



**MetLife Investment Management**

# Stewardship Policy

## **About MetLife Investment Management**

MetLife Investment Management (MIM), MetLife, Inc.'s (MetLife's) institutional investment management business, serves institutional investors globally by combining a client-centric approach with long-established asset class expertise. MIM's investment capabilities include deal origination, asset acquisition, trading, portfolio construction and monitoring, risk analytics and risk management. In 2022, we added a dedicated sustainability research and analytical capability to our platform through the acquisition of Affirmative Investment Management (AIM), a leader in sustainability and impact focused fixed income solutions.

MIM's investment teams aim to deliver strong, risk-adjusted returns by building tailored portfolio solutions for our clients across our core asset teams including public fixed income, private capital, and real estate. As a result, our investment analysts, asset originators, and portfolio managers are tasked with building and managing resilient investment portfolios. These responsibilities can include incorporating financially material ESG assessments into our risk management focused investment processes, as well as offering strategies for, and knowledge sharing with, those clients who have defined sustainability objectives.

MIM's client base is diverse, and we recognize that clients' investment objectives vary. This is why it is important to offer a range of investment solutions to meet our clients where they are on their sustainable investing journey.

## Our Philosophy and Beliefs

As a global investment manager, MIM's commitment to clients is rooted in MetLife's purpose: *"Always with you, building a more confident future"*. At MIM we believe sustainable investing seeks to deliver competitive risk adjusted market returns by incorporating financially material ESG assessments and stewardship into our investment process. Our sustainable investment approach leverages both our traditional investing and sustainability expertise.

We believe that stewardship activities, including engagement, support sustainable investing efforts. Ongoing dialogue with companies and issuers helps raise awareness of prudent business practices for the long-term and promotes data transparency and standardization. We believe that capital markets benefit from more and improved information from which investment decisions can be made.

We are committed to working closely with clients to provide transparency and meet our clients' guidelines and sustainability expectations. As sustainability standards and initiatives in the asset management industry evolve, MIM's approach will continue to develop.

## Our Approach to Stewardship

Stewardship is an important part of MIM's sustainable investing efforts. As a predominately fixed income and real estate investment manager, our primary means to conduct stewardship is via engagement.

Our stewardship efforts seek to raise awareness and improve data transparency and reporting. MIM engages with issuers, intermediaries, market participants, and policy makers. We engage in a variety of ways, from individual engagements on specific issues, to participating in collective engagement initiatives and hosting thematic engagements on specialist sustainability topics.

The scope of our Stewardship Policy includes all assets under management by MIM, including affiliated insurance company portfolios and assets managed on behalf of unaffiliated clients.<sup>1</sup>

## Engagement

Engagement provides MIM's investment analysts with an opportunity to better understand material, relevant risk factors, be clear about our expectations, and improve data transparency. Our investment analysts regularly interact and engage in discussions with a company's senior management or other relevant stakeholders throughout the initial due diligence process and as part of the portfolio monitoring process. At times, we may also leverage our relationships with industry intermediaries and industry groups to communicate and resolve concerns more effectively. Ongoing dialogue helps to raise awareness of prudent business practices.

## Direct Engagement

### *Fixed Income*

Direct engagement with an issuer or company's senior leadership is a fundamental part of our research process. Our engagement activity often includes conversations about business model resilience and responsiveness to financially material ESG factors. Our conversations are guided by the IFRS Sustainability Alliance's SASB sector-specific materiality matrix, which helps identify potentially financially material ESG-related risks and opportunities. MIM's public fixed income and private credit teams have developed proprietary databases that are integrated into their research processes, where credit analysts log their engagement conversations. Additionally, each database includes transactions that have been rejected due to a negative evaluation of these factors. We can provide annual reporting to our clients on our engagement activity which includes number and type of engagement, as well as case studies.

### *Real Estate*

Direct engagement with property managers, building occupants, investment partners, borrowers, and the community is ingrained into the long-term management of MIM's real estate investments. We engage these stakeholders on a variety of sustainability-related topics including greenhouse gas emissions, energy, water, and waste management initiatives so that we can help find solutions to drive reductions. We are focused on occupant health and wellbeing and increasing sustainability awareness throughout MIM-managed properties. We celebrate green building certifications such as LEED and ENERGY STAR®. Each year, the MIM equity real estate team conducts an annual ESG challenge that rewards individual properties for innovative sustainability projects. For both debt and equity real estate investments, we utilize a questionnaire focusing on collecting sustainability and material ESG risks and opportunities information at the time of acquisition or loan origination.

## Thematic Engagement

MIM identifies thematic engagement priorities each year. Our thematic engagement activity is conducted both for the benefit of our defined sustainability strategies and broader investment strategies.

One recent thematic engagement topic is Scope 3 greenhouse gas (GHG) emissions. Given the heightened global regulatory focus, Scope 3 GHG emissions considerations, including financed emissions, are pervasive. Our thematic engagements aim to better understand how different issuers and borrowers are addressing Scope 3 reporting and data challenges. Our efforts center on both information gathering and advocacy for transparent public disclosures.



## Collective Engagement

MIM believes that collective engagement benefits the investment community through a more efficient means to build knowledge and encourage standardization of data and reporting. We believe capital markets benefit from more and improved information from which investment decisions can be made. Our collective engagement involvement has generally been conducted to improve sustainability-related data and disclosures.

## Engaging with Policy Makers

MIM engages with global policy makers through MetLife's Government Relations team. This team engages with policy makers and relevant stakeholders at international, regional and individual market levels to support our business, customers and employees. Additionally, MetLife's CEO and our executive leadership team meet with policy makers to raise questions and advocate for MetLife, including MIM, on legislation and regulations.

## Proxy Voting

MIM is predominantly a global fixed income and real estate investment manager with less than 5% of our overall AUM held in index funds and other limited equity investments. Our public equity investments are almost exclusively comprised of index strategies that are passively managed, and index matched. The indices to which our index strategies are currently benchmarked are selected in accordance with our mandates' investment guidelines. At this time, and in adherence to the defined guidelines, these indices are not sustainability focused.

Proxy voting by MIM primarily arises in the context of index funds and equity assets managed by MIM and in connection with a limited number of fixed income investments managed by MIM. MIM utilizes Institutional Shareholder Services Inc. (ISS) to vote proxies in accordance with MIM's proxy voting guidelines for most proxy voting requests.

MIM does not have a securities lending program for which proxy voting is applicable.

## Governance and Dedicated Resources

At MIM, we recognize the importance of having robust governance and controls in place within our organization. Our governance framework helps us to operationalize our purpose, values, and strategic priorities. MIM broadly deploys an integrated approach to sustainable investing, such that our research analysts, asset originators, and portfolio managers are responsible for the implementation of our Stewardship Policy and associated practices. These teams are supported by dedicated sustainability resources who are mobilized throughout our organization.

MIM's governance and associated dedicated resources are further described within our Sustainable Investment Policy available [here](#).

## Escalation

While the majority of our investment related concerns with our issuers, borrowers, and investee companies are addressed and resolved via direct engagement with companies' senior leadership teams, we have the ability to leverage other means by which to escalate our concerns. These means could include not investing, reducing exposure, adjusting the investment case, or, in an extreme instance, divesting from the investee entity. As part of our escalation process, we seek to address issues and controversies that may negatively reflect on MetLife, MIM, or our clients' reputations. We have an internal process established to escalate concerns to MIM's senior leadership for further review and consultation.

## Conflicts of Interest

MIM is committed to conducting our investment management and advisory business in accordance with the highest legal and ethical standards in furtherance of the interests of our clients and in a manner that is consistent with all applicable laws, rules, and regulations. The identification and management of conflicts of interest are fundamental considerations in all MIM's investment management and advisory activities.

## Policy Review

MIM commits to the review of this policy at least annually. Updates are recommended by MIM's Sustainable Investment Council, assessed via senior leader and committee reviews, and approved pursuant to MIM's policy governance framework prior to public release.

## Glossary of Terms

**ENERGY STAR:** U.S. Environmental Protection Agency (EPA) backed program established to reduce greenhouse gas emissions and other pollutants caused by the inefficient use of energy through cost-saving energy efficiency solutions that protect the climate, improve air quality, and protect public health.

**Engagement:** Interactions between the investor and current or potential investees on ESG issues. Engagement provides MIM's investment analysts with an opportunity to better understand material, relevant risk factors, be clear about our expectations, and improve data transparency.

**ESG Integration:** Incorporation of environmental, social, and governance (ESG) factors into an investment process, based on the belief that ESG factors can affect the risk and return of investments. ESG integration involves seeking out ESG information, assessing the materiality of that information, and integrating information judged to be material into investment analysis and decisions.

**IFRS Sustainability Alliance SASB Materiality Matrix:** The Sustainable Accounting Standards Board (SASB) materiality matrix, now part of the International Financial Reporting Standards (IFRS) Sustainability Alliance, identifies the sustainability-related risks and opportunities that are most relevant to investor decision making, including those that are most likely to affect cash flows, access to finance, and cost of capital, by industry.

**LEED:** Leadership in Energy and Environmental Design (LEED) is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across energy savings, water efficiency, CO<sub>2</sub> emissions reduction, improved indoor environmental quality, stewardship of resources and sensitivity to their impacts.

**Stewardship:** The approach we take to actively engage with companies and other entities. Our stewardship efforts seek to raise awareness and improve data transparency and reporting.

**Sustainable Investing:** The broad investment approach we take that seeks to deliver competitive risk adjusted market returns by incorporating financially material ESG assessments and stewardship into our investment process. Our sustainable investment approach leverages both our traditional investing and sustainability expertise.

### Endnote:

<sup>1</sup> With respect to ERISA plans for which, per the investment management agreement, MIM is serving as the "investment manager" as defined in Section 3(38) of ERISA, MIM's investing principles shall adhere to applicable ERISA rules including ERISA regulation § 2550.404a-1 regarding investment duties.

**Note:** Please note that the ESG features of funds and managed accounts offered by MIM to clients and investors will be subject to specific terms and investment guidelines. Since these terms will vary across individual products and services, this policy is not intended to operate as a statement of their characterisation under the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) or any other investment labelling regime, given that such characterisation will be determined and applied on a case-by-case basis for these purposes.

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