

**Net Zero Engagement Letter to Investees  
DWS Investment GmbH**

31 May 2024

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

DWS Group GmbH & Co. KGaA, one of the largest asset managers in Europe, is a signatory of the Net Zero Asset Managers initiative (NZAM). The NZAM initiative is committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investments aligned with net zero emissions by 2050 or sooner. As a responsible investor, it is our fiduciary duty to express our expectations on sustainability in the best interest of our clients. Our commitment to sound corporate governance and responsible, environmental, and social practices among our investees is not only a crucial element of our responsibilities, but also forms an integral part of our investment process. With our engagement activities, we are also supporting the Climate Action 100+ initiative with the aim to enhance the governance of climate change risk and opportunities, curb emissions and strengthen climate-related financial disclosures. Our active ownership approach revolves around carefully monitoring our investees and engaging with them with the aim of improving their financial and non-financial performance, building a sound understanding of their business and a constructive dialogue on their sustainable development which further leads to a sustainable world.

Climate change is one of the biggest environmental challenges, accelerating the rise in the global mean temperature and affecting most other attributes of climate. Corporations and investors, as owners and lenders have a key role to play towards the need for emissions to be reduced in the mutual goal of coping with the impacts of global warming. The changes so far have already had an impact on multiple sectors and the effects are expected to be amplified as the continued rise in greenhouse gas emissions results in further changes to the climate. In order to meet the 1.5°C global warming target in the Paris Agreement, global carbon emissions are required to reach net zero by 2050 or sooner. Reallocating capital in a responsible and sustainable direction can make a difference in avoiding a climate crisis. When done cautiously, it can even improve financial return. Investment managers play a crucial role in driving the necessary progress and identifying investment opportunities to support the transition to a sustainable future. Thus, we expect companies that face substantial climate transition risks to accelerate their efforts in setting ambitious targets and providing enhanced transparency on their strategy.

We are sending you this letter because your Company is in the target net zero group of our global investee companies, identified based on their contribution to the carbon intensity of our portfolios and their climate transition risk assessment. As part of our commitment to NZAM, we expect these

companies to accelerate their efforts in setting ambitious targets and providing enhanced transparency on their strategy to tackle the common issue of climate change.

It is, therefore, of utmost importance that the Board of Directors ensures a proper oversight and management of the climate risks. We expect the Board to take transparent, effective, and conscious measures to solve existing or to avoid potential climate controversies and risks their companies are facing or may face in the future, whereby protecting them from becoming structural and recurring. We expect a commitment to be made as soon as possible to become net zero by 2050 or sooner.

Among our expectations are the following key measures in terms of governance and strategic matters:

**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.

We expect the Boards of Directors and Management of our portfolio companies to go a step further and provide full transparency and comprehensibility on these matters. Where we believe directors of investees have not made sufficient progress for planning and managing climate change related risks and when executive compensation does not incentivize addressing climate risks and opportunities sufficiently, we will reflect our expectations in our voting decisions, whereby we will consider:

- voting against one or more board members accountable.
- voting against executive compensation reports/policies.

- voting against management proposal in case their climate-related (Say-on-Climate) resolutions are not meeting our criteria (explained in our Corporate Governance and Proxy Voting Policy, V. 5 “Say on Climate/Shareholder Decarbonisation Proposals”) and
- supporting relevant shareholder proposals on climate-related topics (Say-on-Climate), where we agree with the proposed resolutions.

We value our constructive dialogue on these topics with you to date and appreciate any updates you have on these relevant topics. In case we see no progress and transparent commitments from our investees to our expectations, we will follow various escalation steps as outlined in our Engagement Policy, making use of our active ownership rights as asset managers, and integrating these considerations into our investment decisions.

Striving to be very transparent with our activities, we also disclose details around our engagements in our public “Active Ownership: Engagement and Proxy Voting Report” and make it available on our website ([dws.com/solutions/sustainability/corporate-governance](https://dws.com/solutions/sustainability/corporate-governance)). In this, we might report on the entire engagement process, in particular on information that we receive from you. In doing so, we may also report in detail about your company and evaluate the progress of our engagement according to our criteria, whereby our engagement with you could be used as a case to demonstrate the progress and/or status of our discussions. We would appreciate hearing more about your company’s efforts in that regard and are looking forward to having a constructive dialogue with you. Our CIO Office for Responsible Investments can be reached via [dws.engagement@db.com](mailto:dws.engagement@db.com).

Yours sincerely,

DWS Investment GmbH



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