



# PRIVATE EQUITY Sustainable Investing

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.



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.

We assess financially material ESG factors throughout the investment lifecycle of our externally managed private equity funds on behalf of our limited partner ("LP") clients.

## Manager Selection

We formally incorporate the consideration of ESG risks and opportunities into our investment due diligence process. In general, for fund investments we focus on the responsible investment practices of the general partner ("GP"), whereas for co-investments we also include ESG factors directly relevant to the target company. ESG due diligence findings are documented in the final investment memo, with potential concerns flagged for consideration by the Alternatives Investment Committee ("AIC"). The AIC is responsible for making all final investment decisions.

During the manager selection process, we request that GPs provide written responses to a due diligence questionnaire ("DDQ"). These responses are then graded according to ILPA's ESG Assessment Framework and feedback may be given to GPs regarding potential areas for improvement. Our engagement and messaging to GPs may vary widely depending on circumstances and the current level of ESG adoption benchmarked to relevant peers.

When undertaking due diligence efforts for co-investments, we first compare the GP's level of ESG competence versus the level of sector risk. As deemed necessary, we may conduct a deeper evaluation of ESG risks seeking to understand how the GP plans to mitigate such risks. We also review the GP's own ESG due diligence on the company.

## Manager Appointment

During the documentation phase we may request side letter exclusions from investments in certain sectors based on any applicable client investment screens and we may also request improvements in the GP's sustainable investment policy or equivalent, if necessary. Our guiding philosophy is that investing with best-in-class managers who can mitigate ESG risks and promote sustainability is preferable to divestment from entire sectors.

## Manager Monitoring

Post-investment, as part of our regular program of update meetings and annual general meeting ("AGM") attendance, we will engage with GPs on sustainability topics either directly or through





our advisory board positions, where relevant. Furthermore, we aim to include disclosure requirements in our side letters pertaining to material sustainable investment policy changes or incidents.

## Stewardship

MIM's stewardship efforts seek to raise awareness and improve data transparency and reporting. As described above, we engage with GPs at various stages of our investment lifecycle with the intent to promote sustainability best practices, understand ESG risks and opportunities, and convey investment expectations on behalf of our LP clients.

## Focus on Sustainability

We engage with the GPs with whom we invest about relevant risks and opportunities associated with environmental and societal issues in their investment selection process, that they act in accordance with relevant global sustainability regulation, and that they transparently report on these matters. These requirements contribute to our internal GP assessment and rating during our investment selection process.

## 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 originators, and portfolio managers are responsible for implementation of our Sustainable Investment

Policy and associated practices. These teams are supported by dedicated sustainability resources mobilized throughout our organization.

As described within our Sustainable Investment Policy, certain MIM asset teams, including private equity, broadly deploy an Investment Committee approach to vetting and monitoring investments (and external managers) for financially material risks and opportunities, including those associated with sustainability considerations and ESG factors. MIM's private equity team makes all investment decisions and external manager recommendations through their respective Alternatives Investment Committee ("AIC"). The AIC is chaired by the head of MIM's private equity team and includes senior private equity sector team leads. Our AIC committee members average nearly 20 years of industry experience and are located in the U.S. and London.

## Memberships and Affiliations

MIM is 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. Specific to private equity, below are several membership organizations MIM is leveraging to support some of our sustainability related data and reporting needs. A complete list of MIM's sustainability-focused partnerships can be found on our [website](#).

## Principles for Responsible Investment

MIM has been an investment manager signatory to the Principles for Responsible Investment (“PRI”) since 2019 and is committed to the adoption and implementation of PRI’s six principles. MIM’s private equity team leverages PRI’s Limited Partners’ Private Equity Responsible Investment Due Diligence Questionnaire for the purposes of evaluating GPs during our manager selection process. As previously described, we request that GPs provide written responses to our DDQ, from which the responses are graded according to ILPA’s ESG Assessment Framework. The results may be shared with GPs as a means of engagement to identify areas of improvement and to convey the expectations on behalf of our LP clients.

## ESG Data Convergence Initiative

MIM is a member of the ESG Data Convergence Initiative (“EDCI”). The EDCI is a key initiative in the private equity industry and aims to streamline the private investment industry’s historically fragmented approach to collecting ESG data. The EDCI aims to align on a core, standardized set of metrics to better allow comparative reporting, generate progress toward ESG improvements and enable greater transparency. MIM’s private equity team is beginning to utilize EDCI’s platform to gather sustainability and ESG data provided by GPs, and through our membership, encouraging a standardized means by which this data can be shared throughout the industry from which better investment decisions can be made.

*Signatory of:*



## Glossary of Terms

**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.

**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.

## Endnotes

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

## Disclosure

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