Private Capital
Sustainable Investing
ESG at Our Firm

Over the past decade, sustainability—and environmental, social and governance (ESG) approaches in particular—has gained increasing recognition among investment management firms. At MetLife Investment Management (MIM), our bottom-up credit culture seeks to identify companies, projects and real estate that are sustainable over the long-term. As ESG factors today move to the forefront of the investment conversation, MIM is renewing our focus on the sustainability practices that have been at the core of our investment processes during MetLife’s 150-year history.

Our Approach to ESG Integration

At MIM, we have a strong heritage of credit underwriting. In fact, it’s one of our core competencies. We seek to deliver portfolio solutions that manage risk and create sustainable investment returns. And we believe that material ESG factors have an impact on investment performance that must be considered to effectively manage risk and achieve our clients’ investment objectives. As ESG principles developed over the past decade, and as research tools in the market have been enhanced, we have formalized our approach to ESG integration.

Risk management is ingrained in MIM’s culture and integrated throughout the organization. When assessing credit risk related to investment opportunities, we conduct bottom-up, fundamental research and focus on multiple factors. ESG considerations are a vital part of our due diligence, as we seek to identify issues that may impact the reputation of a borrower as well as its financial condition, credit rating and transaction pricing. We believe that adhering to sound ESG practices can help minimize financial risks, such as controversy-triggered loss of customers, fines, penalties and environmental clean-up costs.

Examples of ESG factors considered as part of our qualitative assessment include:

Environmental

Matters pertaining to environmental issues are identified and discussed to determine the issuers’ impact on the environment (air, water, land protection, climate change and resource use) and the risk that such issues present to the credit profile or business.

We also evaluate 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 a company manages relationships with its employees, suppliers, customers and the communities in which it operates is a factor in our credit analysis. We evaluate 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

MIM evaluates the diversity, independence and qualifications of corporate boards to ensure companies are prepared 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 business.
Industry Initiatives

MIM is a signatory to the Principles for Responsible Investment (PRI) initiative and is committed to the adoption and implementation of PRI’s six principles. We are committed to responsible investing through active participation in industry groups, such as the Global Real Estate Sustainability Benchmark (GRESB) survey and we have participated in the ShareAction Asset Owners Disclosure Project’s asset manager survey.

We are also a member of the Global Impact Investing Network (GIIN). Our parent, MetLife, participates in the CDP survey (formerly Carbon Disclosure Project), as well as the annual, insurance industry-specific, NAIC Climate Risk Survey and others. MetLife is listed on the Dow Jones Sustainability Index (North America), the FTSE4Good, and has received significant third-party recognition for its ESG integration efforts.

Active Engagement

We believe active engagement with company leadership is key to managing investment risk. Our investment analysts frequently interact and engage in discussions with a firm’s senior management, throughout the initial due diligence process and as part of the portfolio monitoring process. Ongoing dialogue helps to raise awareness of sustainable business practices.

ESG is an important part of our credit analysis and is integrated into our investment process.

Integrating ESG into Our Private Capital Investment Process

The bottoms-up, fundamental research undertaken by our Private Capital team focuses on multiple factors, including financial performance as well as a variety of ESG factors. Credit analysts not only look at various financial ratios, but also evaluate the quality and depth of the management team, risks and benefits arising from environmental aspects, employee talent management practices, and regulatory factors.

During our due diligence efforts our team focuses on recognizing and understanding any concerns that influence the borrower’s reputation, financial condition, credit rating and transaction pricing. By following sound ESG practices our goal is to minimize a set of risks that may ultimately impact the financial sustainability of a borrower.
ESG Case Studies¹

The below case studies demonstrate how reviews of material ESG factors drive our investment process. These case studies illustrate MIM’s approach to applying ESG across our investments in private capital.

Bristol Airport: Taking Off the Carbon and Implementing a New People Strategy

Overview

Bristol Airport is a regional airport serving as the gateway to the Southwest of England and South Wales. The airport served just under 9 million passengers in 2019 flying to 127 destinations across 31 countries. Our clients are some of the largest lenders to Bristol Airport with over USD225 million invested since 2015.

The airport has taken an ambitious approach to tackling carbon emissions including: an accelerated target to be carbon neutral by 2025 (ahead of targets set by local authorities); a commitment to be net zero by 2050 as part of a European-wide pledge; and a carbon levy to offset all road journeys to and from the airport (the first of its kind in the UK). Bristol Airport reports that progress has already been made to make air travel more sustainable resulting in a 16% absolute reduction in the Airport’s direct carbon emissions between 2014 to 2019 and a 41% reduction over the same period on a per passenger basis. This is happening alongside a switch to 100% renewable electricity supply with a goal to generate 25% of its energy needs through onsite renewable sources by 2025.

The airport endorsed a new People Strategy in 2019 designed to deliver the strategic priority of creating A Great Place to Work. The People Strategy covers several critical areas to improve the engagement of the company’s employees, this includes: Talent Management and Succession Planning; Learning and Development; Wellbeing; and Flexible Working. The Airport is committed to improving its impact on the community and the environment. This includes regular reports and insights on noise, local community issues and transport/surface access strategy, as well as targets to improve the level of public transport penetration. The Airport also supported a city-wide initiative to champion and advance the careers of women and improve gender representation.

Air travel is an essential part of our business and personal lives and a high emission sector of the economy. MIM believes that industry players who aggressively address carbon issues will be best positioned to succeed as local and national governments around the world evaluate ways to address climate change.

Sources: Bristol Airport website; Bristol Airport 2019 Annual Monitoring Report.

¹ Case studies presented herein were selected to illustrate MIM’s ESG process and were not selected on the basis of investment performance.
**Industrial Company**

MIM passed on a deal for an industrial company due to concerns around the company’s risk management and labor policies. Due diligence by our in-house credit team uncovered potential of both: (i) labor practices we did not feel comfortable with and (ii) weakness in the distribution network that opened the company up to significant risks. These red flags were viewed to significantly increase the investment risk to an unacceptable level for MIM to participate in the deal.

1 Case studies presented herein were selected to illustrate MIM’s ESG process and were not selected on the basis of investment performance.

---

**About MetLife Investment Management**

MetLife Investment Management (MIM), which had over $659 billion in total assets under management as of December 31, 2020, 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.

For more information, visit: [investments.metlife.com](http://investments.metlife.com)

For more information regarding our ESG policy visit: [investments.metlife.com/about/esg-integration/](http://investments.metlife.com/about/esg-integration/)

---

1 MetLife Investment Management (“MIM”) is MetLife, Inc.’s institutional management business and the marketing name for subsidiaries of MetLife that provide investment management services to MetLife’s general account, separate accounts and/or unaffiliated/third party investors, including: 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), and MIM I LLC.

2 At estimated fair value. Includes MetLife general account and separate account assets and unaffiliated/third party assets.
Disclosure

This material is intended solely for Institutional Investors, Qualified Investors and Professional Investors. This analysis is not intended for distribution with Retail Investors.

This document has been prepared by MetLife Investment Management ("MIM") solely for informational purposes and does not constitute a recommendation regarding any investments or the provision of any advice, or constitute or form part of, offer for sale or subscription of, solicitation or invitation of any offer or recommendation to purchase or subscribe for any securities or investment advisory services. The views expressed herein are solely those of MIM and do not necessarily reflect, nor are they necessarily consistent with, the views held by, or the forecasts utilized by, the entities within the MetLife enterprise that provide insurance products, annuities and employee benefit programs. The information and opinions presented or contained in this document are provided as the date it was written. It should be understood that subsequent developments may materially affect the information contained in this document, which none of MIM, its affiliates, advisors or representatives are under an obligation to update, revise or affirm. It is not MIM's intention to provide, and you may not rely on this document as providing, a recommendation with respect to any particular investment strategy or investment. Affiliates of MIM may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned herein. This document may contain forward-looking statements, as well as predictions, projections and forecasts of the economy or economic trends of the markets, which are not necessarily indicative of the future. Any or all forward-looking statements, as well as those included in any other material discussed at the presentation, may turn out to be wrong.

All investments involve risks including the potential for loss of principle. International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are often heightened for investments in emerging/developing markets or smaller capital markets.

In the U.S. this document is communicated by MetLife Investment Management, LLC (MIM, LLC), a U.S. Securities Exchange Commission-registered investment adviser. MIM, LLC is a subsidiary of MetLife, Inc. and part of MetLife Investment Management. Registration with the SEC does not imply a certain level of skill or that the SEC has endorsed the investment advisor.

Institutional Investors in the Middle East: This document is directed at and intended for institutional investors (as such term is defined in the various jurisdictions) only. The recipient of this document acknowledges that (1) no regulator or governmental authority in the Gulf Cooperation Council ("GCC") or the Middle East has reviewed or approved this document or the substance contained within it, (2) this document is not for general circulation in the GCC or the Middle east and is provided on a confidential basis to the addressee only, (3) MetLife Investment Management is not licensed or regulated by any regulatory or governmental authority in the Middle East or the GCC, and (4) this document does not constitute or form part of any investment advice or solicitation of investment products in the GCC or Middle East or in any jurisdiction in which the provision of investment advice or any solicitation would be unlawful under the securities laws of such jurisdiction (and this document is therefore not construed as such).

For investors in Japan - This document is being distributed by MetLife Asset Management Corp. (Japan) ("MAM"), a registered Financial Instruments Business Operator ("FIBO").

For Investors in Hong Kong - This document is being issued by MetLife Investments Asia Limited ("MIAL"), a part of MIM, and it has not been reviewed by the Securities and Futures Commission of Hong Kong ("SFC").

For investors in Australia, this information is distributed by MIM LLC and is intended for “wholesale clients” as defined in section 761G of the Corporations Act 2001 (Cth) (the Act). MIM LLC is exempt from the requirement to hold an Australian financial services license under the Act in respect of the financial services it provides to Australian clients. MIM LLC is regulated by the SEC under US law, which is different from Australian law.

1 MetLife Investment Management ("MIM") is MetLife, Inc.'s institutional management business and the marketing name for subsidiaries of MetLife that provide investment management services to MetLife's general account, separate accounts and/or unaffiliated/third party investors, including: 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), and MIM I LLC.