



# Agricultural Finance Environmental, Social and Corporate Governance Awareness

## 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 long-established asset class expertise. MIM believes in the importance of investing sustainably and incorporating ESG factors into investment decision making. As a well-established global investment manager, our investment teams are responsible for incorporating financially material ESG factors into their risk management focused investment process. Active engagement with our investee company leadership is central to our approach as a key to managing investment risk. As ESG integration efforts in our industry continue to evolve, MIM's approach will continue to develop. We seek to work closely with our clients to provide transparency to our approach and adapt it, as needed, to meet our clients' guidelines.

We seek to deliver client solutions that manage risk and create strong risk adjusted returns. We also believe financially 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 agricultural finance are outlined within this supplemental policy.

## MIM Agricultural Finance

MIM's Agricultural Finance Group (MAG) clients are providers of long-term debt capital for farmers, ranchers, agribusinesses, and timberland owners in the U.S. and globally. MAG's loan origination staff seeks to conduct a thorough review of environmental, social, and governance (ESG) risk factors when evaluating loan opportunities. The following document provides a summary of the platforms' key ESG considerations. MAG expects borrowers to obey all laws, regulations and standards including but not limited to:

### Animal Welfare

MAG values proper animal husbandry and expects its borrowers to adhere to all animal welfare laws. Appropriate animal welfare entails health treatment, standard shelter, and humane treatment including slaughtering practices. We encourage producers and processors to promote positive experiences for their animals and to avoid negative practices. Our mortgage originators are committed to pursuing opportunities that MAG believes may elevate animal welfare practices. MAG has funded capital improvement projects that enhance the living conditions for livestock (poultry, swine, etc.). Additionally, MAG pursues loan opportunities with producers and processors that have obtained animal welfare and product quality certifications including but not limited to:



- [Pork Quality Assurance Plus](#)
- [Beef Quality Assurance](#)
- [National Chicken Council's Animal Welfare Guidelines and Audit Checklist](#)
- [Professional Animal Auditor Certification Program](#)
- [United Egg Producers Certification](#)

### Character and Corporate Governance

MAG seeks to conduct a thorough evaluation of the borrower's supply chain and general business interactions to assess any unethical practices by the borrower or those the borrower actively engages with. Through questionnaires and background checks, MAG aims to assure engagement with borrowers who maintain and enhance the social and economic well-being of their community.

### Food Quality and Safety

MAG expects borrowers to proactively manage food safety protocols and to remain compliant with United States Department of Agriculture (USDA) food inspection and safety regulations. In addition to compromising public health, foodborne illnesses and poor food quality can lead to consumer distrust in the company and associated parties. Consumers are increasingly vigilant with respect to their food supply chain. MAG values its reputation in the food and agricultural industry and strives to be viewed as an investment manager who prioritizes food safety and quality with a goal of assuring public well-being.

### Labor

Where applicable, MAG seeks to understand the prospective borrower's labor practices, including hiring procedures and sourcing and safety protocols in furtherance of fundamental human and labor rights and to confirm compliance with immigration laws and requirements. Our loan originators' local footprint enables MAG's goal of prioritizing engagement with borrowers who have strong, positive

reputations regarding laborer treatment and human rights. MAG strives to engage in business with borrowers who value MIM's commitment to integrity and ethical behavior.

### Sustainable Forestry

The vast majority of the timberland acres securing MAG clients' investments satisfy environmental standards set by a third-party sustainability certification, including but not limited to:

- [Sustainable Forestry Initiative](#)
- [American Tree Farm System](#)
- [Forest Stewardship Council](#)

Each of these programs promotes best management practices by creating regulations and guidelines regarding water quality, biodiversity, and wildlife habitat. If borrowers do not have an industry accepted certification, MAG loan originators typically seek to obtain agreements from borrowers to abide by similar standards akin to such certifications, in an effort to ensure that sustainable forestry practices are performed. MAG prioritizes timber borrowers who take a long-term timberland investment approach that emphasizes a sustainable approach to timberland management.



### Water Availability and Quality

The U.S. agricultural industry heavily relies on both the availability and quality of water for production. MAG mandates that borrowers follow environmental laws and regulations applicable to their practices.

MAG generally completes internal Environmental Questionnaires (EQs) and/or Environmental Site Assessments (ESAs) for loans secured by real estate. These reports analyze borrower water needs and available supplemental water supplies. If a loan relies on irrigation, MAG's standard practice is to evaluate annual water needs and resources. We then subject these loans to stress testing to determine a borrower's capacity to withstand drought. MAG inspects any potential water quality concerns, such as manure lagoons and other point-source risks, with the aim of ensuring that water quality risks are appropriately mitigated.

**In addition to the above ESG matters, MAG considers other topics and concerns related to the food industry, including:**

#### Antibiotic Use in the Livestock Industry

MAG recognizes the use of antibiotics in the livestock industry to maintain animal health and prevent the spread of disease. MAG expects borrowers to comply with all laws and regulations governing antibiotic usage in livestock operations. According to the U.S. Food and Drug Administration (FDA), responsible uses of approved antibiotics for livestock include to: treat disease in sick animals; control disease in a group of animals when some are sick; and prevent disease in animals at risk of becoming sick. MAG promotes compliance with these standards and practices with the aim of assuring that animal welfare and public safety are being preserved and encourages research of new antimicrobial drugs and alternatives to antibiotics for food animals.

#### Genetically Modified Organisms (GMOs)

The introduction of GMO crops has benefitted agricultural output in the U.S. and abroad, and they present one portion of the solution to assure global food security. In 2018, most corn and soybean acres planted in the U.S. utilized genetically engineered seeds. These hybrids optimize farmer inputs

and increase crop yields, which translate to improved production to aid in feeding a growing global population. While there is a debate on the environmental and societal impact of GMO products, they are currently considered safe for human consumption by the FDA and the USDA. Additionally, new research is focusing on improving the nutritional value of GMO products, such as healthier oil content soybeans and vitamin rich rice. Where applicable, MAG seeks to assure that borrowers adhere to GMO laws and regulations appropriate to any collateral.

### Organic Foods

The organic food movement has gained significant traction in recent years, as consumers demand better stewardship and perceived quality in their food sourcing. Agricultural producers and processors have benefitted from this demand, because they have an opportunity to differentiate their product and to gain pricing power based on the quality of their output. While U.S. organic acreage continues to grow, it still represents just a fraction of total U.S. farm acreage. MAG actively seeks to extend loans to organic producers that align with our operational and scale requirements.



### Strong Governance Practices

MetLife 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 to ensure the highest levels of quality, transparency and diligence.

MIM's real estate group includes an ESG team that is fully dedicated to supporting our real estate equity and debt practices. In addition, dedicated senior resources are responsible for incorporating ESG best practices in lending and managing 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. The Council's primary objectives are to: 1) communicate and socialize ESG policies and practices across the MIM organization to ensure consistent application across departments and functions; and 2) 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.

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.

## Disclosure

This document has been prepared by MetLife Investment Management (“MIM”)<sup>1</sup> solely for informational purposes and does not constitute a recommendation regarding any investments or the provision of any investment advice, or constitute or form part of any advertisement 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.

This document contains links to third party websites not owned or operated MIM nor any of its affiliates. MIM is not responsible for the content on these sites and makes no representation as to the accuracy or completeness of the information contained therein. This content is being provided for informational purposes only and should not be viewed as an endorsement by MIM of the views expressed.

<sup>1</sup> 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 and MetLife Investment Management Europe Limited.

L0123028775[exp0124][All States]