

To the CEOs and Boards of Directors of our Investee Companies

12 December 2023

Engagement Letter regarding thermal coal phase-out plans

Dear Sir or Madam, Dear Members of the Board of Directors,

DWS is one of the largest asset managers in Europe and invested in your company through one or more of our portfolios. As a signatory to the Principles of Responsible Investment (PRI) and the Net Zero Asset Managers initiative, DWS supports the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner. Consequently, our investment approach and engagement with our investee companies factor in the efforts to limit global warming to 1.5 degrees Celsius. Limiting the burning of thermal coal is an important part of this overall effort and this letter is to draw your attention to our expectations from you and other coal companies in this regard.

The science-based scenarios for achieving net zero emissions by 2050 require the complete phase-out of unabated thermal coal use in advanced economies by 2030, and the rest of the world by 2040. Hence, there is no room in the 1.5°C carbon budget for developing any new coal infrastructure. The recently published DWS Coal Policy¹ (“Policy”) recognises this imperative and sets out the following rules governing our investments in thermal coal related companies.

- DWS will divest its existing holdings, and no longer make new investments, in coal developers or companies with a coal share of revenues greater than 25%.
- DWS will engage with company holdings that have a coal share of revenue below 25%, and are not coal developers, regarding their plans for phasing out coal use.
- After 2030, DWS will cease new investments in EU/OECD companies with more than 5% coal share of revenues and will divest its existing holdings in such companies. For companies outside the EU/OECD, a later exit date of 2040 will apply.

¹ [Our investment approach towards thermal coal \(dws.com\)](https://www.dws.com)

You are receiving this letter because, according to our data, your company's thermal coal exposure is between 5% and 25% of revenue and hence meets our criteria for engagement listed above. We expect companies meeting this exposure criteria to engage with us and take the following steps:

- Commit to phasing out thermal coal activities by 2040 (or 2030 for EU/OECD companies).
- By 2025 at the latest, publish a credible transition plan for implementing this coal phase-out.
- Track and publish progress against this transition plan on an annual basis.

Where investee companies fail to satisfy these expectations, DWS may consider further active ownership measures (including voting against management) as well as partial or full divestment from some of our portfolios. Notwithstanding such engagement and escalation, a failure to reduce coal share of revenue below 5% will under the policy require us to cease new investments, and divest existing holdings, in such companies by 2040 (or 2030 for EU/OECD companies).

The specific requirements regarding coal exposure laid out above are in conjunction with our broader expectations from investee companies on climate-related governance and strategic matters. We expect our investee companies to:

Set clear and ambitious climate targets:

- Set an ambition to achieve net-zero GHG emissions by 2050 or sooner, covering relevant Scope 1, 2 and 3 emissions.
- Set emissions reduction targets aligned with the 1.5°C global warming target of the Paris Agreement and verified by the Science Based Targets initiative (SBTi).

Align business strategy to meet climate targets:

- Lay out a decarbonization strategy and align future capital- and operational expenditure plans to meet your GHG reduction targets.
- Apply comprehensive procedures and stakeholder engagement for the assessment and management of the impacts of existing and planned exploration and production projects on biodiversity, water, the ecosystem, and relevant local stakeholders.
- Support relevant government climate policies and align lobbying activities, via membership in industry associations, with the company's climate strategy and the Paris Agreement.

Establish appropriate Corporate Governance structure and reporting of climate risk:

- Establish formal and clear oversight for climate change risks and opportunities at Management and Board levels.
- Integrate relevant climate/GHG reduction targets as performance metrics into executive and top management compensation plans to ensure alignment with the business strategy.
- Ensure material climate risks associated with the transition onto a 2050 net zero pathway are fully incorporated into financial statements.
- Provide enhanced transparency to investors and other stakeholders by using internationally recognized reporting frameworks (e.g., the SASB standards, the TCFD Recommendations) as well as by reporting the impact on Sustainable Development Goals and the level of compliance with the EU Taxonomy.

In case we receive no feedback from you regarding this engagement request, we will follow the exclusion and escalation steps as outlined in our engagement policy, using our active property rights as asset managers, and integrating these considerations into our investment decisions.

Striving to be very transparent to our investors and interested parties about our engagement activities and the respective results, please note that we may publicly disclose details around our engagements, for example in DWS' publications which are made available on the website, e.g. and not limited to the "Active Ownership: Engagement and Proxy Voting Report" (dws.com/solutions/esg) or in other communications around DWS' engagement efforts. In this respect, we may report on information that we receive from you in context of the conducted engagement, and on DWS' evaluation of this engagement including the progress of DWS' engagement efforts with you according to DWS' pre-determined criteria. Further, the information gathered may be shared with other DWS group entities.

We would appreciate hearing more about your company's efforts on this critical topic of thermal coal phase-out and look forward to a constructive dialogue with you. Our CIO Office for Responsible Investments can be reached via dws.engagement@db.com.

Sincerely yours,

DWS Investment GmbH



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