



# REAL ESTATE Sustainable Investing

MetLife Investment Management (“MIM”), which is 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.

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, our investment approach seeks to deliver competitive risk-adjusted market returns by incorporating financially material ESG assessments and stewardship into our investment process. Our approach leverages both our traditional investing and sustainability expertise.

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## “Always with you, building a more confident future.”

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.

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 client needs and objectives.

Please refer to MIM's Sustainable Investment Policy [here](#) and Stewardship Policy [here](#) for more information.

## Integration of Financially Material ESG Considerations

MIM's approach to investing begins with an assessment of financially material risks and opportunities as part of our fundamental, disciplined due diligence and monitoring processes.

MIM takes a holistic approach to sustainable real estate investing. Driven by the objectives of each client, MIM incorporates deep knowledge and

understanding of the asset, market, and green building industry to integrate financially material considerations into asset and portfolio management strategies. At acquisition and origination, sustainability attributes and risk factors such as energy efficiency performance, green building certifications, physical climate risk and regulatory transition risk are analyzed to identify factors that may impact financial performance. During the hold of an asset, energy, water, waste, and emissions data informs property level and portfolio level strategies to help us manage risk and provide better returns.

### Commercial Mortgage Lending

MIM's commercial mortgage lending platform has adopted the following sustainability principles and practices that aim to meet our client investment objectives:

#### **1. Track sustainability attributes of assets:**

We believe the energy and sustainability performance of the properties we finance should be understood and continuously evaluated, both before and after loan approval. We collect, track, and monitor information on Leadership in Energy and Environmental Design (“LEED”) certifications, Building Research Establishment Environmental Assessment Method (“BREEAM”) certifications, and ENERGY STAR™ scores/ certifications of new originations in our loan management system.

#### **2. Evaluate borrower sustainability performance:**

We believe that sustainability performance can be 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 sustainability related goals, commitments and performance.

#### **3. Incorporate sustainability into due diligence and loan approval:**

Our investment committees evaluate potential loans using a process that incorporates financially material sustainability factors. These groups 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 certifications (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 risk, including natural hazard and regulatory transition risk

**4. Track and improve resilience to climate change and other natural hazards:** We systematically assess, monitor and seek to mitigate our loan portfolio's exposure to floods, wildfire, cyclones, storm surge, and other natural climate hazard risks. We employ third-party software to map our exposure to each of the main event risks. On an individual loan basis, we require insurance for properties above a defined risk threshold, and third-party servicers ensure that evidence of insurance is compliant 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 sustainability practices:** We believe it is important for MIM to lead and stay up to date on sustainability best practices. Therefore, senior leadership at MIM participates in many industry

events, initiatives and advisory bodies focused on sustainability in lending. These include events associated with, the National Association of Real Estate Investment Managers (“**NAREIM**”), the Real Estate Roundtable Sustainability Policy Advisory Committee (“**RER SPAC**”), the U.S. Green Building Council (“**USGBC**”) and the Urban Land Institute (“**ULI**”). MIM is active in promoting acceptance and implementation of sustainability best practices within the real estate lending sector. This includes working with the Mortgage Industry Standards Maintenance Organization (“**MISMO**”) on a new sustainability focused borrower questionnaire for new commercial mortgage loan originations. MIM is also an inaugural participant of the Global Real Estate Sustainability Benchmark (“**GRESB**”) Lender Assessment, demonstrating our commitment to industry leadership and best practices in being able to offer sustainability reporting and strategies to investors.

## Real Estate Equity

MIM's real estate equity investment process emphasizes consideration and incorporation of relevant sustainable investment best practices in alignment with our clients' objectives. We believe that issues such as natural disasters, climate change, and carbon emission regulations will continue to impact financial performance. Therefore, during our underwriting and due diligence processes, we assess income-related impacts, as well as the ability of building systems to withstand adverse weather events and comply with jurisdictional building performance standard laws.

Our broad-based approach to sustainability integration is centered on tracking progress, innovating solutions, and achieving investor goals. We utilize third-party benchmarks to track and share progress such as the EPA's ENERGY STAR™ program, Principles for Responsible Investment ("PRI"), and the Global Real Estate Sustainability Benchmark ("GRESB"), as well as certification programs such as the United States Green Building Council's Leadership in Energy and Environmental Design ("USGBC's LEED"), the Building Research Establishment Environmental Assessment Method ("BREEAM"), and The Center for Active Design's Fitwel certification.

## Stewardship

MIM's stewardship efforts seek to raise awareness and improve data transparency and reporting. Direct engagement with property managers, building engineers, investment partners and borrowers is ingrained into the long-term management of MIM's real estate investments. We engage stakeholders on a variety of sustainability-related topics including energy, water and waste management, data transparency and reporting, emissions reductions, renewable energy, green building certifications, physical and regulatory transition risk, and occupant health and wellbeing. Property-specific engagement efforts are then focused to achieve portfolio level sustainability objectives in line with each clients' needs.

We engage occupants including office, industrial, and retail tenants as well as multifamily residents on sustainability issues. We have enacted our Tenant Partner Program, green leases, and satisfaction surveys to ensure occupants are considered in decisions. Our property teams regularly engage with occupants via social media and events, and we aim to collaborate with occupants to understand how their sustainability goals may align with our goals. We strive to create healthy environments for those in our buildings through a focus on wellness and indoor environmental quality, aligning with the pillars of programs such as Fitwel and LEED.

## Sustainability Strategies

To manage risk, maximize performance and promote strong returns, MIM offers energy reduction and efficiency strategies, procurement of on-site and off-site renewables and ongoing dialogue with stakeholders. For investors who request it, our energy and sustainability strategy can be aligned with the U.S. Environmental Protection Agency's ("EPA") ENERGY STAR™ program, the Urban Land Institute ("ULI") Greenprint program, and the U.S. Department of Energy's ("DOE") Better Buildings and Better Climate Challenge. The specific strategic objectives for these programs include:

1. increase efficiency and sustainability
2. decrease net emissions
3. improve operational and financial performance
4. increase value by aligning our sustainability goals with those of our occupants and prospects
5. embed energy and sustainability optimization considerations in our real estate decision making processes

## Governance and Dedicated Resources

Our governance framework helps us to operationalize our purpose, values, and strategic priorities. MIM deploys an integrated approach to sustainable investing, such that our research analysts, asset managers, originators, and portfolio managers are responsible for the implementation of our Sustainable Investment Policy and associated practices. These teams are supported by dedicated sustainability resources mobilized throughout our organization.

In addition, MIM's Real Estate and Agricultural Lending Research, Valuations & Analytics Team dedicated resources are responsible for conducting fundamental analysis that supports the real estate investment process, including research, strategy valuation and underwriting, ratings and valuation review, information and analysis, debt and equity analytics, insurance and event risk management, and sustainability strategy and oversight.

## Data and Reporting

MIM is committed to providing quality data, measurement, and reporting to our clients and other stakeholders. We recognize that sustainability data, measurement, and reporting can be a key differentiator among global investment managers. At MIM, we seek to provide transparent and robust analytics to demonstrate and support our sustainable investment capabilities and outcomes.

Data for MIM managed real estate equity assets is tracked in our proprietary Equity Management System (“EMS”). Energy, water, and waste data is uploaded into ENERGY STAR™ Portfolio Manager® and analyzed in a third-party software to track property and portfolio level progress, collate data for reporting, and prioritize decarbonization efforts. Collecting whole building data, specifically tenant consumption, has historically been a challenge in the commercial real estate industry. At MIM, we are continuously improving data collection to increase our whole building utility data coverage and the ability to track our efficiencies over time. MIM is committed to reporting, benchmarking, and monitoring progress through public reporting and commitments. For clients who have requested it, MIM reports on real estate sustainability progress through GRESB, ULI, the DOE, ENERGY STAR™, and PRI. In addition, quarterly reports can be provided to clients and stakeholders overviewing sustainability performance and progress for funds and portfolios.

## Memberships and Affiliations

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 an active participant in a variety of industry bodies and initiatives supporting sustainability.<sup>1</sup> We believe these partnerships can help deliver sustainable outcomes for the benefit of all stakeholders and signal our commitment to sustainability across our broad platform. We continuously evaluate opportunities to partner with organizations that align with our and our clients’ business objectives. More information about these memberships and affiliations can be found on our website [here](#).

Specific to MIM real estate, we are a signatory of the Department of Energy’s Better Buildings Challenge and Better Climate Challenge, as well as the Urban Land Institute Greenprint Center’s Net Zero Framework. In addition, we celebrate our success through recognitions such as the ENERGY STAR™ Partner of the Year Sustained Excellence award. All of these memberships, affiliations, and awards speak to MIM’s ability to execute on strategies that many investors seek.

Signatory of:



<sup>1</sup> Membership and/or affiliation does not imply agreement with all positions taken by such groups.

## Glossary of Terms

**Building Research Establishment Environmental Assessment Method (“BREEAM”):** Globally recognized sustainability rating system that evaluates and certifies the environmental performance of buildings, infrastructure, and even entire communities across their lifecycle, from design and construction to operation and refurbishment. It provides a framework to help project owners achieve their sustainability goals and improve the performance of their assets.

**ENERGY STAR™:** U.S. Environmental Protection Agency (“EPA”) backed program established to reduce 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:** Two-way exchange with issuers and other market participants on ESG issues. Engagement provides MIM’s analysts with an opportunity to better understand financially material, relevant risk factors and improve data transparency.

**ESG Integration:** Incorporation of environmental, social, and governance (“ESG”) factors into an investment process, based on the belief that financially material ESG factors can affect the risk and return of investments.

**Fitwel:** Global building certification system that focuses on enhancing occupant health and well-being. Fitwel prioritizes the user experience and indoor environment, aiming to create healthier and more productive spaces, leveraging evidence-based design and operational strategies rooted in extensive public health research.

**Global Real Estate Sustainability Benchmark (“GRESB”):** Investor-driven organization providing a framework for ESG assessment, benchmarking, and reporting for real estate and infrastructure real assets.

**Leadership in Energy and Environmental Design (“LEED”):** Globally recognized green building certification program developed by the U.S. Green Building Council (“USGBC”). It provides a framework for designing, constructing, operating, and maintaining sustainable buildings that are healthy, highly efficient, and cost effective.

**Mortgage Industry Standards Maintenance Organization (“MISMO”):** Non-profit standards development body for the mortgage industry. MISMO aims to promote efficiency, reduce costs, and facilitate stakeholder success in the mortgage finance industry by providing a standardized framework for data exchange and business practices.

**National Association of Real Estate Investment Managers (“NAREIM”):** Non-profit industry association dedicated to the business and organizational strategy of real estate investment management. NAREIM serves as a forum where real estate investment managers can come together to benchmark their performance, share experiences and insights, and explore new opportunities within the industry.

**Stewardship:** The approach taken by MIM to 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 taken by MIM that seeks to deliver competitive risk adjusted market returns by incorporating financially material ESG assessments and stewardship into our investment process. Our approach leverages both our traditional investing and sustainability expertise.

**The Real Estate Roundtable’s Sustainability Policy Advisory Committee (“RER SPAC”):** The Real Estate Roundtable committee that focuses on environmentally and economically sustainable development policies. SPAC plays an important role in shaping the sustainability agenda within the U.S. real estate industry and works to influence policies that support a greener, more energy-efficient, and resilient built environment.

**Urban Land Institute (“ULI”):** Non-profit and educational organization recognized as a leading authority in urban planning and development. Its research, publications, and advocacy efforts contribute to shaping policy and industry practices. Through its global network of members, ULI fosters collaboration, promotes innovation, and works towards creating more sustainable, equitable, and resilient communities worldwide.

**U.S. Department of Energy (“DOE”) Better Buildings and Better Climate Challenge:** Partnering organizations commit to reducing portfolio-wide emissions (scope 1 & 2) by at least 50% within 10 years, demonstrating leadership in local communities while generating savings through operational efficiency and other replicable pathways to decarbonization.

**U.S. Green Building Council (“USGBC”):** Non-profit organization promoting sustainability in building design, construction, and operation. It is recognized for developing the Leadership in Energy and Environmental Design (“LEED”) green building rating systems. USGBC aims to transform buildings and communities for a healthier and environmentally responsible future.

## Disclosure

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