



# Commercial Mortgage Lending Environmental, Social and Governance Investment Policy

## About MetLife Investment Management

MetLife Investment Management (MIM), MetLife, Inc.'s (MetLife's) institutional investment management business, serves institutional investors by combining a client-centric approach with deep and long-established asset class expertise. Focused on managing Public Fixed Income, Private Capital and Real Estate assets, we aim to deliver strong, risk-adjusted returns by building tailored portfolio solutions. We listen first, strategize second, and collaborate constantly as we strive to meet clients' long-term investment objectives. Leveraging the broader resources and 150-year history of the MetLife enterprise helps provide us with deep expertise in navigating ever changing markets. We are institutional, but far from typical.

Our aim is to ensure that all assets under management, including affiliated insurance company assets and those managed on behalf of institutional third-party asset management clients, are broadly covered by MIM's ESG Investment Policy, which can be found at [investments.metlife.com/about/esg-integration](https://investments.metlife.com/about/esg-integration). We seek to deliver client solutions that manage risk and create sustainable investment returns. We also believe material ESG factors have an impact on investment performance and are important considerations to effectively manage risk and achieve our clients' investment objectives. Our asset sector specific ESG considerations for commercial mortgage lending are outlined within this supplemental policy.

## MIM Commercial Mortgage Lending

MIM embraces our role as a responsible real estate investment manager and lender. We understand the impact buildings have on people, communities and the environment. We also know that issues such as climate change, regulatory environments and building operational efficiencies will increasingly impact lending decisions and financial performance.

MIM seeks to maintain industry-leading environmental, social, and governance (ESG) best practices in our real estate lending business. We prioritize ESG for several reasons. First, incorporating ESG considerations into our investment decision making process aiming to support sustainable long-term returns is an important part of our responsibility to our clients, helping them meet their investment objectives. Second, incorporating ESG into our analysis supports our commitment as a signatory to the Principles for Responsible Investment (PRI). Third, the ESG performance of our assets and borrowers provides meaningful information that can help us better assess financial risks and opportunities. Fourth, we are committed to tracking and reducing the environmental impact of our lending portfolio in partnership with our stakeholders.

This policy codifies our commitment to incorporate ESG issues and analysis throughout our lending process, including origination, due diligence, deal approval and ongoing monitoring.

MIM's commercial mortgage platform has adopted the following ESG principles and practices:

### 1. Track sustainability attributes of assets

We believe the energy and sustainability performance of the properties we finance should be understood and regularly evaluated, both before and after loan approval. We collect information on Leadership in Energy and Environmental Design (LEED) and Building Research Establishment Environmental Assessment Method (BREEAM) certification and ENERGY STAR score/certification of new originations. We track and monitor this information in our loan asset management system and it is available at any time.

### 2. Evaluate borrower ESG performance

We believe that ESG performance is important not only at the asset level, but also at the borrower's organizational level. As part of our due diligence process, we ask prospective borrowers to disclose information on their organization's ESG-related goals, commitments and performance.

### 3. Incorporate ESG into due diligence and loan approval

Our investment committees evaluate potential loans using a process that incorporates ESG factors. These groups typically consider the sustainability attributes of the building(s) and borrower(s) as part of the broader strengths and weaknesses of the application.



During the loan evaluation and approval process, some of the factors that we may review (as applicable) include:

- Green building certification (LEED or BREEAM)
- ENERGY STAR score / certification
- Environmental site assessment results
- Property condition assessment results
- Metrics for access to public or sustainable transportation, such as Bike Score, Walk Score and Transit Score
- Climate and natural hazard risk



#### **4. Track and improve resilience to climate change and other natural hazards**

We aim to systematically assess, monitor and mitigate our loan portfolio's exposure to floods, earthquakes, windstorms and other natural hazard risks. We employ third-party software to map our exposure to each of the main event risks. On an individual loan basis, we typically require insurance for properties above an internally defined risk threshold, and third-party servicers ensure that evidence of insurance meets such requirements at each annual renewal for the life of the loan. In addition, we have undertaken, and will continue to undertake, efforts to measure and manage our exposure to long-term climate risks.

#### **5. Collaborate with the lending industry to improve ESG practices**

We believe it is critical for our leadership to stay up-to-date on ESG best practices, while helping to lead the real estate lending sector toward better ESG performance. Therefore, senior leadership at MIM participates in many industry events, initiatives and advisory bodies focused on ESG in lending. These include events associated with Greenbuild, the National Association of Real Estate Investment Managers (NAREIM), the Real Estate Roundtable Sustainability Policy Advisory Committee (SPAC), the U.S. Green Building Council (USGBC) and the Urban Land Institute (ULI) Sustainable Initiative Council and Resiliency Council. MIM is active in promoting acceptance and implementation of ESG best practices within the real estate lending sector.

#### **6. Maintain strong governance practices**

MetLife's insurance business has helped generations of people around the world protect their finances, property, family and future. In the process, we have shown our commitment to safeguarding families, serving communities and strengthening society as a whole. This commitment extends to MIM's governance practices in lending. MIM has implemented steps throughout the lending process which strive to ensure the highest levels of quality, transparency and diligence.

MIM's real estate team has dedicated senior resources responsible for incorporating ESG best practices in lending, and additional senior leaders who manage ESG performance as part of their core job responsibilities. On a broader basis, MIM has dedicated resources offering support and advisory services specific to ESG-related matters. MIM has a Sustainable Investment Strategies (SIS) team which is responsible for the development, implementation and oversight of MIM's sustainable investment strategy and acts as an advisor to MetLife's corporate social responsibility functions and MIM's investment teams. MIM also has an ESG Integration Council (Council), staffed with senior leaders from asset teams and support functions, and chaired by the Head of SIS. The Council's primary objectives are to:

- communicate and socialize ESG policies and practices across the MIM organization to ensure consistent application across departments and functions; and
- facilitate the sharing of best practices, knowledge and expertise across asset sector teams and business functions related to ESG activities, emerging risks and opportunities.

At the enterprise level, MetLife has a Chief Sustainability Officer who is responsible for overseeing MetLife's corporate responsibility initiatives and has formed an ESG Advisory Committee, in which the real estate debt team participates.

MIM believes that responsible real estate lending can improve communities, increase financial performance and reduce risk, while generating positive environmental impact. By implementing the principles and best practices above, we believe MIM can better meet the investment objectives and other outcomes that our clients and investors have come to expect while also building strong, sustainable, and resilient communities.

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