

MetZero™ Program

Overview

NAREIM 2020

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MetLife Investment Management (MIM) has launched the **MetZero™ program** to achieve carbon neutrality through a “Carbon Cascade™” of energy efficiency, renewable energy, carbon offset, and renewable energy credit (REC) investments.

OBJECTIVES:

- Lead the market by setting the standard for “net zero” in commercial real estate, as more peers and competitors take steps to reduce emissions.
- Increase the resilience and marketability of our properties, improve the tenant experience, and make high-return property improvements that will be accretive to the value of the portfolio.
- Buffer portfolio performance against a variety of risks—including physical climate risk, increased tenant demand for ESG features, and transition risk from increased carbon and energy regulation.

We are embarking on this program to continue MetLife’s leadership in sustainability, improve cash flow, and “future proof” our assets.

What does carbon neutrality mean for MetZero™?

Carbon neutrality is achieved when property greenhouse gas emissions are either reduced or balanced by an equal volume of RECs and carbon offsets. Participating portfolios plan to achieve **carbon neutral status beginning in 2020** and maintain every year thereafter.

METZERO™ TAKES THIS A STEP FURTHER:

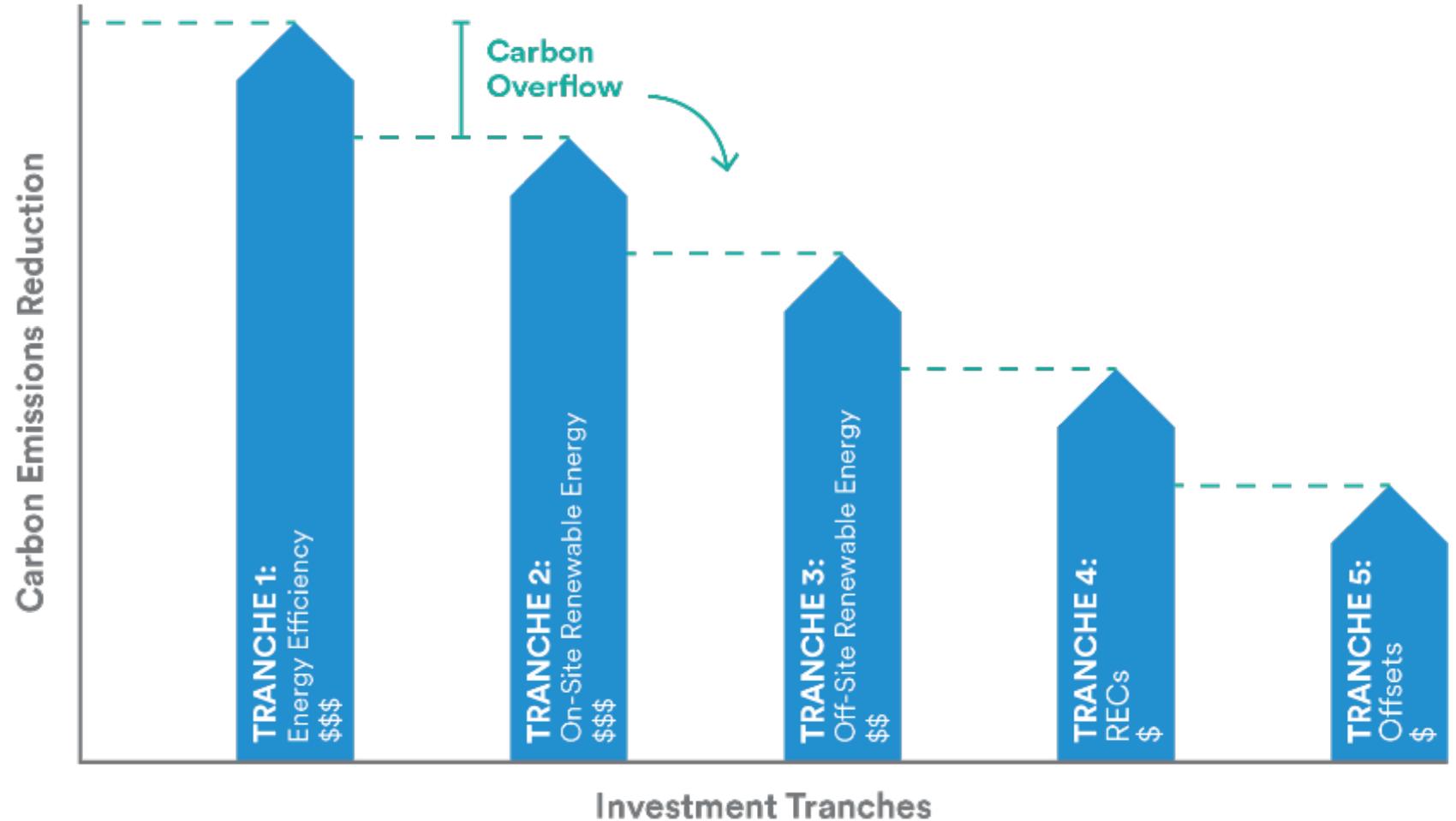
- Our scope includes emissions stemming from both common areas and tenant premises.
- Gross property emissions will be reduced where possible through low/no cost improvements and CapEx investments that reduce energy use and maximize carbon reduction.
- Electricity consumption will be mitigated through green power procurement from grid suppliers and, where physically and economically feasible, from on-site renewable energy generation.
- The remainder of emissions will be offset by high-quality RECs and offsets, with a priority placed on local, impactful carbon products.

MetZero™ means that we will be well prepared to adapt to—and lead—the transition to a low carbon economy.

Carbon Cascade™

MetZero™'s activities are organized around what we call a **Carbon Cascade™** where emissions are systematically lowered through a series of investment tranches.

This method prioritizes high-return and high-impact projects that directly reduce emissions in participating properties.



The phases of MetZero™ implementation

GHG Inventory (Annual)	<ul style="list-style-type: none">• Quantify the emissions to be addressed through each tranche of the Carbon Cascade™• Allow for tracking the impact of site improvements over time• Enable prioritization of activities for the greatest emissions impact
Energy Conservation Measures (Tranche 1)	<ul style="list-style-type: none">• Identify energy conservation measures (ECMs) through a combination of surveys and site visits• Estimate cost, savings and carbon reduction potential for lighting, HVAC, water and controls• Inform CapEx planning and maximize carbon reduction “bang for buck”
Onsite Renewables Installation (Tranche 2)	<ul style="list-style-type: none">• Partner with project developers and consultants to evaluate onsite generation opportunities• Retain generated renewable energy credits (RECs)
Green Power Procurement (Tranche 3)	<ul style="list-style-type: none">• Centralize power procurement strategy to reduce costs and increase share of clean energy• Purchase green power from utilities and other retail electric suppliers where available• Consider other offsite renewable options (e.g. VPPAs and direct investment in renewables)
REC and Offset Purchases (Tranches 4 and 5)	<ul style="list-style-type: none">• Purchase high quality RECs and offsets, when it is not possible to eliminate emissions through tranches 1-3• Prioritize projects that are local, impactful and innovative where possible

Pathway to Carbon Neutrality

A greenhouse gas (GHG) inventory showed that more than 80% of our emissions come from property electricity consumption, with the remainder from natural gas and steam. We will initially achieve carbon neutrality through the purchase of RECs and offsets to balance these emissions, then ramp up investment in emissions reduction projects and green power procurement over time.



Key Insights: Tenant engagement is critical

Many commercial real estate owners do not include tenant emissions in carbon reduction targets because tenant activities can be difficult to track and change. However, **MetZero™ is committed to including tenant emissions in our reduction targets.** Tenant engagement is critical for the program because:

**MetZero
+ Green Leases
= Tenant Value**

- We need their data in order to construct the Carbon Cascade™
- We need to partner with tenants to achieve reductions in their spaces
- We believe that MetZero has the potential to add value to tenants, enhancing their comfort as well as reducing the operational and environmental costs of their activities

Green lease language, particularly for cost recovery and data sharing, facilitates this type of tenant engagement.