MetLife Investment Management

Public Fixed Income Sustainable Investing

At MetLife Investment Management Public Fixed Income, our investment methodology is based on a disciplined in-house research and security selection process, which leverages the deep expertise of our seasoned investment teams. Our investment process is driven by fundamental research and bottom-up security selection, and the integration of financially material ESG considerations has always been a part of this process.

Environmental

Matters pertaining to environmental issues are identified and discussed to determine the issuers' impact on the environment, climate change mitigation, climate change adaptation, and the risk that such issues present to the credit profile or business operations. We also assess prospective liabilities of an issuer resulting from its environmental impacts, including payments relating to penalties imposed by government agencies, litigation risk or future remediation spending requirements.

Social

How an issuer manages relationships with its employees, suppliers, customers, and the communities in which it operates is critical to our credit analysis. We analyze issues related to labor unrest, health and safety, compliance with labor regulations, and general labor relations and conditions. We also review risks associated with product safety and suitability to ensure companies have sustainable business operations.

Governance

We evaluate the diversity, independence, and qualifications of corporate boards to assess their preparedness to face future risks and act in the best interests of the business. We focus on identifying management teams that clearly communicate information regarding ESG factors material to their respective businesses.

An Integral Part of the Investment Process

We take a holistic view to ESG integration and believe sustainability risk factors should be evaluated alongside other risks to determine fair value at the issuer and issue level. As such, each research analyst considers ESG factors in their internal research presentations and conducts engagement as part of their overall credit analysis of the issuer.

The cornerstone to our process is understanding the relevant risks associated with each security to ensure clients are being adequately compensated via the terms and structure of the investment. Thus, research analysts incorporate ESG factors into the key steps of our credit research framework.

Quality of the Underlying Asset

As part of an effort to identify strategically well positioned and cost competitive businesses, it is important that analysts fully assess a company's carbon footprint. This assessment will enable us to understand how the issuer is managing environmental issues material to their business, and how future regulations or environmental liabilities may impact the asset's valuation.

Assessing the Management Team

When thinking about the quality of management, social factors such as diversity, and governance issues such as the board structure and compensation are important considerations.

Liability Review

In public fixed income investments, there is an extensive focus on the issuer's credit profile, and we feel that it should not be limited only to debt liabilities. ESG factors in this case may include environmental liabilities, mediation liabilities, possible contingent liabilities from litigation and pension funding needs—in short, anything that may be a future draw on the company's cash and may impact the visibility and volatility of cash flow.

Relative Value

One of the most important considerations in credit analysis is relative value; an assessment of how efficiently the market is pricing credit risk. Analyzing ESG issues, as well as a range of other factors, can help determine whether the market is mispricing credit risks.

Active Engagement

We firmly believe that active engagement with issuer leadership is key to managing investment risk. Engagement not only provides an opportunity to better understand these risk factors but is also an opportunity to educate issuers on ESG topics, improve issuer disclosure, and provide feedback that can positively impact sustainability around the world.

Beginning with the initial due diligence process and as part of the ongoing monitoring process, analysts engage in ongoing dialogue with senior leadership to assess their business model resilience and responsiveness to the environmental, social and governance factors impacting their business.

Our proprietary **Engagement Database** is designed to be fully integrated into the research process and allow each analyst to log and update engagement on environmental, social, and governance factors. Additionally, the database includes deals that have been rejected due to a negative evaluation of these factors. The database is easily accessible by all members of the Public Fixed Income team. Therefore, everyone from traders to portfolio managers to risk management and client service professionals are able to source real time information about each issuer.

Environmental

- Investment into environmental initiatives
- Tangible progress toward reducing emissions and carbon neutrality
- Clear metrics in reduction of waste and water consumption

Social

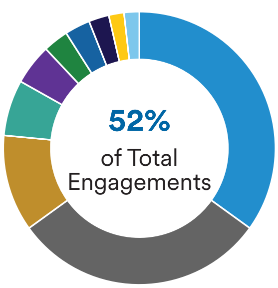
- Engagement with underserved communities
- Improvements in cybersecurity to protect confidential data and mitigate breaches
- Firm commitment toward D&I, with targets to advance diversity and inclusion

Governance

- Consistent messaging to the investor community
- Ability to demonstrate strong leadership, including experienced and effective management team
- Transparent reporting on any breaches and adequate remedies

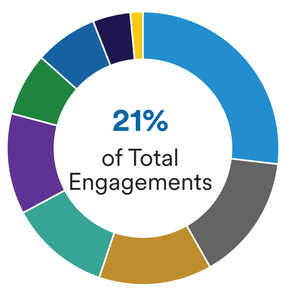
321 | Incidences of Engagement in 2023

Environmental



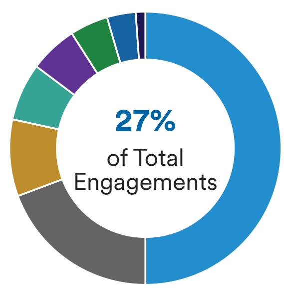
GHG Emissions	35%
Business Model Resilience	30%
Energy Management	11%
Ecological Impacts	7%
Air Quality	5%
Supply Chain Mgmt	3%
Water & Wastewater Mgmt	3%
Physical Impacts of Climate Change	2%
Materials Sourcing & Efficiency	2%
Waster & Hazardous Materials Management	2%

Social



Access & Affordability	27%
Employee Health & Safety	15%
Human Rights & Community Relations	13%
Business Model Resilience	12%
Employee Engagement,and D&I	12%
Customer Welfare	7%
Data Security	7%
Product Quality & Safety	4%
Customer Privacy	1%

Governance



Business Model Resilience	50%
Management of Legal & Regulatory Environment	19%
Labor Practices	9%
Critical Incident Risk Mgmt	7%
Systemic Risk Mgmnt	6%
Business Ethics	5%
Competitive Behavior	3%
Product Design & Lifecycle Management	1%

Ready for the Future

The impact of sustainability factors on the global economy and the asset management industry is rapidly evolving. As such, we are committed to a culture of ongoing learning and improvement.

Research

- Engagement with industry experts and regulators to form a complete understanding of the evolving landscape, including current and impending regulations that effect our clients worldwide.
- Dissemination and storage of research on broad-based ESG themes and climate risk for easy accessibility to all investment professionals.

Innovation

- Exploration of artificial intelligence to supplement Analyst research and compile a range of issuer data, including financial filings, earning calls, and media articles on ESG terms.
- Ongoing technological enhancements to the Engagement Database.

Training

- MIM-wide training on the evolving regulatory landscape and integration of ESG factors in the Public Fixed Income investment process.
- In depth discussions covering ESG developments, the competitive landscape, internal resources, and regulatory trends.

Industry Initiatives

MIM is a signatory to the Principles for Responsible Investment (PRI) and is committed to the adoption and implementation of PRI's six Principles. We are also a member of the Global Impact Investing Network (GIIN), a member of the Institutional Limited Partners Association (ILPA) Diversity in Action (DIA), a partner to Girls Who Invest (GWI), a member of the SASB Alliance, and a signatory to the CDP. Additionally, MIM claims compliance with the CFA's asset manager code.

Engagement Case Studies*

Enhancing an Issuer's ESG Story

Background

In October 2020, a leading family-owned ready-mix concrete business based in Nashville, TN came to the High Yield market as a first-time issuer to refinance the company's existing term loan, as well as fund five bolt-on acquisitions that enhanced the company's geographical footprint, and market penetration. In support of this, the company issued $830mm of 6.00% Senior Secured Notes due 2028. Based on attractive relative value and a favorable view on credit fundamentals, the sector analysts placed a buy recommendation on the new senior secured notes.

Objective

Following the issuance, the sector analysts wanted to gain a better understanding about where the company was regarding their ESG story as a smaller, family-owned business and first-time High Yield issuer. It was also the analyst's intent to describe to the management team that if/when the company wants to access the debt capital markets again in the future, how ESG will likely be more of a focus for the investment community and a lack of disclosure could potentially impact credit ratings, interest rate, and demand of future securities. The final objective was to assess if the management team had run any scenarios for a potential carbon tax in the US and how implementation might impact the business. Establishing an understanding of how ESG fits into the company's credit story, both historically and going forward, enhances our ability to value the credit.

Scope and Process

To achieve these objectives, an initial call was hosted with the company's management team. This was followed by several email exchanges, an internal process update, and a pending invite to meet with key leaders at the company's headquarters in Tennessee. During the initial call, the sector analysts were successful in gaining a better understanding of the company's current ESG practices, as well as areas of improvement being targeted. It also provided the analysts an opportunity to discuss how we conduct our own internal ESG analysis and incorporate third-party research, and what that typically entails. This was followed-up by the analysts sending third-party examples to highlight more industry specific ESG focus areas. Overall, the management team was receptive of our suggestions and was open to further engagement, improving their ESG disclosure, and overall improvement of their ESG profile.

Outcome

Our conviction on the credit has been strengthened by the receptiveness of the company's management team to incorporate ESG factors into their day-to-day business, as well as any potential future capital raises. We will continue to maintain a relationship with management and evaluate how they implement these ESG factors in the future.

Assessing Discrepancies in ESG Scores

Background

The company of focus is a leading private investor in the Mexican energy sector. As of September 30, 2021, the company had total assets of approximately $11.1 billion, positioning it as one of the largest private sector companies in the country. We were interested in the unsecured, BBB/Baa3 notes. From a relative value perspective, these were the most attractive offerings.

Objective

Following the assessment of the company's relative value and identifying potential future catalysts, the analyst aimed to sensitize these securities to ESG risks. The company was included in the S&P/BMV Total Mexico ESG Index, FTSE4Good Index Series, and was rated by MSCI. ESG factors were an increasingly integral component of the company's valuation. We sought to gauge the downside risks that could accompany discrepancies in how their ESG factors were measured and how they actually affected the company.

Scope and Process

The research analyst conducted a deep dive into how prior ESG scores were given. They identified the metrics that were the most applicable to the company. They then tabulated the degree of risk these factors presented by breaking down the likelihood of an ESG event occurring. Scenario analysis was also conducted to evaluate how these risks could be controlled if an event were to occur. These risks were then ranked as above average, below average, or average. These rankings were then aggregated to find how the overall Environmental, Social, and Governance factors were strengths, weaknesses, or neutral.

Outcome

Through this analysis, the analyst concluded that the company was strong in the ESG space. Their robust sustainability policy was among the best in the Utilities/Mid-Stream space in Latin America. In Environmental, contributions to the reduction of CO2 emissions, environmental protection actions, and controls around potential leaks in the natural gas and hydrocarbon infrastructure were satisfactory. In Social, the company's development and operation of existing and new infrastructure, shared value, and control of workplace accidents were all satisfactory. However, in Governance, the company's cybersecurity, and board structure both needed improvements.

Working Through Multiple Scandals at a Prominent University

Background

A prominent west coast university with a strong academic reputation is a consistent issuer of taxable municipal bonds as it builds its programs and expands campus facilities. In recent years, it was led by a President who was extraordinarily proficient at raising funds for the university but was caught unaware by two major scandals—a college admissions scandal and a long-running sexual misconduct scandal. The latter cost the President and many of his senior advisers their jobs and cost the university over $1 Billion to settle its legal liability.

Objective

To fully understand the failures in governance that allowed these incidents to occur, we conducted multiple engagements. Of great concern was the greater social risk that allowed the sexual misconduct of a gynecologist in the university's Student Health Service to go undetected and unchecked for many years.

Scope

Our engagement on the college admissions scandal revolved around understanding how an outsider could have corrupted certain members of the athletic staff to recommend 'athletic admits' to the admissions department who would never participate in the sports for which they were preferentially admitted. The university's explanation that a few 'bad apples' who were fired were responsible for this governance failure fit with the facts of the case and we were satisfied with the university's assurance that it would double-check to ensure that enrolled students actually participated in the activities for which they were given admission preferences.

In a one-on-one telephone call with the university's CFO, we asked how the sexual misconduct scandal could have continued for so long without effective oversight and what steps the university had taken to prevent a recurrence of this and other instances of sexual misconduct. The university put in place new training programs to prevent sexual and gender-based harassment and violence. It hired female gynecologists in its Student Health Center and put the center under the management of its well-regarded healthcare affiliate. Additionally, a sub-committee of members of the Board of Directors was given direct oversight of the Health Center, and an Office of Professionalism and Ethics was established to act as a centralized clearinghouse for reports of misconduct among other governance focused initiatives.

Outcome

Given 1) the university's change in leadership (including a new President) 2) the concerted efforts it undertook to remedy the social risks to which it had exposed its students and 3) the wide-ranging governance reforms the university put in place from the Board of Directors to the university administration to the management of the Student Health Service, we maintained our exposure to the credit. Through ongoing dialogue with university leadership, we will monitor the effectiveness of these changes.

Using Engagement to Enact Change

Background

A global asset manager and major CLO issuer; while a UN PRI signatory since 2008, permitted CLO investments in controversial industries such as speculative hydrocarbon extraction, palm oil production, and tobacco.

Objective

Our engagement goal was focused on reducing the issuer's investment in controversial industries in a planned CLO issuance.

Scope

The asset manager was planning to come to market with a CLO issue that had no restrictions on investments in controversial industries beyond the existing industry concentration limits in the deal. Through meetings with the sponsor's head of CLOs, the lead portfolio manager, and the structurer, we expressed our desire for a stronger ESG focus on the CLOs that we participate in.

Outcome

We were able to negotiate an exclusion on investments in companies that derive over 75% of their revenue from controversial industries for this CLO. On the next CLO from this issuer, we further negotiated that revenue threshold down to 60%. Additionally, the issuer committed to making future reductions to a level of 50%. We will continue to demand lower investment in controversial industries for future CLO participation.

Walking Away on ESG Concerns

Saying No to New Issuance

One of the world's largest exporters of thermal coal came to the market with a BBB-rated 10- and 30-year deal in September of 2021. While coal mines are not a large percentage of revenue, the company has been a buyer of thermal coal assets at a time when other diversified miners are exiting coal exposure. Additionally, a sizable piece of the company's business has appeared opaque with limited financial disclosure, and high-profile executives have been involved in recent bribery investigations.

Despite attractive price talk, we did not participate in the deal on concerns over business ethics, ecological impacts, air quality, and business model resilience.

Exiting a Position

North American silver and gold miner experienced an underground mud rush incident which killed one and injured multiple people in February of 2021.

Following the incident, our view was that any potential upgrade from Caa1 was off the table for the near-term, especially given the risk of future liabilities stemming from the incident. Given this, and on recent spread tightening, we made the decision to sell positions across portfolios.

* The case studies described herein are meant to provide an example of the investment decision making process, considerations, and terms in connection with the evaluation process of the investment management team related to ESG factors. These case studies have not been selected to highlight past specific profitable recommendations made by the investment manager. This document does not constitute a recommendation for the securities identified or take into account the particular investment objectives, financial situation or needs of individual clients. Maintaining an exposure does not indicate or guarantee that an investment is or will be profitable and, similarly, avoiding losses will not always occur.

About MetLife Investment Management | Public Fixed Income

MetLife Investment Management's[1] Public Fixed Income Group has $320.8B[2] in assets under management. We offer institutional clients around the world a bottom-up, fundamental security selection approach to fixed income investing. We have a deep and experienced team of over 140 Public Fixed Income investment professionals averaging 18 years of industry experience with 19 portfolio managers averaging 23 years. The Investment decisions and idea generation are informed by a team-based culture with portfolio managers, credit analysts and traders contributing to trade ideas, and risk management is layered into every step of the portfolio construction process and supplemented by independent oversight. We seek to build long-lasting relationships through a comprehensive approach to understanding each of our client's needs and objectives, and constructing a fixed income portfolio that best meets their goals.

For more information, visit: investments.metlife.com/public-fixed-income

For more information regarding the MIM sustainability policy visit: investments.metlife.com/about/sustainability

[1] As of December 31, 2023, subsidiaries of MetLife, Inc. that provide investment management services to MetLife's general account, separate accounts and/ or unaffiliated/third party investors include Metropolitan Life Insurance Company, MetLife Investment Management, LLC, MetLife Investment Management Limited, MetLife Investments Limited, MetLife Investments Asia Limited, MetLife Latin America Asesorias e Inversiones Limitada, MetLife Asset Management Corp. (Japan), MIM I LLC, MetLife Investment Management Europe Limited, and Affirmative Investment Management Partners Limited.

[2] As of December 31, 2023. Includes all public fixed income assets managed by MIM. Includes MetLife general account and separate account assets and unaffiliated/third party assets.

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