DSV UK Group Pension Scheme

Statement of Investment Principles for the DB Section of the Scheme

Introduction

This is the Statement of Investment Principles (the "Statement") made by DSV Pension Trustees Ltd, as Trustee (the "Trustee") of the DSV UK Group Pension Scheme ("the Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee on 24 November 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustee has consulted with the principal sponsor of the Scheme (DSV Road Holding Limited) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The sectionalised Scheme comprises two Final Salary (Defined Benefit) Sections – DSV UK Group and DSV GIL. The DFDS (DSV) part of the Final Salary DSV UK Group Section was closed to new entrants on 1 March 2001 and ceased to provide further accrual of Defined Benefits after 30 September 2005. The Frans Maas part of the Final Salary DSV UK Group Section ceased to provide further accrual of Defined Benefits after 31 October 2007. The Final Salary UK Group section of the UTi Scheme closed to Defined Benefit accrual on 5 April 1998. As of August 2023 the DC Sections (DSV UK Group DC section and DSV GIL DC sections) moved to Master Trust.

This Statement focuses on the UK Group DB Section of the Scheme. The Trustee has prepared a separate Statement of Investment Principles for the GIL Section of the Scheme.

The Trustee is aware of the Myners Code of Conduct for Investment Decision Making and has reviewed its responsibilities and activities in the context of the Code.

The Trustee is supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustee expect investment managers to comply with the Code and to produce a statement of their commitment to the Code.

Scheme objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a Defined Benefits basis. The Trustee's over-riding funding principles for the Scheme are to set the employer contribution at a level which is sufficient:

- To build up assets to take account of future increases to current benefits (accrued and when in payment) in accordance with the Scheme Rules;
- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and

- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

For employee members, benefits are based on service completed up to 30 September 2005 (31 October 2007 in respect of former Frans Maas scheme members, 5 April 1998 in respect of former UTi members), and take account of future revaluation in accordance with statutory requirements. As at December 2020, 16 former Frans Maas members retained a salary link as they are active members of the DC Section. The salary link is broken when they leave the DC Section (on deferment or retirement). The value of liabilities is calculated on the basis agreed by the Trustee, after receiving advice from the Scheme Actuary and conducting discussions with the principal sponsor. This basis is based on bond returns (with an appropriate allowance for actual investment strategy to produce returns above those on bonds). The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

In addition, the Trustee aims for the assets of the Scheme (at their realisable value) to be sufficient to cover 100% of the liabilities in respect of pensions in payment, deferred pensions, and liabilities in respect of the completed service of employee members, assuming they were to leave service at the date of the test. For this purpose, the liabilities will be calculated on the basis described in the Statement of Funding Principles.

Investment strategy

The Trustee has translated its objectives into a suitable strategy for the DB Section of the Scheme, which is consistent with the Trustee's view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The Trustee has appointed one authorised investment manager; Legal & General Assurance (Pensions Management) Limited (L&G). The Trustee has delegated all day-to-day investment decisions to the investment manager. The Scheme accesses this managers' funds through the Mobius Life Limited ("Mobius") investment only platform.

The Scheme invests in a range of L&G in-house passive (index-tracking), pooled funds covering UK and World equities and Liability Driven Investment ("LDI") Funds in accordance with Trustee guidelines. The Scheme also invests in a an actively managed Buy and Maintain Credit Fund alongside a managed sterling liquidity cash fund with L&G.

The Trustee also has an annuity buy-in policy covering pensioner liabilities with Just PLC. The annuity buy-in policy pays for pensioner liabilities as at the date of purchase of the policy and fully matches the payment until the benefit ceases.

The investment strategy (including the annuity buy-in policy) takes account of the maturity profile of the UK Group DB Section of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioner members), together with the level of disclosed surplus or deficit (relative to the funding bases used on an ongoing basis) and the Trustee's view of the covenant of the principal sponsor.

The managers are authorised under the Financial Service and Markets Act 2000 to undertake investment business. The current asset allocation for the Scheme is set out in Appendix. This is in line with the Trustee's views on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk.

The strategy is reflected in the benchmarks given to individual investment managers which, in aggregate, are consistent with the overall strategy.

The Trustee monitors strategy and it is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, but normally it will be reviewed annually. Written advice is received as required from professional advisers.

The investment strategy was last reviewed in Q4 2020 following the triennial actuarial valuation as at 31 December 2019. After consulting with the principal sponsor, the Trustee agreed to adopt a revised investment strategy that is being phased-in over three stages subject to the funding level improving. The three stages of the revised strategy and implementation triggers are set out in the Appendix. The Scheme was initially invested in line with the second stage. However due to market volatility through 2022, the current composition has deviated from the illustrated stage 2 model weights. This is due to be reviewed as part of the strategy review following completion of the triennial actuarial valuation procedure as of 31 December 2022.

The Trustee monitors the performance of Scheme investments relative to agreed criteria (benchmarks) on a regular basis.

Choosing investments

The Trustee, after taking appropriate investment advice, has given the investment managers specific guidelines including, but not limited to, asset allocation and geographic spread, on how investment mandates are to be managed. The guidelines include control ranges (where appropriate) for each asset class.

The investment managers are allowed full discretion over the choice of stocks subject to their benchmarks and other guidelines and are expected to maintain diversified portfolios.

The Trustee has also decided to invest in a number of individual pooled funds where the objectives of the fund and the policies of the investment manager have been evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme. The Trustee is satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set as a percentage of assets under management. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee recognises the long-term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process at the time of their appointment, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

The Trustee monitors its managers' performance against their respective benchmarks on a half-yearly basis over a long-term time horizon of three years. The Trustee will measure a fund's relative tracking error where appropriate. Managers are expected to provide explanation for any significant deviations away from benchmark. The Trustee reviews the manager arrangements from time to time taking advice as required.

A summary of the Scheme's investment mandates, and current investment strategy is included in the Appendix.

Kinds of investment to be held

The UK Group DB Section of the Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest, index-linked bonds, property, cash and commodities, through pooled funds.

The Scheme may also make use of contracts of insurance, derivatives and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable for the Scheme.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets.

For the passive funds, L&G maintains a diversified portfolio of investments designed to closely track the performance of the relevant indices (with the exception of the LDI funds which aim to match liability duration). The active mandate, L&G Buy and Maintain Credit Fund provides additional diversification benefits to the Scheme.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the (past service) liabilities. It includes the risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.

- Changing demographics –The risk that longevity improves, and other demographic factors change, increasing the cost of the Scheme benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities. Climate change is a particular systemic risk that has the potential to cause economic, financial and demographic impacts.

The Trustee measures and manages financial mismatch in two ways. As indicated above, the Trustee has set a strategy for the Scheme. The Trustee monitors this strategy in terms of asset allocation and investment returns. The Trustee also assesses risk relative to liabilities by monitoring the delivery of returns relative to liabilities.

The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations and the Trustee may enter into insurance contracts (bulk annuities or longevity swaps) to reduce these demographic risks.

The Trustee seeks to mitigate systemic risks through a diversified portfolio, but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee manages asset risks as follows:

- The Trustee provides a practical constraint on Scheme investments deviating greatly from the intended approach by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within their expected parameters.
- The Trustee assesses strategy by monitoring the Scheme's asset allocation and investment returns.
- The Trustee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

By investing across a range of assets, the Trustee recognises the potential need to access funds in the short term to pay benefits. The risk of manager underperformance is mitigated by the inclusion of passive investment mandates within the investment portfolio.

LGIM manages assets on a mainly passive basis, and therefore manager risk for these assets is low.

The Scheme's assets also include an annuity contract as a proportion of the total, which reduces liquidity risk. The annuity contract provides an income which is in line with the benefit payments for a large proportion of pension payroll. The income relating to each pensioner will cease on death (with a spouse's pension being payable). The annuity contract also includes indexation increases according to Scheme rules.

The annuity contract provides a hedge against interest rate and inflation changes, as well as providing protection against longevity improvement for members included in the buy-in.

In the event of Scheme insolvency, the asset can be re-distributed in accordance with legal requirements applying to an insolvency event.

The Trustee does not expect managers to take excess short-term risk and will regularly monitor the managers' performance against their benchmarks and objectives set on a short, medium and long terms basis.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers.
- Custody risk - The risk of loss of Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Scheme, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). When carrying out significant transitions, the Trustee seeks professional advice.

Expected return on investments

The investment strategy aims to achieve a return on the Scheme's assets which, taken in conjunction with contributions, is sufficient over time to match growth in the Scheme's pension liabilities.

Realisation of investments

The majority of assets held within all of the managers' pooled funds are held in investments which are quoted on major securities markets and may be realised quickly if required. The Scheme investments are in both daily and weekly dealing facilities provided by LGIM

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year.

Consideration of financially material factors in investment arrangements

Strategic considerations

The strategy has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategy. The Trustee periodically discusses climate change with their investment adviser/investment managers to consider the potential implications for the Scheme's investments.

The Trustee recognises that the long-term nature of the Scheme means that investments should be made with the expectation of long-term sustainable returns. The Trustee acknowledges the relevance of climate change and the potential risk it can have on certain investments in the future. The Trustee have a formal responsible investment policy with ESG statements, including statements on climate risk. The statements allow the Trustee to prioritise investments that fit with their beliefs and help the Trustee make future investment decisions.

Structural considerations

Given the discretion afforded to the active investment managers, the Trustee expects that their investment managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting investment managers

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to their individual investment managers. The Trustee has discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of their investment managers and the Trustee is satisfied that the investment managers are following an approach which takes account of all financially material factors.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believes this will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on at least a triennial basis.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

The Trustee has shared their ESG policies with the investment managers and will review their compliance with them every year.

The Trustee meets with the Scheme's investment managers regularly, and the managers are expected to address manager performance and company engagement. Managers will be challenged on their approach where this is not aligned to the Trustee's policies.

The Trustee expects its investment consultants to provide input and analysis to assist the Trustee in assessing their managers' performance. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process and request that the manager takes appropriate action. This may include concerns over performance, risk management, stewardship practices, investment process and operational issues and, where such concerns are raised, the Trustee will require the manager to demonstrate levels of improvement. Failure to achieve the desired improvements will result in the mandate being reduced or terminated.

Consideration of non-financially material factors in investment arrangements

Given the objectives of the Scheme, the Trustee has not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

The Trustee recognises that the consideration of non-financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustee has explicitly acknowledged the relevance of climate change and ESG factors in framing their investment beliefs and these beliefs are detailed within the Trustee's separate Responsible Investment policy and reflected in the principles set out below and the broader implementation of strategy.

Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

The Trustee accepts that ESG matters and Stewardship activity can be relevant to different stakeholders to the Scheme.

The Trustee will disclose relevant information in relation to ESG and Stewardship with key stakeholders, as requested from time to time.

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

Where relevant, the Trustee has reviewed the voting policies of their investment managers and determined that these policies are appropriate. On an annual basis, the Trustee will request their investment managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from their investment managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but believes it is sometimes appropriate for its investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

The investment managers should use engagement with company management for positive influence as opposed to divestment from companies unaligned with the Scheme's objectives.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

Monitoring

Investment managers report on voting activity to the Trustee on a periodic basis. The Trustee will monitor investment managers voting activity and may periodically review managers voting patterns. The Trustee may also monitor investment managers' voting on particular companies or issues affecting more than one company.

The Trustee reviews manager voting activity on an annual basis in conjunction with their investment adviser and use this information as a basis for discussion with their investment managers. Where the Trustee deems it appropriate, any issues of concern will be raised with their manager for further explanation.

The Trustee aims to meet with all their investment managers on an annual basis. The Trustee provides their managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to pay AVC's. For contributions made prior to 30 September 2005 by former DFDS (DSV) members the funds available for investment are in "With Profits" funds provided by the Prudential Assurance Company Limited and Phoenix Life Group or a choice of unit-linked funds on the L&G Investment Platform.

Former Frans Maas members had the opportunity to pay into AVCs, the Commission Sacrifice Account and the Part 2 Investment Account. The funds available for investment as a result are invested separately from Scheme funds with L&G.

Signed by:

For and on Behalf of the Trustee of the

DSV UK Group Pension Scheme

Appendix – Manager Arrangements

The asset allocations between the managers are not automatically rebalanced. The Scheme accesses these managers' funds through the Mobius Life Limited ("Mobius") investment only platform.

The Trustee regularly monitors the split of assets between the managers and asset classes in order to ensure consistency with the required level of risk targeted for the Scheme.

De-risking strategy

The Trustee has agreed a plan for de-risking as the funding level improves further. The first de-risking stage was implemented in March/April of 2021. The second de-risking stage was implemented in July 2021. Following heightened market volatility in September/October 2022, the Scheme reduced its interest target hedge ratio to 75% from 85%. In addition the Scheme fully disinvested from the Baillie Gifford diversified growth fund (DGF) with the proceeds invested into the LDI fund and Buy and hold credit fund.

De-risking stage	Equities	DGF	Buy and hold credit fund / Corporate bonds	LDI	Target Hedge ratios (interest rate / inflation)	Implementation triggers 2019 Technical Provisions funding level*
First	37%	12%	28%	23%	65% / 50%	-
Second	37%	6%	29%	28%	85% / 50%	97%
Third	35%	-	30%	35%	100% / 100%	100%

*2019 Technical Provisions funding level set out in the Statement of Funding Principles

Investment funds and benchmarks

The funds current investments are listed out as below:

Asset Class	Funds	Managers	Benchmarks/Targets	Benchmark Allocation
Equities	LGIM World ex UK Equity currency hedged	L&G	FTSE World (ex-UK) Index GBP hedged	35.5%
	LGIM UK Equity	L&G	FTSE All-Share Index	1.5%
Buy and hold credit fund / corporate bonds	LGIM Buy and Maintain Credit	L&G	-	31.0%
LDI	LGIM LDI Real Long	L&G	Matching Core Fund	32.0%

	LGIM LDI Long Fixed	L&G	Matching Core Fund	

At the time of stage two de-risking implementation, the maximum interest rate hedge possible was 80% with the above target allocations.

Funding Level Monitoring

In order to implement the stages, set out above, the Scheme's Technical Provisions funding level is monitored on a daily basis by Hymans Robertson by using their 3D Analytics modelling tool. This tool rolls forward the Scheme's assets and liabilities every night to calculate the current funding level. When the Scheme is within 1.0% of the next agreed trigger, the client team will receive an email alert and will notify the Trustee. A second email alert will be sent to the Trustee when the actual trigger level has been hit.

Non-Invested Assets

The non-invested assets include the annuity policy with Just PLC.

JUST PLC

The Just PLC buy-in policy provides an income to match certain pensioner liabilities. This included all pensions in payment above a minimum level at the time the annuity was selected. Additions to the policy can be made from time to time, as required.