

Constructive Engagement Series

Deutsche Post DHL Group: Engaging Through the Climate Transition



Source: Deutsche Post DHL Group

Deutsche Post DHL Group (DPDHL) is a global express, parcel and postal delivery company that is headquartered in Bonn, Germany. The company also provides supply chain management and freight forwarding services to its customers around the globe. The process of delivering goods and providing logistics services is clearly an emissions-intensive business and remains an ongoing essential service needed by most companies around the world. DPDHL recognizes the environmental impact of the functions of their business and has the goal to be as energy efficient as possible for the necessary services that they provide. The company's commitment to climate change leadership has been clearly emphasized to us in our conversations with DPDHL's investor relations, employee relations, and sustainability personnel. Our engagements with company management began prior to Rockefeller becoming shareholders in March 2020.

OUR PHILOSOPHY ON ESG ENGAGEMENT

At Rockefeller Asset Management, we believe that rigorous, ESG-integrated analysis coupled with deep shareholder engagement can deliver strong long-term results for our clients. We also believe that companies working to improve their ESG performance will see stronger financial performance over time. Shareholder engagement, which includes company evaluation before purchasing a stock and then ongoing monitoring employed throughout the holding period of the security, is a core part of our investment process. We appreciate companies that recognize that achieving ESG leadership requires a long-term view involving continuous improvement.

DECREASING ABSOLUTE EMISSIONS WHILE INCREASING VOLUME GROWTH

The frequency of our engagements with DPDHL has strengthened our conviction that the company is striving to adopt increasing energy efficiency measures which will lead to lower carbon emissions. As a transportation and logistics company, climate transition risk is one of the most material issues for the business. DPDHL has integrated the reduction of greenhouse gas emissions into the strategic management of its operations as the company continues to grow. The company exceeded its carbon reduction target in 2016 and, after achieving these benchmarks, subsequently set long-term science-based targets for the year 2050. The company additionally set medium term carbon emission reduction targets for 2025. In setting these targeted carbon reduction goals, we believe the company has become a clear leader among its peers on greenhouse gas emissions reduction strategies.

In line with these commitments, we followed up with DPDHL's team in June 2020 to discuss their climate targets in the context of the EU taxonomy for sustainable finance. As the company evaluates ways to update its reporting to convey this alignment, we requested that they include a carbon intensity metric that better communicates emissions reduction progress relative to current measurements. The idea was well received, and the company requested that we send specifications for an intensity target in writing in order to be passed on to the company's internal groups that handle climate policy and disclosure. In July 2020 we abided by this request and formally suggested that the company create a new metric that discloses their greenhouse gas intensity in "per package" terms for their Express segment as we believe this will measure the company's carbon intensity and better capture the extent to which the company is able to decouple its volume growth from its GHG emissions. This could lead to lower potential carbon costs over time as we anticipate increased greenhouse gas regulation and potentially increased costs for express and parcel providers in their main markets.

DIRECTLY ADDRESSING DPDHL MANAGERS

As a result of Rockefeller's leadership in the ESG field and our frequent engagements with the company, Deutsche Post invited Rockefeller Asset Management to address their Executive Team and 700 other group managers at their Global Management Meeting which was held in September 2020. In our recorded video message to this audience, we expressed our ESG Leadership expectations for DPDHL including the establishment of timebound targets for climate performance that become more ambitious with time and are aligned with 1.5-degree science-

based target within their Net-Zero 2050 target. We also conveyed our expectations that DPDHL should continue to integrate enterprise climate risk management measures into its capital planning and budgeting. We hope that this appeal to all company managers will expedite and expand Deutsche Post's climate commitments.

NEXT STEPS

CONTINUOUS IMPROVEMENT

Climate regulation within DPDHL's major markets remains an ongoing risk. We look forward to continued dialogue since the EU has just announced a more stringent GHG emissions reduction target and China's emissions trading scheme will aim to reduce emissions in the country once it comes online.



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Goal 11

Sustainable Cities and Communities



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