

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

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.

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

ESG Integration

MIM's approach to sustainable investment begins with an assessment of financially-material risks and opportunities as part of our fundamental, disciplined due diligence and monitoring processes. ESG factors and insights, along with traditional investment risk and opportunity assessments, are incorporated in a manner consistent with our asset classes and sustainability strategies, as are deemed relevant and applicable.

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") as well as numerical metrics on diversity, equity, and inclusion ("DEI"). 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. Furthermore, MIM has a standard sector exclusions list representing areas where we see an intolerable level of risk to proceed with investment. In areas outside of our standard exclusions but with potentially higher ESG risks, 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 seek to ensure that the GPs with whom we invest are aware of 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.



Emerging Manager Program

MIM is committed to making a difference and improving the lack of diversity in the private equity and venture capital industry. To enhance the diversity of our private equity portfolio, in 2021 MIM launched the MetLife Emerging Manager program designed to provide:

- Access to diverse individual-led funds that have historically been absent from MetLife’s portfolio.
- Access to first-time and smaller funds with strong return potential.
- A pipeline of funds intended on “graduating” to our core private equity program.

The intent of this program is to invest capital directly into racially and gender diverse owned firms. Our investments not only provide these firms with funds, but they also send a signal to other investors in the market that these firms are credible investment partners. In addition to the capital and credibility boosts we provide through this program, we also offer our counsel on topics such as hiring, fund deployment, and management, with the intent to help them build strong investment firms that stand the test of time. Additionally, the impact of this program is multiplied by the fact that several of these firms are themselves working to invest in underserved communities.

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. We have dedicated sustainability resources mobilized throughout our organization.

As described within our Sustainable Investment Policy, MIM’s asset teams, including private equity, broadly deploy an Investment Committee approach to vetting and monitoring investments (and external managers) for 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. 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 (PRI)

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 both PRI's Limited Partners' Private Equity Responsible Investment and Diversity, Equity, and Inclusion for Institutional Investors' Due Diligence Questionnaires 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.

Institutional Limited Partners Association (ILPA) Diversity in Action (DIA)

MIM is a signatory to the Institutional Limited Partners Association's ("ILPA") Diversity in Action (DIA) Initiative that aims to support the private equity industry community to advance diversity, equity and inclusion efforts. ILPA DIA signatories commit to specific actions that advance DEI over time. Such examples include tracking internal hiring and promotion statistics by gender and race/ethnicity or having in place diverse employee resource groups. MIM's private equity team leverages ILPA's Diversity Metrics Template to collect numerical data on DEI as part of our due diligence and monitoring processes.

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:



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