

DSV UK Group Pension Scheme – DSV Group Section

Statement of Investment Principles

November 2024

Introduction

This document forms part of the Statement of Investment Principles (the 'Statement') for the DSV UK Group Pension Scheme (the 'Scheme'). It has been drawn up by DSV Pension Trustees Limited as trustee of the Scheme (the 'Trustee'), taking into account the relevant legislation.

The Scheme comprises the 'Section' and the 'GIL Section' following the segregated transfer-in of the GIL Section assets and obligations from the 'DSV GIL Section Pension Plan – LUFS Section' in 2023. This statement relates only to the Group Section (the 'Section') of the Scheme and specifically the Defined Benefit (DB) arrangements of the Section. The Trustee has prepared a separate Statement of Investment Principles covering the Defined Contribution (DC) arrangements of the Section.

The Statement sets out the high-level objectives, principles and policies governing the investment decisions of the Trustee.

Governance arrangements

The Trustee has ultimate responsibility for the management of the Section and its investments, but they delegate various decisions and responsibilities to specialist advisers and service providers. The Trustee ensures that appropriate guidelines and restrictions are agreed with each party to clearly set out their responsibilities and the scope of their powers. The Trustee takes all such steps as are reasonable to satisfy themselves that the parties to whom they delegate responsibilities have the appropriate knowledge and experience required to take on their role.

A key investment appointment is the Fiduciary Manager, a professional investment firm with expertise in investment and risk management for pension funds. The Fiduciary Manager provides investment advice and investment management services to the Trustee, including advice on setting the Investment Objective and preparing this Statement. Many of the details of this document are reflected in the Investment Management Agreement of the Fiduciary Manager.

Objectives

The Trustee's primary objective for the Section is to provide sufficient assets to deliver sustainable and affordable benefits to members as they fall due. In order to target this, the Trustee has set an objective for the Section's investments, collectively known as the 'Investment Objectives'.

Investment Objectives

A performance objective known as the "Investment Objective" is set and reviewed by the Trustee, ensuring consistency with Trustee's primary objective and Statement of Funding Principles. When setting the Investment Objective, the Trustee also takes into account the trade-off between expected returns and investment risk:

Investment Objective

The Trustee aims to achieve a return on the Sections assets of 3.0% p.a. (net of fees) above the return of the Liability Benchmark, over a rolling 5-year period.

Risk Statement

The Trustee expects that the active risk within the Section's portfolio will generally be around 9% per annum, with the Fiduciary Manager required to formally notify the Trustee if the active risk reaches 15% per annum. However, the Trustee recognises that this will fluctuate over time as the composition of the portfolio changes and the levels of risk in markets change.

The Liability Benchmark is a measure of the return of the Section's liabilities on a gilts-flat basis. It is agreed between the Trustee and the Fiduciary Manager and is periodically updated, such as after triennial actuarial valuations.

The Investment Objective is specified in the guidelines to the Investment Management Agreement of the Fiduciary Manager. The Fiduciary Manager is tasked with investing the Section's assets to target the Investment Objective over rolling 5-year periods, while reducing short-term volatility in the funding position and the chance of large losses.

A risk guideline of 15% p.a. has been set for the volatility of the funding position and the Fiduciary Manager is required to monitor the realised (ex-post) risk levels to ensure they remain below this level. If the risk guideline is exceeded the Fiduciary Manager will notify the Trustee in writing, explain why the risk guideline has been exceeded and confirm either that it is comfortable running the portfolio at a risk level above the guideline or the actions it proposes to reduce the risk level below the guideline.

Risk

The key risk to the Section is that the value of assets is insufficient relative to the value of the liabilities. This is called solvency risk and ultimately could lead to there being

insufficient assets to secure all benefits.

There are many other individual risk factors which have the potential to contribute to solvency risk. Due to the complex and interrelated nature of these risks, the Trustee considers most these in a qualitative rather than quantitative manner.

The Trustee works with the Fiduciary Manager to regularly monitor the risks affecting the investments and to manage them where possible to avoid the accumulation of excessive risk exposures. The main risk factors affecting the Section are described in the Appendix, along with a summary of how each is measured and managed.

Investment policies

Securing compliance with the duty to choose Section investments under Section 36 of the Pensions Act

In advance of choosing investments, the Trustee obtains and considers advice from the Fiduciary Manager. This advice considers the overall suitability of the investments in relation to a number of key investment principles.

Note that this advice is not required or sought where the investments are selected on behalf of the Trustee by the Fiduciary Manager.

The kinds of investments held by the Section

The Section's assets not held in the form of a Buy-in may be split between three sub-portfolios, detailed below. Responsibility for the management of the sub-portfolios and the balance between them is delegated by the Trustee to the Fiduciary Manager.

The full range of assets, detailed targets and restrictions are agreed between the Trustee and the Fiduciary Manager and may change over time. These are recorded in the legal agreement between the Trustee and Fiduciary Manager.

LDI Portfolio:

The purpose of these assets is to reduce the risk that the funding position deteriorates as a result of changes in the value of the liabilities due to movements in long-term interest rates and inflation expectations.

This requires an asset portfolio which seeks to broadly match an agreed portion of the interest rate and inflation sensitivities of the Liability Benchmark. The assets are invested in a mixture of cash, physical gilts and leveraged gilts.

Any Investment Grade Credit assets (held as part of the Cashflow Portfolio described below) will also contribute to the interest rate sensitivity.

Cashflow Portfolio:

The purpose of these assets is to generate cashflows that are expected to meet members' benefits as they fall due.

The portfolio largely consists of high quality bonds, including those issued by governments, government related entities and corporates, whose return, when held-to-maturity, is known subject to default experience.

The portfolio may also include an allocation to higher yielding bond-type assets such as asset backed securities, property and infrastructure debt, corporate loans, etc. which can also be illiquid (i.e., assets that cannot be easily sold before maturity) to help to deliver additional returns for the portfolio. Performance of these assets is driven primarily by the exposure to credit related securities and the skill of the third-party manager(s) to avoid defaults.

Growth Portfolio:

The purpose of these assets is to generate consistent, absolute returns while managing downside risks and reducing the chance of large losses in stress situations.

When combined with the LDI Portfolio, Growth Portfolio returns above short-term cash rates result in the total Section assets outperforming the Liability Benchmark, as targeted in the Investment Objective.

The assets are invested in a wide range of instruments to create a highly diversified portfolio of different market exposures where performance is mainly dependent on the economic outlook:

'Market Exposure' investments

- They include, but are not limited to, Equities and Equity Options, Government Bonds, Inflation swaps, Commodities, High Yield Bonds and Emerging Market Bonds.
- The positions are typically accessed via pooled funds or through derivative instruments to reduce costs, increase liquidity and support efficient portfolio management.
- These positions are dynamically managed meaning they are frequently adjusted to reflect the prevailing market conditions. The aim is to take advantage of opportunities as they arise and to guard against risks that may materialise.

Buy-in

The Section's assets also include an annuity Buy-in policy with Just PLC. 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).

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

The balance between different kinds of investments

The Trustee has provided the Fiduciary Manager with guidelines setting out permissible ranges for each kind of investment. The Fiduciary Manager adjusts the balance of investments in response to evolving market conditions and ensures that:

- It stays within the guidelines;
- It is appropriate to achieving the Investment Objective over the long term;
- There is sufficient liquidity to meet cashflow requirements; and
- There is sufficient collateral available to manage the collateral risk of the derivative positions.

The expected return on investments

The Trustee delegates assessment of the expected return on investments to the Fiduciary Manager. This is one of the factors taken into account by the Fiduciary Manager when selecting the balance of assets to target the Investment Objective.

The realisation of investments

The Trustee delegates decisions around the realisation of investments to the Fiduciary Manager. Assets are realised as part of the rebalancing of assets in response to changing market conditions and to meet the cashflow needs of the Trustee.

Arrangements with the Fiduciary Manager

The Trustee delegates various activities in relation to the Section's investments to the Fiduciary Manager as set out in this Statement. The Fiduciary Manager is responsible, in particular, for ensuring each underlying investment manager is aligned with the Trustee policies as set out below.

The Trustee keeps the Fiduciary Manager's performance under review, focusing on longer-term outcomes. The Trustee receives regular reports from the Fiduciary Manager, including on portfolio turnover costs incurred by the underlying investment managers. The Trustee's review process includes specific consideration of how the Fiduciary Manager has implemented the responsible investing policies and engagement activities included in this Statement.

Although the Trustee's arrangement with the Fiduciary Manager is expected by the Trustee to be a long-term partnership, the Fiduciary Manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team or where the Fiduciary Manager fails to ensure alignment between underlying investment managers and the Trustee's policies.

The Fiduciary Manager is paid using a combination of fixed and ad valorem fees in line

with normal market practice, for the given scope of services which includes consideration of long-term factors, responsible investment, and engagement. The Trustee reviews the costs incurred in managing the Section's assets annually.

Arrangements with all Investment Managers

The Trustee believes that an understanding of, and engagement with, Investment Managers' arrangements (including the Fiduciary Manager) is required to ensure they are aligned with Trustee policy, including its Responsible Investment policy. In accordance with latest regulation, it is the Trustee's policy to ensure that the following are understood and monitored by the Fiduciary Manager:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

The responsibility for monitoring these aspects day to day has been delegated to the Fiduciary Manager. They are responsible for ensuring each underlying investment manager is aligned with the Trustee policies at the time of appointment or explaining why this is not the case. They are also required to report back to the Trustee on any areas of potential divergence between Trustee policy and investment manager practice on an ongoing basis, including their own.

Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review all of the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their Responsible Investment approach.

Underlying managers appointed by the Fiduciary Manager can be terminated at the Fiduciary Manager's discretion. Reasons for termination include, but are not limited to: poor performance, poor client service, client strategy development, loss of key individuals within the investment manager's organisation, M&A activity and operational constraints.

Additional Voluntary Contributions (AVC) Investments

The Trustee has made vehicles available for Additional Voluntary Contributions ("AVCs") for members who have elected to secure additional benefits on a money purchase basis.

From time to time the Trustee reviews the choice of investments available to the members to ensure that they remain appropriate to the members' needs.

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.

Responsible Investment

Financially material considerations over the appropriate time horizon of the investments

The Trustee has a long-term time horizon for their portfolio and, as such, recognise that being a responsible investor should improve financial outcomes. The Trustee considers responsible investment to be the integration of environmental, social and governance (ESG) factors into investment decisions where financial risk and / or return could be materially affected. These considerations include the potential impact of climate change.

The Trustee delegates responsibility to take account of ESG factors in investment decision-making to the Fiduciary Manager. This includes investments made directly by the Fiduciary Manager as well as those in pooled funds managed by third parties. In the latter case, the Fiduciary Manager is responsible for ensuring that the external investment managers appropriately incorporate ESG factors within their investment process. The Trustee monitors how the Fiduciary Manager incorporates ESG factors on a regular basis through ongoing reporting.

The Trustee will work with the Fiduciary Manager to identify and action any training needed with regards to areas where ESG factors are being incorporated into the portfolio and strategy.

The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments

The Trustee believes that by being a responsible investor, they are managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Section and consistent with the approach taken by the Sponsor. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non-financial matters in their investment decision making.

The exercise of the rights (including voting rights) attaching to the investments

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Section's investment managers to discharge their responsibilities in respect of investee companies in accordance with the UK Stewardship Code published by the Financial Reporting Council.

Undertaking engagement activities in respect of the investments

The Trustee believes the integration of stewardship duties into the investment process helps them to fulfil their responsibilities. Implementing voting and engagement policies helps drive long term value for beneficiaries. This is achieved through targeted voting and engagement, which encourages better corporate management of environmental, social and governance issues and promotes more stable capital markets and economies.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy. The Trustee believes that successful engagement is preferable to divestment but recognises that there are circumstances where divestment is appropriate.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Fiduciary Manager's activity in this regard).

The Trustee has identified three key stewardship priorities for investment manager engagement, in order to improve alignment with its policies as well as enhance disclosure.

The priorities are linked to the UN Sustainable Development Goals with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members. The Trustee's stewardship priorities are:

- Climate Crisis
- Environmental Impact
- Human Rights

By aligning with the common priorities of the Scheme's Fiduciary Manager, the Trustee is able to contribute to creating maximum impact through their voting practices.

The Trustee has selected the aforementioned priorities following discussion with Cardano and believe the priorities are likely to be broadly supported by Scheme members, noting that in reality there will be a wide range of individual views held.

On behalf of the Trustee, the Fiduciary Manager has written to the Trustee's investment managers reaffirming and expanding on the Trustee's policy and expectations. The Trustee expects its investment managers to incorporate these priorities into their voting practices and the Fiduciary Manager will monitor manager disclosures to ensure alignment against them.

Process for agreeing and reviewing this Statement

The Trustee has obtained written advice on the content of this statement from the Fiduciary Manager. The Trustee are satisfied that the Fiduciary Manager has the knowledge and experience required by the Pensions Acts to perform this role. The Trustee has also consulted the Principal Employer, DSV Road Holding Limited, on the content of this Statement.

The Trustee monitors compliance with this Statement regularly and will review it at least every three years and immediately following any significant change in investment policy. At each review, further written advice from the Fiduciary Manager and consultation with the principal employer will be sought.

APPENDIX A – Investment responsibilities of different parties

The division of investment responsibilities for the Section is set out below. This list is not meant to be exhaustive.

Trustee

The Trustee has ultimate responsibility for decision-making on investment matters. The Trustee's investment responsibilities include:

- Deciding on an appropriate governance structure for the management of the Section including the role of advisers and other third parties
- Setting appropriate investment objectives, following advice from the Fiduciary Manager and Scheme Actuary
- Agreeing the range of investment types to be used to achieve the investment objectives, taking account of the need to manage risks
- Agreeing the policies for governing investment manager arrangements
- Monitoring the appropriateness of the Fiduciary Manager
- Reviewing the content of this Statement at least every three years and following any significant change in investment strategy
- Modifying this Statement, if deemed appropriate, in consultation with the Principal Employer and with written advice from the Fiduciary Manager
- Monitoring compliance with this Statement on an ongoing basis
- Identifying Trustee training needs

Fiduciary Manager

The Fiduciary Manager's role includes providing investment advice to the Trustee and investment management of the assets. A summary of the duties that fall into each category are shown below:

Fiduciary Manager – investment advice:

- Advice on setting the Investment Objective
- Risk modelling (including asset-liability analysis)
- Asset class, investment manager and risk reporting
- Advice and monitoring of any direct investments
- Trustee investment training and education
- Advice relating to investment governance and compliance
- Advice on this Statement
- Advice relating to potential conflicts of interest, including their own

Fiduciary Manager – investment management:

- Designing and implementing investment solutions appropriate to the investment objective for the Section, which has been set by the Trustee
- Appointing and removing investment managers

- Investment manager mandate definition and negotiation
- Designing and executing derivative strategies for and on behalf of the Trustee
- Portfolio monitoring, including checking consistency of investment manager arrangements with Trustee policies
- Appointing transition managers for and on behalf of the Trustee
- Advice relating to potential conflicts of interest, including their own
- Ongoing management of the assets delegated to them within the terms of their agreement with the Trustee
- Complying with this Statement

Scheme Actuary

The key aspects of the Scheme Actuary's role that have a bearing on investment decisions include:

- Liaising with the Fiduciary Manager on the suitability of the Section's Investment Objective given the liabilities of the Section
- Ensuring consistency between the Statement of Funding Principles and the Trustee's Investment Objectives and investment strategy
- Assessing the funding ratio of the Section by performing valuations and advising on the appropriate contribution levels
- Providing data to enable decisions about hedging liability risks to be taken and implemented
- Estimating the cashflows of the Section, to be used in the calculation of the value of liabilities on at least a triennial basis, or more frequently as required
- Advice relating to potential conflicts of interest, including their own

Investment managers

The investment managers' responsibilities include:

- Managing the assets delegated to them within the terms of their agreement
- Providing regular reports on their performance, including any agreed benchmark and performance targets
- Providing reports at least annually on portfolio turnover and costs, including their remuneration
- Instructing their custodian on corporate governance and voting issues, including issues relating to Responsible Investment
- Where relevant, providing information at least annually on how they are incentivised to consider both financial and non-financial risks over the medium to long term, including but not limited to detailing their engagement activities with investee companies
- Ensure that they are complying with the requirements applicable to them in this Statement. In particular, when investing the assets delegated to them they must be invested in the best interests of members and beneficiaries. Their powers of investments must be exercised so as to ensure the security, quality, liquidity and profitability of the portfolio as a whole

Providers of direct investments

Investments held directly by the Section are held in the form of units in pooled funds, insurance policies or other contractual arrangements. The responsibilities of the providers are set out in the legal documentation for each investment. There is then usually an agreement between the provider and an organisation which manages the assets underlying the direct investment on a day-to-day basis. This agreement sets out the responsibilities of this organisation to the provider

APPENDIX B – Risk factors

Risk factor	What is the risk?	How is the risk measured?	How is the risk managed?
Economic (or market) risk	Economic, financial or political conditions cause the return on investments to be worse than expected, reducing the chance of meeting the investment return objective	The Fiduciary Manager monitors the economic exposures and assesses the economic outlook and regularly reports the position to the Trustee	The assets are spread across a range of different investments in a highly diversified portfolio that manages downside risks and reduces the chance of large losses in stress situations
Investment manager risk	The investment managers fail to meet their performance expectations	The Fiduciary Manager monitors manager performance relative to suitable benchmarks and peers and regularly reports the position to the Trustee	Rigorous investment and operational due diligence is performed upon manager appointment and close monitoring is performed thereafter
Interest rate and inflation risk	The value of the Section's liabilities rises due to either or both of the interest rate falling or the inflation rate rising	The Fiduciary Manager monitors any mismatch between the interest rate and inflation sensitivities of the assets relative to the Liability Benchmark and regularly reports the position to the Trustee	The Liability Benchmark is designed to reflect the sensitivity of the liabilities to interest rate and inflation risk. The Liability Hedging Portfolio is designed to match an agreed portion of these sensitivities, in addition to the pensioner Buy-in
Currency risk	Loss arising from the falling value of overseas investments due to strengthening Sterling	The Fiduciary Manager monitors the currency risk and regularly reports the position to the Trustee	Where investments are not denominated in Sterling and currency exposure is not desired as part of the thesis, currency derivatives are used to remove currency risk
Concentration risk	Underperformance in a section of the investments has an overly large adverse impact on the total portfolio return	The Fiduciary Manager monitors the portfolio concentration and reports the position to the Trustee as needed	The Fiduciary Manager operates to guidelines that ensure assets are spread across a range of investments
Liquidity risk	There is a shortfall in liquid assets relative to the Section's	The Fiduciary Manager monitors the cashflow needs and reports the	The Fiduciary Manager operates to guidelines that ensure assets are spread across a range of

	immediate cashflow requirements	position to the Trustee as needed	investments
Operational risk	Loss arising as a result of fraud, acts of negligence or lack of suitable processes	The Fiduciary Manager monitors the operational procedures of the collective investment schemes and bank counterparties and reports the position to the Trustee as needed	The Fiduciary Manager undertakes due diligence to identify the operational risks associated with each service provider. The Trustee ensures that all advisers and third-party service providers are suitably qualified and experienced. Suitable liability and compensation clauses are included in all contracts for professional services
Demographic risk	The mortality assumptions used to value the Section's liabilities strengthen, resulting in an increase in the value of the liabilities	Regular updates on changes in demographic assumptions are provided by the Scheme Actuary	The Trustee make an allowance for this risk by setting prudent actuarial assumptions. The pensioner Buy-in also explicitly manages the longevity risk relating to the benefits covered by the policy
Sponsor risk	The sponsoring employer makes insufficient contributions to support payment of the Section benefits, leading to greater reliance on investment returns	Assessment of the ability and willingness of the sponsor to support the continuation of the Section and make good any current / future deficit	Sponsor risk has been taken into account when agreeing a suitable Recovery Plan and investment objective
ESG (including climate change risk)	The potential for non-financial factors to adversely impact the value of the assets or overall funding position	The Fiduciary Manager measures ESG risk based on the materiality of potential impact on each investment and distinguishes between high and low focus positions	The Fiduciary Manager monitors the portfolio regularly to ensure ESG risks are being appropriately considered in ongoing investment decisions. The Trustee reviews ESG risks on a quarterly basis