Beliefs drive all decisions in relation to asset allocation.

Following the review in August 2024, the headline investment beliefs for the DB Sections remain largely unchanged except for two changes to Belief 7 (ESG Factors):

- The headline belief relating to climate change has been amended from:
"The Directors believe that the impact of, and potential responses to, climate change creates a material financial risk. In particular, the Directors believe that companies should adjust their business strategies to align with the 2015 Paris Agreement."
to
"The Directors believe that climate change is a financially material systemic issue that presents risks and opportunities for the Plan over the short, medium and long term. In particular, the Directors have set a net zero ambition and believe that companies should adjust their business strategies to align with the 2015 Paris Agreement."
• An additional headline belief has been added: "The Directors believe that self-investment in the Sponsor should be mitigated where possible".

Further information on Investment Beliefs and how they influence strategy are provided on pages 5-6 of the 2023/2024 Stewardship Code Report. The 2023/2024 Stewardship Code Report includes the full set of Investment Beliefs agreed in September 2024 in Appendix 1.



PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Signatories' governance, resources and incentives support stewardship.

There have been no material changes to the DHL GRP's approach to Principle 2, which was detailed on pages 7-10 of the 2023/2024 Stewardship Code Report, except for the updates outlined below.

Governance Structure

- The TCFD Working Group has been replaced with a new ESG Committee ('ESGC'). The ESGC supports the Trustee, IIC and DCC on developing, implementing and reviewing the DHL GRP's approach to ESG matters. The ESGC has its own terms of reference with a key aim to ensure there is consistency across both the DB and DC sections where appropriate. However, the responsibility for overseeing and monitoring each DHL PIF manager's stewardship activities and the preparation of this report, remains with the IIC.
- Stuart Boyd has replaced Robert Simpson as a member of the DTL Board.
- There are now seven team members (previously four) within the Pensions Secretariat team who support the DTL Board and the Committees in their activities.

Oversight of Stewardship

As part of its commitment to continuous improvement, the DTL Board revised one of its climate-related targets in 2024. The previous target aimed to ensure that 100% of the top 10 carbon emitters in each mandate would have been engaged with on climate-related issues within the last two calendar years. The third annual climate report, published in September 2024, includes the outcome of this target. It proved difficult to obtain robust data for this metric and draw meaningful conclusions from it. The primary difficulties included:

- the top 10 contributors to emissions from each portfolio change over time, making year-on-year comparisons difficult; and
- different managers may record engagements in different ways, and it is not always possible to determine whether a particular engagement is meaningful or not.

In September 2024 a new target was set for DHL PIF's corporate bond holdings. The target is for 60% of these holdings to have a Science-Based Target to reduce their greenhouse gas emissions, by 31 March 2030. A similar target has been set for the DC Section. This shift more directly supports the Trustee's ambition for the Plan's assets to reach net zero emissions by 2050.

Importantly, this change in target does not signal a reduced emphasis on engagement. The DTL Board continues to view climate-related engagement as a core part of its stewardship responsibilities. While it no longer relies on a quantitative engagement target, the IIC continues to review climate-related engagements on a qualitative basis and to engage with managers to understand and encourage best practices in this area.

Training

For the year to 31 December 2024, the PMI certified that the DTL Board had completed the required standard of CPD.

PRINCIPLE 2

GOVERNANCE, RESOURCES AND INCENTIVES

Signatories' governance, resources and incentives support stewardship.

Resources

In-house Team

Stuart Dunn was supported by Daniel Baker, who has over 25 years pensions experience and was Secretary to the IIC until March 2025. As at the end of the Plan Year, the post was vacant. Wajed Ali was appointed to fill the vacancy with effect from June 2025 and is Secretary to the IIC and ESGC.

Custodian

The Custodian, BNY Mellon was previously engaged to provide a single, independent source of ESG data to support the DHL PIF reporting. The data ultimately did not provide meaningful insights and as such, the IIC no longer reviews the report provided by BNY Mellon.

Own Risk Assessment

The second ORA was completed over the Plan Year and some minor improvements to processes were made. During the Plan Year, the Trustee undertook additional training on the Pension Regulator's General Code of Practice.

PRINCIPLE 3

CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

There have been no material changes to the DHL GRP's approach to Principle 3, which was detailed on pages 10-11 of the 2023/2024 Stewardship Code Report, except for the updates outlined below.

Conflicts of Interest Policy and Approach

An overview of the conflicts of interest policy was provided on page 10 of the 2023/2024 Stewardship Code Report and the full policy was included in Appendix 2. There were no changes to the policy during the 2024/2025 Plan Year. Its next review is due during 2025.

The Trustee monitors any potential conflicts of interest to ensure that they are appropriately managed. It is inevitable that conflicts or potential conflicts of interest do arise from time to time and they may be managed (for example) by having a committee with authority to deal with the relevant matter that does not include the individual with the potential conflict.

Over the period under review, a number of potential conflicts have been identified and managed in accordance with the DTL Board's policy. Some examples relating to stewardship matters are disclosed below. The Trustee, through the IIC (and IIC sub-committee), has a focus on the fiduciary responsibility performed by the investment managers, which is considered below.

Investment Managers

Day-to-day implementation of the DHL PIF's stewardship activity has been delegated to external investment managers. The IIC expects its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise to ensure that the interests of the DHL GRP's members are prioritised.

During the Plan Year, the investment consultant reviewed information about the conflicts of interest policy for each of the DHL PIF's managers and provided a summary of its findings to the IIC in its Stewardship and Engagement Report. Factors considered in the review included:

- whether the policy appeared sensible overall, with appropriate safeguards;
- types of conflicts covered, especially those relating to stewardship;
- processes for identifying, preventing and disclosing conflicts and for reviewing existing conflicts;
- employee training on conflicts of interest; and
- who is responsible for overseeing conflicts.

No material concerns were identified, although many managers were not willing to share their full conflicts policy, which limited the information on which the assessment was based.

At present, there are concerns regarding potential conflicts with two of the DHL PIF's investment managers. These arose in previous reporting years and are described in the boxes on page 9.

PRINCIPLE 3

CONFLICTS OF INTEREST

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Example – Conflict Identified at an Investment Manager (fund wind-down)

The IIC previously identified a potential conflict of interest with one of the DHL PIF's investment managers in relation to the winding-down of a fund. The investment manager received approval by an investor vote to wind down the fund over five years from 1 July 2023 (with two potential additional one-year extensions) and remove investors' redemption rights during that period.

The Trustee continues to have an interest in the wind-down process proceeding in an appropriately balanced way that is not unduly influenced by the investment manager's potential interests (which could potentially include holding assets for longer to benefit from ongoing fees). The investment manager has set up a series of regular investor meetings to discuss the fund's progress including the wind-down process. The IIC is generally represented at those meetings and is monitoring the process so that it can, with other investors, provide challenge about the pace of wind-down where relevant and to help ensure that conflicts are appropriately managed.

Example – Conflict Identified at an Investment Manager (equity and debt holdings)

During the previous Plan Year, the IIC identified a potential conflict of interest with another of the DHL PIF's investment managers, due to holdings in both equity and debt positions in a company that is currently in run-off. A conflict may arise if the manager, when acting on behalf of the equity (or debt) investors, is required to make a decision which may be to the detriment of the debt (or equity) investors.

Following a meeting with the IIC and the Plan's investment consultant, the IIC decided to follow up with the investment manager to ensure that, should this conflict arise, appropriate steps would be taken to manage it. The investment manager confirmed that, such a decision would be discussed with the manager's investment committee at the relevant time, but ultimately it may require consultation with underlying investors in the funds. It was noted that a conflict is more likely to arise if decisions need to be taken by equity holders that could negatively impact bond holders, than in the reverse situation. This is because debt holders rights are generally limited.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

The IIC's investment consultant provides the first response to market-wide and systemic risks. The investment consultant reviews market conditions on a regular basis and updates the IIC on market-related considerations quarterly (or sooner if required) through the regular reporting. Regular dialogue takes place between the investment consultant and market participants, regulators and policymakers to help identify and improve outcomes related to market-wide and systemic risks, which is communicated to the IIC/IIC sub-committee as appropriate. In addition, the appointed investment managers raise potential issues directly with the IIC sub-committee.

The quarterly reporting to the IIC also provides an update on the risks within the DHL PIF (using a Value at Risk metric) and includes detailed reporting on the collateral and counterparty risks within the liability hedging mandate. The IIC meets at least annually with the liability hedging manager and the investment consultant to review market conditions and risks in relation to the liability hedging mandate.

The effectiveness of the investment consultant in identifying and responding to market-wide and systemic risks is reviewed as part of their annual performance review outlined in Principle 8.

Once a risk is identified, there is a governance structure in place so that these can be easily and quickly relayed back to the IIC and any action required can be implemented quickly.

Climate Risks

The IIC monitors emerging risks, with the current focus being on climate-related risks. The DTL Board is a supporter of the TCFD and has implemented the various requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, including:

- ensuring the appropriate governance arrangements are in place including outlining the roles and responsibilities for the DTL Board and the various Committees;
- carrying out climate training for the DTL Board and relevant Committees;
- undertaking climate scenario analysis at least every three years;
- collecting climate-related metrics from the investment managers on an annual basis;
- setting a target to improve one of those metrics over time;
- ensuring metrics and targets are aligned with the DTL Board's ESG Beliefs and investment philosophy; and
- agreeing and maintaining a Climate Risk Policy (see Principle 7).

During the Plan Year, the Trustee has set 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 DHL PIF's investments and the consequent impact on the financial interests of its members. More information is provided in the case study below.

As outlined on [page 6](#), the Trustee has set a target relating to the proportion of assets covered by a science-based target, which supports its net zero ambition.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

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Case Study: Setting a net zero ambition

Background to the decision

Investors working together to set and implement net zero ambitions is an important tool to manage the systemic financial risks that all investors are exposed to due to climate change.

The DCC was considering making a net zero ambition for the DHL GRP's DC Section and the Trustee wanted to be consistent between its DB and DC assets. The DC Section had already chosen to invest in the Legal and General (L&G) Future World Funds, covering around 70–80% of the DC assets, and these funds have a net zero target.

The IIC felt that setting a net zero ambition would help to address financial risks associated with climate change, align with the DHL GRP's sponsor and act in the best interests of the DHL GRP's DB members.

Following recommendations from the DCC and the IIC, the Trustee agreed to set a net zero ambition at the DTL Board meeting on 20 June 2024.

Net zero ambition

The DHL GRP's ambition is to achieve net zero greenhouse gas emissions (Scopes 1, 2 and 3) by 2050 or sooner across its asset portfolio. This is in line with the Paris Agreement, an international treaty which aims to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

The full ambition statement, including steps which are expected to be taken to achieve the ambition, is provided in the Appendix.

Implementing the ambition

During the year, the investment consultant worked with L&G to incorporate the Trustee's net zero ambition in the DHL PIF's new active credit mandate. As a result, this mandate includes a target to align the portfolio to a global average temperature increase of 1.5°C by 31 December 2030 (see case study under Principle 7 on [page 18](#)).

In February 2025, the ESG Committee undertook an initial assessment of the DHL PIF's mandates to assess whether they are aligning with net zero emissions pathways and, if not, the ease of alignment. Based on this analysis, it has identified two high priority mandates, with significant assets under management, to focus on during 2025. It has started to engage with these two managers to understand the portfolios' current net zero alignment and the potential to increase alignment over time. The IIC will also monitor progress towards net zero of the two DHL PIF mandates which already incorporate net zero in the fund guidelines.

The ESGC plans to repeat the triage process annually and select priority mandates for engagement over the subsequent year, until all mandates are considered to be aligning with net zero.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Industry-wide Initiatives

The DTL Board and the IIC encourage their advisers and investment managers to participate in industry-wide initiatives where this is aligned with the DTL Board's fiduciary duty to its members.

The case study below focuses on improving reporting and disclosures, which play a crucial role in promoting well-functioning markets by ensuring transparency, accountability and trust. It relates to one of the DTL PIF's managers, who did not want to be named.

Case Study: Collateralised Loan Obligations ('CLOs')

One of DHL PIF's secure income managers invests in CLOs. These are securities that, due to their complex nature, are generally considered quite difficult to collect climate-related information for. The manager is a member of the European Leveraged Finance Association ('ELFA'). As part of the ELFA, the manager worked to create an ESG CLO Manager Questionnaire in 2022 to standardise ESG disclosure and streamline due diligence processes.

The questionnaire aimed to help to promote the importance of making ESG information publicly available, satisfying shareholder and stakeholder scrutiny.

Following a press release and questionnaire which was launched via different communication channels alongside a series of training sessions, the manager continues to collaborate with other CLO investor members of ELFA to encourage usage.

Over 2024 this has now become a market standard questionnaire with nearly 100% of collateral managers providing it together with the market materials. This continues to create efficiencies for CLO managers and those involved in the syndication process, as arranging banks are now including it as part of their debt pack when launching a new primary deal. This has helped improve transparency across the CLO market.

Following a recommendation from the ESGC, the Trustee agreed to sign up to the Asset Owner Diversity Charter ('AODC') in March 2025. The initiative encourages signatories to collaborate and to build an investment industry which represents a more balanced representation of diverse societies. The DHL GRP's DB and DC investment consultants had already committed to this initiative and recommended signing the charter as it aligns well with the DHL GRP's Diversity, Equity, Inclusion and Belonging ('DEIB') policy.

Investment Consultant's Involvement in Industry-wide Initiatives

The IIC expects its investment consultant to be a member of the Investment Consultants Sustainability Working Group ('ICSWG'). The ICSWG is a collaboration between approximately 20 firms which is taking action to support and accelerate sustainable investment initiatives in the UK. The IIC's investment consultant is a member.

Within the ICSWG, the investment consultant leads the Influence workstream, which engages with regulators and policymakers on behalf of UK pension schemes to promote more effective sustainable investment regulation.

During the Plan Year, the workstream developed policy position papers on reducing regulatory burdens for pension trustees, removing barriers to sustainable investing, and encouraging investment in sustainable productive finance. The investment consultant also contributed to the ICSWG Raise the Bar workstream, including enhancements to the ICSWG's engagement reporting guide and helping to develop a tool for asset owners to assess manager alignment with their stewardship beliefs.

PRINCIPLE 4

PROMOTING WELL-FUNCTIONING MARKETS

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In addition to ICSWG, the investment consultant is a member of the Institutional Investors Group on Climate Change (IIGCC), a leading European investor network focused on climate-related policy and investment practices. Here, the investment consultant contributed to the IIGCC's response to the Stewardship Code consultation and broader policy discussions on unlocking patient capital.

A representative of the investment consultant regularly participates in the 300 Group – a global forum of senior investment professionals focused on highlighting and addressing systemic market risks, such as herding behaviour, benchmark concentration, and global economic imbalances.

Other Involvement in Industry-wide Initiatives

Trustee Sustainability Working Group

Natalie Winterfrost, Chair of the IIC and ESGC (as representative of The Law Debenture Pension Trust Corporation plc. (Law Debenture) as director), is a founding member of the Trustee Sustainability Working Group – a cross-industry initiative aimed at enabling collective trustee action on sustainability issues and promoting the exchange of best practice across pension schemes.

UK Defined Benefit Working Group

Natalie Winterfrost co-chaired this industry-wide group, looking at how pension schemes could run on to support productive finance, directly engaging the DWP, HM Treasury and the National Wealth Fund, as well as meeting the Pension Protection Fund to consider their role in this context. The investment consultant has also been closely involved in this working group.

Fiduciary Duty

Natalie Winterfrost and the investment consultant have actively contributed to the pensions industry debate on fiduciary duty during the year, including input into ShareAction's proposed amendment to the Pension Schemes Bill. This amendment would seek to clarify that trustees' fiduciary duty includes consideration of system-level considerations – including systemic environmental and social matters – over beneficiaries' lifetimes.

Financial Conduct Authority (FCA)

Natalie Winterfrost has engaged with the FCA to discuss barriers to effective stewardship. This included attending a roundtable which sought pension trustees' perspective on current stewardship practices, their strengths and weaknesses, and how the FCA can support effective stewardship. This engagement forms part of broader efforts to improve regulatory alignment with the long-term interests of pension schemes and their members.

CFA UK

Natalie Winterfrost continues to engage with the CFA UK. During the Plan Year, this included an ethics interview which was rolled out across the CFA membership.

HMRC

Natalie Winterfrost engaged with the HMRC on tax matters in relation to making pension scheme run-on successful.

Legal Adviser

The DHL GRP uses Sackers to review its policies in relation to climate risk and compliance with the Climate Change Governance and Reporting Regulations. Sackers is a leading law firm for pensions ESG investment issues and its partners are involved in various related working groups and industry initiatives. These include the Financial Markets Law Committee's working group which provided clarification on "Pension Fund Trustees and Fiduciary Duties: Decision-making in the context of Sustainability and the subject of Climate Change" in February 2024. Two of Sackers' partners are also providing the legal support to ShareAction in respect of their proposed amendment to the Pension Schemes Bill referred to above (which would seek to clarify that trustees' fiduciary duty includes consideration of system-level considerations in relation to climate change).

PRINCIPLE 5

REVIEW AND ASSURANCE

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

The DTL Board continually seeks to improve all its policies in relation to stewardship. There have been no material changes to the DHL GRP's approach to Principle 5, which was detailed on pages 16-17 of the 2023/2024 Stewardship Code Report, except for the updates outlined below.



Statement of Investment Principles (SIP)

The SIP for the DB Sections was amended as follows:

- addition of the ESGC and details of its responsibilities;
- changes to the ESG risks section to reflect the Trustee's net zero ambition;
- expanded detail on the DHL GRP's investment beliefs, particularly in relation to expected returns, risk, governance and financial materiality of ESG factors; and
- an update to the return target to reflect the 2024 actuarial valuation, replacing the previous reference to the 2021 valuation.



Climate Risk Policy

The Climate Risk Policy was updated during the Plan Year. An overview of the changes is provided on [page 16](#) under Principle 7.



Risk Register

The DTL Board maintains a risk register, summarising the key risks to which the DHL GRP is exposed and which Committees are responsible for managing these risks. Through the delegations in place, relevant committees have been performing deep dives on their risks to ensure that the risks remain right as articulated and the DTL Board remains focused on the right priorities. Since the end of the Plan Year, ESG risks have been considered in detail.

During the year, the DTL Board has reviewed its Risk Management Policy which captures, among other things, the DTL Board's Risk Management Framework and how risks are identified, assessed and monitored. The DTL Board continues to take action resulting from its Own Risk Assessment to strengthen its risk and control framework.

The DTL Board uses an online risk management system, which enables the recording of evidence to provide assurance on the controls for each risk, and the sources of assurance.

The risk register is reviewed on a rolling basis, with quarterly risk reports to the DTL Board and a triennial cycle of deep dive risk reviews and control assessments.

PRINCIPLE 6

CLIENT AND BENEFICIARY NEEDS

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

There have been no material changes to the DHL GRP's approach to Principle 6, which was detailed on pages 18-21 of the 2023/2024 Stewardship Code Report, with the following exceptions:

- Around 68% of the DB membership is pensioners and dependants, with the remaining c.32% representing deferred members. This represents a small shift towards pensioners and dependants compared to the last report.
- The Integrated Risk Management Summary – which sets out how funding, investment and covenant risks in relation to the DB Sections are managed – was updated to reflect the 2024 actuarial valuation, the 2024 covenant assessment, some investment strategy changes, and The Pension Regulator's new funding code.
- Each year the DTL Board produces a statement for DB members. No comments on stewardship were included this year, although an article about the DHL GRP's Net Zero ambition was published on the DHL GRP website.
- The fifth annual Stewardship and Engagement Report was completed shortly after the end of the Plan Year. This included detailed reporting on the investment managers within the DHL PIF on their engagement and voting activities over 2024. As part of the review, the investment managers were rated on a red-amber-green traffic light system with respect to quantity, variety, quality and reporting of engagement. The reporting was extended to include details of the investment consultant's view of the managers' approaches to responsible investment, an assessment of how managers demonstrated collaboration and escalation, and an assessment of managers' conflicts of interest policies. All of the material managers provided some information on their engagement activities and, where relevant, their voting activities. Nine of the ten managers provided most of the information requested and all supplied at least one engagement case study. On the basis of the report, the IIC is satisfied that the managers are following the Trustee's stewardship policies. However, there is room for improvement in all cases. This will be discussed at the IIC's meetings with managers over the next Plan Year as appropriate.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material ESG issues, and climate change, to fulfil their responsibilities.

Integration of Investment Beliefs

The DTL Board takes an integrated approach to stewardship which flows from the investment beliefs, outlined on [page 5](#) under Principle 1 and provided in full in Appendix 1 of the 2023/2024 Stewardship Code Report. These beliefs reflect the DTL Board's long-term, core views and are embedded fully into all aspects of the investment process, across asset classes and across geographies.

Climate Risk Policy

The DTL Board has a Climate Risk Policy setting out how it will manage climate-related risks and opportunities.

The DHL PIF's investment managers are expected to invest in a manner that aligns with the Climate Policy.

As a result of the Policy's annual review during the reporting year, material updates were made including the addition of the DHL GRP's net zero ambition, a change in one of the Trustee's chosen metrics from engagement to data quality, a revised target focused on the proportion of assets with Science-Based Targets ('SBT'), updated climate scenarios, and refreshed commentary on climate-related opportunities. Further detail is provided in the DHL GRP's climate reports which are publicly available.

During the Plan Year, the Trustee decided to replace the Policy with a broader ESG policy that covers the DHL GRP's approach to all ESG-related risks and opportunities, not just climate risk. The new policy was agreed in June 2025 and will be covered in the DHL GRP's next Stewardship Code Report. You can read the ESG policy [here](#).

Investment Exclusions

The IIC has discussed investment exclusions in detail and concluded that investments in businesses and corporate entities that are involved in the production of controversial weapons pose significant reputational and regulatory risks which may be financially material. The IIC further understands that, given the nature of the DHL PIF's segregated mandates, this exclusion is unlikely to have a material negative impact on the financial outcomes of the investment portfolios. These investments are therefore prohibited within the DHL PIF's segregated mandates.

As part of the work to set up the new active credit mandate with L&G, additional exclusions were considered. The IIC agreed to exclude securities listed under L&G's coal exclusion policy, controversial weapons policy, climate change policy and United Nations Global Compact principles. In addition, since the end of the Plan Year, the IIC agreed to exclude issuers which negatively contribute to the Sustainable Development Goals ('SDG's') (see case study on [page 18](#)).

Manager Selection

ESG factors, including stewardship and engagement, are integrated fully into the IIC's investment process, across all asset classes and investment managers. When selecting a new manager, the IIC's investment consultant reviews the manager's approach to ESG to ensure that this is in line with expectations and the IIC engages with and questions the manager on its ESG integration.

During the Plan Year, L&G was selected to manage a new bespoke active credit mandate. The selection exercise included specific consideration of ESG factors. More information is provided in the case study on the next page.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material ESG issues, and climate change, to fulfil their responsibilities.

Adviser Selection

The Trustee takes into consideration ESG and stewardship factors when selecting and appointing new advisers, to the extent relevant. No new advisers were appointed during the Plan Year, although a review of the DHL GRP's DC investment consultant commenced. ESG-related questions were included in the tender document.

Integration of ESG Across Asset Classes

The IIC looks to apply the same rigour and process to integrating stewardship across all asset classes and geographies. However, the IIC accepts that the approach to stewardship by investment managers will vary according to asset class.

The DHL PIF's bond managers are able to demonstrate high levels of engagement and stewardship. An example of the approach to engagement taken by one of the DHL PIF's credit managers is covered under Principle 9.

The IIC is satisfied with the manner in which its private markets investment managers integrate stewardship within their investment processes. However, the reporting that is currently available from these investment managers on their engagement is a work in progress. Case studies from two private debt managers with better engagement reporting are provided under Principle 9.



PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material ESG issues and climate change, to fulfil their responsibilities.

Case Study: Incorporating ESG in manager selection and mandate design

Objective:

During the Plan Year, the IIC selected a new credit manager for the DHL PIF. ESG integration and responsible investment capabilities formed an important part of the assessment.

L&G was ultimately appointed, following a detailed explanation of its ESG capabilities. The IIC considered L&G to have a well-developed and embedded approach to ESG integration, with clear processes for incorporating ESG risks and opportunities into credit analysis and portfolio construction. In addition, the IIC reviewed L&G's use of ESG data sources and proprietary tools, which support consistent and forward-looking analysis for the underlying holdings. These factors helped provide confidence to the IIC in L&G's ability to manage the mandate in line with the Trustee's broader sustainability objectives.

Following the appointment, the ESGC considered how broader sustainability factors could be incorporated into the new mandate. To support these discussions, L&G used a model portfolio to illustrate the potential impact of applying different sustainability-related guidelines.

The investment consultant worked closely with L&G to determine appropriate considerations for the new mandate:

- The investment guidelines include net zero objectives, including a target to align the portfolio to 1.5°C by 31 December 2030, measured using L&G's 'LGIM's Destination @ Risk' tool. This, alongside other criteria, reflects L&G's approach to net zero-aligned funds and was agreed in principle by the IIC in August 2024.
- The ESGC considered how the mandate could support the Plan's 2030 target for 60% of its corporate bond holdings to be covered by SBTs – emissions reduction goals aligned with the Paris Agreement and validated by the Science Based Targets initiative (SBTi), an independent body that assesses climate targets against scientific criteria. L&G explained that its 'LGIM Destination @ Risk' tool uses a broader and more dynamic dataset than the DHL GRP's SBT metric, which is why it prefers to use this tool when managing climate-aware portfolios. It was also acknowledged that SBTi validation is not always feasible, particularly outside of listed developed market assets and that some issuers may not be willing to seek validation due to its perceived complexity.
- The ESGC also considered how to incorporate sustainability factors beyond climate change into the mandate. Using its SDG framework (based on the United Nations's global goals for addressing environmental and social challenges), L&G showed that the model portfolio had lower exposure to issuers with negative SDG contributions than its benchmark, with most positive contributions concentrated in SDG 13 (Climate Action).

Outcome and next steps:

- The IIC agreed not to ask L&G to incorporate SBT into the investment guidelines, given L&G's preference to manage the portfolio using its 'LGIM Destination @ Risk' tool instead. It noted that L&G engages with issuers to encourage them to set SBTs, and will monitor this through its periodic meetings with L&G.
- The Trustee's SBT target can be assessed using measures other than SBTi validation. The investment consultant will continue its discussions with L&G about developing alternative assessment approaches for the credit portfolio.
- Since the end of the Plan Year, the IIC has asked L&G to exclude issuers which negatively contribute to the SDGs. With the investment consultant's help, it continues to explore options to increase the portfolio's exposure to issuers making a positive contribution to the SDGs.

PRINCIPLE 7

STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Signatories systematically integrate stewardship and investment, including material ESG issues and climate change, to fulfil their responsibilities.

Stewardship Priorities

During the Plan Year, the Trustee agreed to retain the Stewardship Priorities set previously 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 regard 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 were communicated to the DHL PIF's investment managers during the previous Plan Year, noting that they would be expected to prioritise engagement in these areas. The DHL GRP's latest Stewardship and Engagement Report considers the managers' activities in respect of these priorities, including assessing the proportion of engagement relating to each priority and reviewing specific examples where managers have engaged in these areas.

Integration of ESG into the IIC's Monitoring of Investment Managers

The investment consultant regularly reviews the DHL PIF's investment managers' ESG approaches and any changes or enhancements to their approach are discussed as part of the annual manager review process. Over recent years, a common theme across investment managers has been the overall enhancement of ESG integration and processes, particularly with respect to climate reporting. In particular, many managers are now able to more consistently report on Scope 1, 2 and 3 emissions, and are beginning to be able to report a range of non-climate ESG metrics.

As part of the annual Stewardship and Engagement Report, ratings for each investment manager on a red-amber-green traffic light system are given. Further details on what is assessed is set out on **page 15** under Principle 6. The IIC, or IIC sub-committee, uses this report as a basis for its monitoring of and engagement with the investment managers as part of their annual review meeting. This is supplemented by qualitative assessments by the investment consultant in the manager briefing papers it provides to the IIC or IIC sub-committee in advance of the annual review meetings.

The briefing papers provide an overview of the manager's investment strategy, capabilities and approach, and include an assessment of responsible investment ('RI'). Specifically, the papers consider how ESG factors are integrated into the investment process, how stewardship and engagement activities are carried out, how climate-related risks are managed, and the alignment of the strategy with net zero. Mandates are assigned a RAG (Red/Amber/Green) rating for each of these four areas, as well as an overall RI score (on a 1-4 scale, where 4 is best). These papers are considered and discussed by the IIC (or IIC sub-committee) prior to meeting.

As part of the annual monitoring meeting, the IIC expects each manager to report on how ESG factors are considered within the investment process, including relevant ESG examples and metrics, with the relevant manager.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

Arrangements with Service Providers

The IIC employs a number of investment managers and service providers to meet its investment objectives. The roles and responsibilities, including details of how the IIC monitors these, are summarised below.

Investment Managers

The IIC has appointed a number of investment managers in various asset classes across both public and private markets. The investment objectives for each manager are specified in investment management agreements with clear guidelines as to how the investments are to be managed. Fees are agreed in advance of the manager appointment being confirmed and the IIC seeks to agree 'Most Favoured Nation' clauses with the investment manager to ensure fees are competitive and fair. The IIC reviews the suitability and performance of each investment manager through quarterly reporting provided by the investment consultant. The IIC and/or IIC sub-committee meets with all of the appointed investment managers as part of a thorough annual review of the relevant mandate(s).

The IIC reviews the information provided in advance by the investment managers, asks challenging questions and follows up where a manager's approach is deemed as unsatisfactory. For example, managers are expected to prioritise engagements according to the Stewardship Priorities set by the IIC (being climate change, modern slavery and diversity & inclusion). If a manager was not prioritising these areas to a satisfactory level, the IIC would follow up with the manager accordingly.

The IIC reviews information on the managers' engagement and voting as part of the annual Stewardship and Engagement Report, as well as whether or not they are a signatory to the Code and UN PRI. The latest annual report showed that all ten managers are UN PRI signatories and seven are Code signatories.

Should the IIC believe that the manager is no longer suitable to deliver the overall objectives of the DHL PIF, or confidence in the investment manager to deliver their specific objectives has reduced, the investment agreement with the manager would be terminated and the IIC would look to replace the manager with a suitable alternative.

Over the period under review, the IIC was satisfied that the majority of investment managers have operated as expected. There are two exceptions relating to conflicts of interest which are described on [page 9](#). In both cases, the IIC and investment consultant are continuing to monitor the situation and challenge the manager on areas of concern, consistent with the IIC's approach to engage with managers to encourage improvement where appropriate.

The managers of the DHL PIF's segregated mandates have confirmed that they did not hold any investments during the Plan Year which contravened the Trustee's policy on controversial weapons.

Case Study: Improving information flow from managers

As part of the ongoing monitoring activities for the DHL PIF's managers in the first half of 2024, the investment consultant experienced some instances where the managers were either slow to respond to requests for stewardship-related information, or did not respond with appropriate information.

The information requested was essential for assessing the managers' stewardship and engagement activities. Some of the information would have been included in the annual Stewardship and Engagement report, Implementation Statement and in the Stewardship Code Report.

The investment consultant raised the issues with the IIC sub-committee, who provided strong feedback to the two managers where the most serious issues were identified.

Both managers improved their responsiveness to subsequent requests for information by the investment consultant, and as such reporting for both managers and their mandates has improved in timeliness and quality for the period covered by this report.

PRINCIPLE 8

MONITORING MANAGERS AND SERVICE PROVIDERS

Signatories monitor and hold to account managers and/or service providers.

Investment Consultant

The IIC has appointed an investment consultant who advises the DTL Board, FISC, IIC, IIC sub-committee and ESGC on all aspects of DB investment strategy including setting investment objectives, asset allocation, manager selection & monitoring and implementation. The contractual arrangements between the DTL Board and the investment consultant specify the services that are to be provided and the fee arrangements.

The DTL Board has set clear objectives for the investment consultant and the performance of the investment consultant is reviewed annually against these objectives.

Custodian and Custodian Adviser

BNY Mellon UK and Apex Custodian Monitoring Services have been appointed as the DHL PIF's custodian and custodian adviser respectively. In addition, BNY Mellon US were appointed by the DTL Board to be the custodian of the DHL GRP's assets in respect of the longevity swap. The contractual arrangements between the DHL PIF and the providers specify the services that are to be provided and the fee arrangements.

Both providers attend an annual meeting with the IIC to discuss the custodian's performance over the year. In addition to annual presentation to the IIC, the Trustee Secretary and finance team have regular meetings with BNY Mellon to discuss delivery of services, including visits to BNY Mellon's offices. If the IIC was dissatisfied with the performance of either provider, it would engage with the provider and if appropriate review the appointment.

Cost Transparency

During the reporting period, ClearGlass produced its fourth set of reports on the transaction costs incurred by the DHL PIF's managers over the calendar year 2023. Following this review, the Trustee concluded that there was a reasonable balance of mandates where costs were below or above the median.

A number of projects undertaken throughout the year had contributed to lowering overall fees. However, there were two instances where further opportunities to reduce fees were identified by the investment consultant. Following negotiations with each of the managers in question, reduced fees were secured for both mandates. These fee reductions are to be implemented following the Plan Year end.

PRINCIPLE 9

ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Engagement with issuers is carried out by investment managers on the Trustee's behalf and, to incentivise and understand that engagement, the IIC monitors the stewardship and engagement activities for each of the DHL PIF's investment managers. The IIC expects its investment managers to directly engage with the debt or equity issuers on ESG issues to improve the issuer's performance on a medium- to long-term basis. The IIC, or the IIC sub-committee, communicates this expectation to investment managers both as part of the initial selection and as part of their annual review meeting. In addition, the investment consultant reinforces these expectations as part of its regular monitoring on behalf of the IIC. The quality of each investment manager's approach forms part of the assessment of its ongoing suitability.

Data on the engagement undertaken on the DHL PIF's behalf over the last three calendar years is summarised below. While the number of engagements made over 2024 decreased relative to 2023, this is to be expected given two mandates with high levels of engagement were disinvested, with the proceeds consolidated into a single mandate.

	2024	2023	2022
Percentage of the portfolio for which data was available:	84%	47%	54%
Of the mandates for which data was available:			
Number of engagements:	511	810	1,123
Total number of entities engaged with:	361	267	413
Percentage of portfolio engaged with (by NAV):	17%	25%	38%
Percentage of eligible resolutions voted on:	99%	100%	100%

PRINCIPLE 9

ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Engagement Priorities

During the Plan Year, the IIC agreed to retain the three Stewardship Priorities set in the previous Plan Year. These Stewardship Priorities are detailed under Principle 7.

For the Stewardship and Engagement report, the investment consultant collated information on the distribution of engagements made by each of the investment managers across a range of E, S and G factors during 2024, including the proportion relating to each of the three Stewardship Priorities. All but one manager reporting data had engaged on climate change, with several managers saying that 50% or more of their engagements related to climate change. Most managers of corporate assets reported that they had engaged on diversity and inclusion, but only one manager said it had engaged on modern slavery.

The Stewardship and Engagement report also included an engagement case study from each manager (where available), chosen because it was relevant to one or more of the Plan's three stewardship priorities. These are used to compare and contrast approaches within asset classes and to challenge managers on their actual activity. Two of these case studies are provided below.

Case Study: Private debt – BlackRock (Diversity & Inclusion)

Rationale for the engagement:

This example demonstrates BlackRock's active engagement with a tech-infused mini-golf company to improve the company's governance structure, including improved gender and ethnic diversity of the management team and the Board to drive value.

The engagement:

As the company needed covenant relief after a period of rapid growth, the lead equity investors in the business embarked on a new money equity raise and sought an amendment to the credit agreement to reflect the latest business plan.

As part of the amendment, BlackRock successfully negotiated improved economics and terms in the business, and made the amendment contingent on a material revamping of the company's governance structure, including a refreshed board shifting from 14 directors (entirely populated by equity investors and insiders) down to six directors, of which at least one needed to be independent, with another independent to be added on a best efforts basis. BlackRock was adamant that adding more gender and ethnic diversity to the management team and the board would add value.

Outcomes and next steps

- ✓ This ultimately led to the company adding two more women to the senior executive team and diversity is a high priority in the ongoing independent director search.
- ✓ While the directors are yet to be agreed, BlackRock's team remains closely engaged with management on the performance of the business and progress toward raising additional equity capital.

PRINCIPLE 9

ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Case Study: Multi-asset credit – CQS Investment Management (Climate Change)

Rationale for the engagement:

In July 2024, CQS engaged with the CFO of a large Greek shipping company to get an update on the company's decarbonisation efforts and future strategy. The company has now submitted 1.5°C-aligned targets for validation by the SBTi. Talks are ongoing as the company is looking for the methodology to better reflect the characteristics of the business.

The engagement:

The main driver of decarbonisation in the shipping industry is the demands from companies using liners to get their goods transported across the globe: as pressure on them increases, liners demand vessels that are very fuel efficient and also environmentally friendly. However, CQS's analyst notes there are limits to the emissions reductions that can be achieved in the shipping industry. Alternative fuels such as methanol and ammonia are not currently available in sufficient quantity, and are 5x more expensive when they are available. Most of the existing global fleet is unable to run on alternative fuels and it would take more than 30 years for the shipping fleet to be retired and replaced with vessels able to run using such fuels. That is, assuming all shipyards capable of manufacturing such ships were to run continuously.

According to the company, there are currently no available slots for delivery of methanol-ready vessels before 2028-29. However, there are other technologies, currently at development stage, which could help. With the implementation of carbon taxes, more funds should be available from governments to support research and development on decarbonisation technologies.

The company believes it is doing everything in its power to reduce emissions. It is for example investing in developing a 'CO₂ scrubber' which would capture carbon dioxide from the exhaust fumes produced when conventional fuels are burnt.

This engagement is an example of an escalation where management gave CQS an update only after it reached out to the company's bankers to intervene.

Outcomes and next steps

- ✓ Overall, CQS was satisfied with the company's answers and actions – all new vessels being ordered are methanol-ready and adhere to the highest available environmental standards.

PRINCIPLE 9

ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Engagement Data Availability

Whilst many of the managers are able to provide good quality data on their engagements, it can be inconsistent across asset classes and investment managers. Whilst data for liquid mandates is typically more readily available than for illiquid mandates, a case study of one of the private markets managers that has been able to provide extensive engagement information is shown below.

Case Study: Private debt – Arcmont Asset Management (Modern Slavery)

Rationale for the engagement:

The company is a manufacturer, wholesaler and retailer of protective clothing for motorcyclists and dynamic sports. Its supply chain, which currently consists of c203 suppliers globally, exposes the company to environmental and social risks. Like other companies in the industry, the company contracts with suppliers in countries with the lowest costs, therefore its products are often manufactured in countries that have more relaxed regulations or enforcement in the areas of worker protection and environmental stewardship. This exposes the company to reputational risk stemming from controversies related to workers' rights and environmental degradation at the suppliers' sites.

A ratchet mechanism is used by Arcmont to incentivise portfolio companies by adjusting the interest rate payable on the debt in line with performance against agreed.

The engagement:

A Key Performance indicator ('KPI') was set to achieve a particular level of response rate to a supplier questionnaire. The baseline response rate for the questionnaire was 82% in 2022. The target to meet the KPI increases yearly as follows:

- Achieve a response rate of 85% in FY2023
- Achieve a response rate of 90% in FY2024
- Achieve a response rate of 95% in FY2025
- Achieve a response rate of 100% in FY2026

The KPI was set to promote better supply chain monitoring and standards. The questionnaire encompasses a comprehensive range of questions investigating a supplier's management practices on environmental and social topics including governance, environment, health and safety, code of ethics, conflict minerals and quality, working conditions, waste management, chemical use and compliance with relevant local and international regulations. The suppliers will be required to complete the questionnaires and their responses will then be scored. The results will be used to engage with suppliers in a more targeted and informed manner.

This KPI has been set in conjunction with another relating to emissions targets, and this comprises a combination of an upward and downward ratchet. A margin reduction of 7.5bps is applied only when both KPIs are met. Where one KPI of the two is met, no reduction is applied, and where no KPIs are met then the margin increases by 7.5bps.

Outcomes and next steps

- ✓ The company met the KPI set for 2023 and was awarded a margin reduction as it also met the KPI relating to emission targets. The next test date for the company for FY2024 is July 2025.

PRINCIPLE 9

ENGAGEMENT

Signatories engage with issuers to maintain or enhance the value of assets.

Outcomes of Engagement

The IIC reviews the outcomes of the engagement undertaken by the DHL PIF's managers on its behalf as part of the annual Stewardship and Engagement report. The managers are asked to summarise the engagement outcomes for each of the DHL PIF's mandates, based on the categorisation in the ICSWG's Engagement Reporting Guide. This distinguishes between four stages of progress for engagements where a clear objective was set:

1. Concern has been raised with the entity;
2. The entity acknowledged the concern as a serious matter worthy of a response;
3. The entity developed a credible strategy to achieve the engagement objective or stretching targets were set to address the concern; and
4. The entity implemented a strategy or measures to address the concern.

Five of the ten managers provided outcome data for the Stewardship and Engagement Report. This revealed that relatively few engagements had reached stages three or four, although the Trustee acknowledges that good quality engagement may involve a series of interactions over an extended period of time. In some cases, the managers were not able to provide a breakdown between all four categories due to limitations of their recording systems.

In general, the quality of the outcome data provided was not high, which limited the usefulness of the analysis. The IIC would like the managers to improve their recording of engagement outcomes as it believes this would likely support better internal monitoring of outcomes and help the managers determine when escalation is appropriate. The IIC has provided this feedback to the managers.

PRINCIPLE 10

COLLABORATION

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Where practical, the IIC encourages its investment managers to work collectively with other managers in order to encourage positive change. Furthermore, the IIC expects and encourages managers to collaborate on collective stewardship and seeks confirmation on this from the managers as part of the monitoring process.

When preparing the annual Stewardship and Engagement report, the investment consultant asked the investment managers to provide examples of collaboration to engage with issuers within the DHL PIF's portfolio during the reporting period, although some managers were only able to provide examples of collaborating with portfolio companies, not other investors. Included below is a case study from one of the investment managers which relates to one of the counterparties in the DHL PIF portfolio.

Case study: collaborative engagement on climate change (L&G)

Rationale for the engagement:

This collective engagement with a bank, organised by ShareAction, demonstrates how a group of informed, influential investors can affect and expedite policies and disclosures at their portfolio companies, even before the formal filing of a shareholder resolution. Sometimes the possibility of a shareholder resolution being proposed can be sufficient to propel a company to an expedited policy refresh and commitments for improved disclosures. This is where collaborative work with non-governmental organisations and like-minded peers can be an effective engagement tool.

The engagement:

L&G's objective in engagement was for the bank to provide enhanced disclosure on its client engagements and transition plan assessments, to gauge the efficacy of the bank's published policies and processes.

The bank had not explained how its stated ranges for emissions reductions targets would contribute to bringing about the required real-world change in line with the Paris Agreement.

L&G's engagements with the bank included both one-to-one discussions and collaborative meetings with other investors who had been considering filing a shareholder resolution related to the bank's approach to financing the oil & gas sector. Through these discussions, L&G obtained substantial background information, including contemplated proposals, related to strengthening the bank's policy and due diligence processes.

These met many of L&G's expectations and enabled L&G to step back from the co-filing group ahead of the AGM.

Outcome and next steps:

- ✓ Engagements with the bank eventually led to the co-filing group withdrawing its proposals for a shareholder resolution.
- ✓ L&G continues to engage with the bank to ensure that it remains committed through words and actions in playing its part in addressing the systemic risk of climate change.

PRINCIPLE 11

ESCALATION

Signatories, where necessary, escalate stewardship activities to influence issuers.

The IIC recognises that constructive engagement with company management can help protect and enhance shareholder value. Typically, the IIC expects its investment managers to intervene with investee companies when they view that there are material risks or issues that are being inadequately addressed.

When preparing the annual Stewardship and Engagement report, the investment consultant requested that the investment managers provide examples of escalation with issuers within the DHL PIF's portfolio during the reporting period. Few were able to provide examples that related directly to the DHL PIF's assets. Where examples were provided, they were generally weak in terms of explaining how the manager escalates concerns (for example, just stating the manager was considering next steps).

In addition, when the IIC, its sub-committee and the investment consultant meet with investment managers, they may question them on their approach to escalation, particularly where the examples provided appear vague or poor quality.

The following page provides a case study that is relevant to one of the DHL PIF's mandates.

Engagement Versus Disinvestment

Whilst the DTL Board believes that engagement is always preferable, disinvestment from a portfolio company is used as a 'last resort' where the manager is unsatisfied with the outcomes following continued engagement with the investee company. The manager may also wish to issue a public statement about the investee company in order to encourage change.

PRINCIPLE 11

ESCALATION

Case Study : Escalation example

Case study: Divestment under climate impact pledge (L&G)

Rationale for the engagement:

As one of the world's largest diversified mining companies, with strong exposure to metals needed to decarbonise the global economy, L&G believes this mining company has a key role to play in the energy transition. L&G's concerns regarding, and engagement with, the company in recent years has been focused particularly on the company's thermal coal business.

The engagement:

In 2022, L&G pledged to increase pressure on companies that fail to put suitably ambitious and credible climate transition plans to a shareholder vote, by filing shareholder resolutions. Having voted against the company's transition plan at its 2022 AGM, L&G escalated engagement by co-filing a shareholder resolution at the company's 2023 AGM, requesting that the company disclose how its thermal coal production is aligned with the Paris Agreement objective of limiting the increase in global temperature to 1.5°C. Proxy advisers ISS and Glass Lewis recommended shareholders vote in favour of this proposal.

L&G has since met separately with the company's CEO and CFO, Chairman and lead independent director, to discuss the response to the proposal and, in broader terms, corporate governance and community relations. L&G met with the company four times in 2024.

Despite ongoing engagement, L&G has seen little progress from the company regarding its plans to increase thermal coal capacity, transparency relating to these and consistency of these plans with a 1.5°C-aligned transition to net zero by 2050. In light of a lack of progress, in 2024, L&G took the decision under its Climate Impact Pledge to divest from the company (in applicable funds, including the Fund's new credit mandate) as a further escalation of its engagement.

Outcome and next steps:

- ✓ L&G's objectives with regards to the company, as set out above, have not yet been achieved. L&G will continue to engage with the company to encourage it to meet minimum expectations, with the goal now being for it to be reinstated in funds, reversing the Climate Impact Pledge divestment decision. L&G assesses progress under the Climate Impact Pledge on an annual basis, and will monitor the company's progress in line with this schedule.
- ✓ Furthermore, L&G will be engaging with the company as it sets out its strategy for decarbonising its recently-acquired assets (four coal mines in British Columbia).

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.



Voting Policy

The IIC believes that good stewardship can enhance long-term portfolio performance, and expects its investment managers to directly engage with the debt or equity issuers to improve the issuers' performance on a medium to long-term basis. The DHL PIF has exposure to equities via its investment in an absolute return fund, in which voting is delegated to the manager. A multi-asset credit fund also had a small number of voting opportunities during 2024.



Monitoring

The IIC requires managers to report regularly and disclose all voting and engagement activity undertaken on behalf of the DHL PIF, and may engage with the managers as part of its stewardship monitoring process. The IIC reviews the managers' voting records as part of its annual stewardship and engagement review.



Proxy Voting

The investment managers may make use of proxy voting services to analyse vote issues and make recommendations.

The absolute return manager uses Glass, Lewis & Co ('Glass Lewis') to vote proxies on behalf of its clients and generally subscribes to Glass Lewis' proxy voting policy, but reserves the right to direct Glass Lewis to vote differently where appropriate.

The multi-asset credit manager has advised that it does not delegate voting authority to proxy advisers.



Stock Lending

Stock lending is not permitted.



Voting Activity

The voting activity for each of the investment managers over 2023 is summarised in the table on the following page. The voting information for the individual managers, including significant votes, has been reviewed by the IIC.



Fixed Income

With regards to fixed income assets, the IIC accepts that it cannot directly seek amendments to terms and conditions for these assets as this is delegated to the investment managers. The case studies outlined in Principle 9 highlight how managers are undertaking effective stewardship. The IIC is encouraging the investment managers to develop better engagement reporting as part of their monitoring.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

Voting Activity

The investment consultant asked the DHL PIF's investment managers to provide details of any direct equity holdings and any voting opportunities over the year to 31 December 2024. All of the Fund's investment managers responded with the information requested. As expected, given the nature of the assets held, with the exception of one manager, the managers had limited voting activity over the year, with the majority of managers stating that voting was not relevant for the mandate.

Most of the voting opportunities related to a single manager with an allocation to equities, whose mandate comprised less than 5% of the DHL GRP's assets. The voting activities of that manager, who asked not to be named, are summarised below.

Summary of voting activity over 2024

Equity vote

How many meetings were you eligible to vote at?	2,523
How many resolutions were you eligible to vote on?	24,731
What % of resolutions did you vote on for which you were eligible?	99.19%
Of the resolutions on which you voted, what % did you vote with management?*	87.29%
Of the resolutions on which you voted, what % did you vote against management?*	12.71%
Of the resolutions on which you voted, what % did you abstain from voting?*	1.74%
In what % of meetings, for which you did vote, did you vote at least once against management?	47.30%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	2.16%

*The manager noted that these items may not sum to 100%, as it does not count these votes as mutually exclusive eg, management does not always make a recommendation, or a vote to abstain may also be considered a vote against management's recommendation.

One other manager, CQS Investment Management, had a limited number of voting opportunities during 2024 relating to a multi-asset credit mandate. The manager advised that there were 34 votes over the year. It voted 'for' and in line with management for all votes.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

Significant Votes

The investment managers are also required to report on any votes that have taken place over the period that they consider significant. The significant votes are reviewed by the investment consultant.

Three examples of votes that the Trustee considers significant are included below, along with the mandate's net exposure to the company as at 31 December 2024 as a proportion of the total portfolio equity.

Given the irregular and specialist nature of the DHL PIF's voting opportunities, the Trustee did not inform the managers what it considered to be the most significant votes in advance of those votes being taken.

Example of significant votes

Unilever PLC (equity holding, 0.01%) – Climate change

On 1 May 2024, the manager supported an advisory vote to approve Unilever's climate action transition plan, on the advice of its proxy adviser and in line with management recommendation. The manager voted this way because it felt the disclosures were sufficient to understand and evaluate the company's plan. This resolution passed and no further steps are planned. The Trustee considers this vote to be significant because it related to one of its stewardship priorities.

Tyson Foods, Inc. (equity holding, 0.01%) – Modern slavery

On 8 February 2024, the manager supported a shareholder proposal regarding the audit of policies preventing child labour, on the advice of its proxy adviser and against management recommendation. The intention to vote against management was not communicated to the company ahead of the vote. The manager voted this way because "an independent audit of child labour policies could help to protect shareholder interests". This shareholder proposal did not pass. No escalation with the company is planned. The Trustee considers this vote to be significant because it related to one of its stewardship priorities.

Chipotle Mexican Grill (equity holding, 0.02%) – Diversity and Inclusion

On 6 June 2024, the manager supported a shareholder proposal regarding a report on harassment and discrimination, on the advice of its proxy adviser and against management recommendation. The intention to vote against management was not communicated to the company ahead of the vote. The manager voted this way because "additional reporting will better allow shareholders to understand how issues of discrimination and harassment are being managed". The shareholder proposal did not pass. No escalation with the company is planned. The Trustee considers this vote to be significant because it related to one of its stewardship priorities.

PRINCIPLE 12

EXERCISING RIGHTS AND RESPONSIBILITIES

Signatories actively exercise their rights and responsibilities.

Fixed Income Activity

For fixed income assets, the Trustee delegates to its investment managers the responsibility for:

- seeking amendments to terms and conditions in indentures or contracts;
- seeking access to information provided in trust deeds;
- impairment rights; and
- reviewing prospectus and transaction documents.

The investment consultant asked the DHL GRP's fixed income managers to describe their approach to the above points. The quality of manager responses varied. The managers that responded generally described completing reviews of relevant documentation as part of the fundamental analysis of holdings. The extent to which managers undertook further actions, such as seeking amendment of terms and conditions, was mixed.



**DHL Group Retirement Plan (DHL GRP)
DB Sections**

APPENDIX



APPENDIX

NET ZERO AMBITION

The DHL Group Pension Plan (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 annual Trustee's 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.