Climate Risk Disclosure Survey Guidance
Reporting Year 2019

Survey Questions

Question One: Does the company have a plan to assess, reduce or mitigate its emissions in its operations or organizations?

Yes – SBLI USA Life Insurance Company, Inc. ("the company") has a plan to mitigate emissions in its operations and organization.

The company encourages its policyholders to utilize electronic means of transacting business with the confines of NYDFS approved procedures. Electronic transactions mean a smaller environmental footprint.

The company's home office building at 100 west 33rd street is certified by U.S Green Building Council as meeting the "GOLD" standard for LEED 2009 Existing Buildings Operations and Maintenance. The building received very high marks for energy efficiency (both on-site and offsite renewable energy), emissions reduction reporting and solid waste management. The emissions footprint of the building was a consideration in its selection.

The majority of company's employees use mass transit to commute. The company has commuter savings programs and it has picked a location that was conducive to using mass transit. Videoconferencing is extensively used to connect remote sites for meetings. Finally, the company has work from home programs which help reduce emissions.

The company's data center was moved to a shared location in North Carolina. Sharing of space and resources helps reduce emissions. The data center provider is one of the top 30 tech and telecom companies in the EPA's Green Power Partner Program. The data center was designed and build with a focus on effectiveness and efficiency. This practice helps minimize the depletion of resources and maximizes infrastructure capacities to support our business needs. One example is the implementation of smart cooling solutions that leverage artificial intelligence ("AI") and predictive analytics. The data center also purchases green power where it is available and competitively priced to support green power production. By carefully attending to these elements, we minimize our carbon footprint.

Finally, the company digitizes much of its marketing collateral. This means that agents only use materials as needed and additional emissions are not created in overstocking materials.

Question Two: Does the company have a climate change policy with respect to risk management and investment management? If yes, please summarize. If no, how do you account for climate change in your risk management?

No - The company does not have a formal climate change policy with respect to risk management and investment management. The company does account for climate change in our risk management by preparing for climate events. We prepare for climate change via offsite data storage, having offsite facilities and personnel trained to service the company's policyholders in the event climate change affects our Manhattan location and/or of North Carolina data center *location. Also, as the company looks at potential investments, it does consider correlated risks affecting asset management and underwriting.*

Question Three: Describe your company's process for identifying climate change-related risks and assessing the degree that they could affect your business, including financial implications.

The company does not have a process for identifying climate change-related risks and assessing the degree that it could affect our business including financial implications.

The company markets life insurance, annuities and supplemental health products. The demand for these products is driven more by demographics, economics and to some degree regulatory developments. We currently do not see the demand for these products shifting with climate change.

Climate change may lead to more catastrophic events and may lead to new emerging diseases which may increase mortality and morbidity. The company has adequate liquidity and it is well capitalized to withstand fluctuations in mortality and morbidity claims.

The company does not purchase catastrophe reinsurance. The company does however have accidental death reinsurance coverage on all its accidental death policy and riders. To the extent that catastrophic climate related events would cause additional accidental deaths as defined under those policies and riders, the coverage would help mitigate spikes in climate related catastrophic losses.

The company believes it is prudent to monitor the impacts of climate change over time as they evolve. With time, the company will reassess climate change related risks and its responses to those risks.

Question Four: Summarize the current or anticipated risks that climate change poses to your company. Explain the ways that these risks could affect your business. Include identification of the geographical areas affected by these risks.

Yes - The company has identified current or anticipated risks that climate change poses to our company. Among potential risks that climate change poses to our company:

1. *The impact to utility costs under a carbon-capped economy*
2. *The availability of energy cost-effective technologies*
3. *Whether emission caps will impact air pollution, potentially reducing the prevalence of certain diseases*
4. *The impact of weather events on the company's operations*

Geographical risks: The company's home office is located in Manhattan and its data center is located in North Carolina. Geographic risks associated with climate change include the possibility of greater frequency, duration and severity of weather events, which could impact our customers' health and our operational ability. The company has an extensive business continuity program in place to minimize the impact of such interruption to the company's critical business functions.

The company has not considered its potential exposure to climate liability through its D&O or CGL policies. Also, there are no geographic locations, perils or coverages for which *the company has increased rates, limited sales, or limited or eliminated coverages because of catastrophic events.*

Question Five: Has the company considered the impact of climate change on its investment portfolio? Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken.

Yes - The company has considered the impact of climate change on its investment portfolio.

Environmental impact is factored in when making investment decisions. For smaller insurance companies it is typically the case that third-party managers directly manage a large portion of the general account. For the company, this is the case with our investment management approach. While strategic and tactical asset allocation decisions are made on the portfolio by the insurance company management, our investment manager helps inform those decisions.

Our investment manager manages, and continues to manage the portfolio for a variety of reasons, one of which is their approach to ESG and climate change. Some of the responses below provide more direct guidance into how climate change is managed directly by our investment manager.

Outside of our investment manager's mandate, the company attempts to diversify its exposure across the portfolio and factors in climate change as one of the existential threats to the risks in the portfolio. For example, when evaluating real estate investments, particular focus is given to coastal properties that would be impacted by wind or shore erosion. A majority of the direct energy exposure has been concentrated in the midstream sector. Lastly, outside of our investment manager's mandate, the company has promoted lending in the renewable energy sector by purchasing close to ~$40 million of USDA solar finance loans. These loans help finance the construction of rural solar development projects.

Has the company considered the impact of climate change on its investment portfolio?

Yes

Consideration of Climate Change within Fixed Income

Climate change and other related environmental considerations are fundamentally integrated into our investment decisions. Our Fixed Income team regularly evaluates the various potential costs of carbon and how it can affect capital expenditures and overall energy company profitability. Our in-house investment teams generally take a broad-based approach to environmentally related evaluations including factoring in product responsibility and a company's impact on climate change. When considering investments in fossil fuels, we feel it is important to balance the consideration of the current global economic dependence on energy with the need to reduce the impact of a warming planet. Climate change and rising carbon levels are significant global issues for consideration that need to be addressed by governments, by the energy industry, and by users of energy.

Has it altered its investment strategy in response to these considerations? If so, please summarize steps you have taken?

<u>Integration of Climate Change Risks and Opportunities within Fixed Income</u>

Our investment manager's teams generally take a broad-based approach to environmental, social and corporate risk governance (ESG) evaluation including factoring in product responsibility and a company's impact on climate change. When considering investments in fossil fuels, we feel it is important to balance the consideration of the current global economic dependence on energy with the need to reduce the impact of a warming planet.

We believe climate change issues can affect the risk profile of an array of issuers (including but not limited to corporates) and therefore we incorporate these into our overall investment process. Assessing an issuer's adoption of new regulations is one way in which we account for the transition to a low carbon economy when making investment decisions. We also recognize that as climate change themes evolve, they will impact sectors and issuers at different times and in different ways. As such it is important to recognize which issuers are on the right (or wrong) side of these trends, and to align when the impacts of these trends will play out with investment time horizons.

Below, we outline examples where climate change issues impacted our investment decisions within our portfolios. In certain industries, climate change issues are likely to be key risk and/or return drivers of the majority of names that we cover.

Packaging: *Several packaging companies have invested heavily in "light-weighting" of their products, which reduces shipping costs and reduces the consumption of carbon based raw materials, contributing to our positive bias in our research conclusions.*

Global Auto OEM: *The global auto OEM sector faces increased carbon-related exposure driven by regulatory pressure on the industry to reduce tailpipe emissions. This requires the development of new technologies, re-modelling fleets and capital investment to alter production facilities. We may have a more negative view of an issuer that has failed to invest early in R&D to reduce fleet emissions and may have a more positive view of an issuer that has consistently invested in R&D ahead of the industry.*

Property & Catastrophe (P&C) Reinsurer: *We evaluated a new issue from a property catastrophe (P&C) reinsurer with a global presence. The issuer also manages catastrophe businesses for others. P&C insurers typically provide probable maximum loss (PML) estimates. PML is a measure of the largest loss that may occur in a particular geographic region (or entire book of business) given a specific peril of a given probability. We observed that the issuer did not provide adequate PML estimates consistent with industry standards and the risks related to limited debt capacity, exposure to catastrophe zones and lack of associated disclosure were not appropriately priced in, resulting in a negative view of the issuer.*

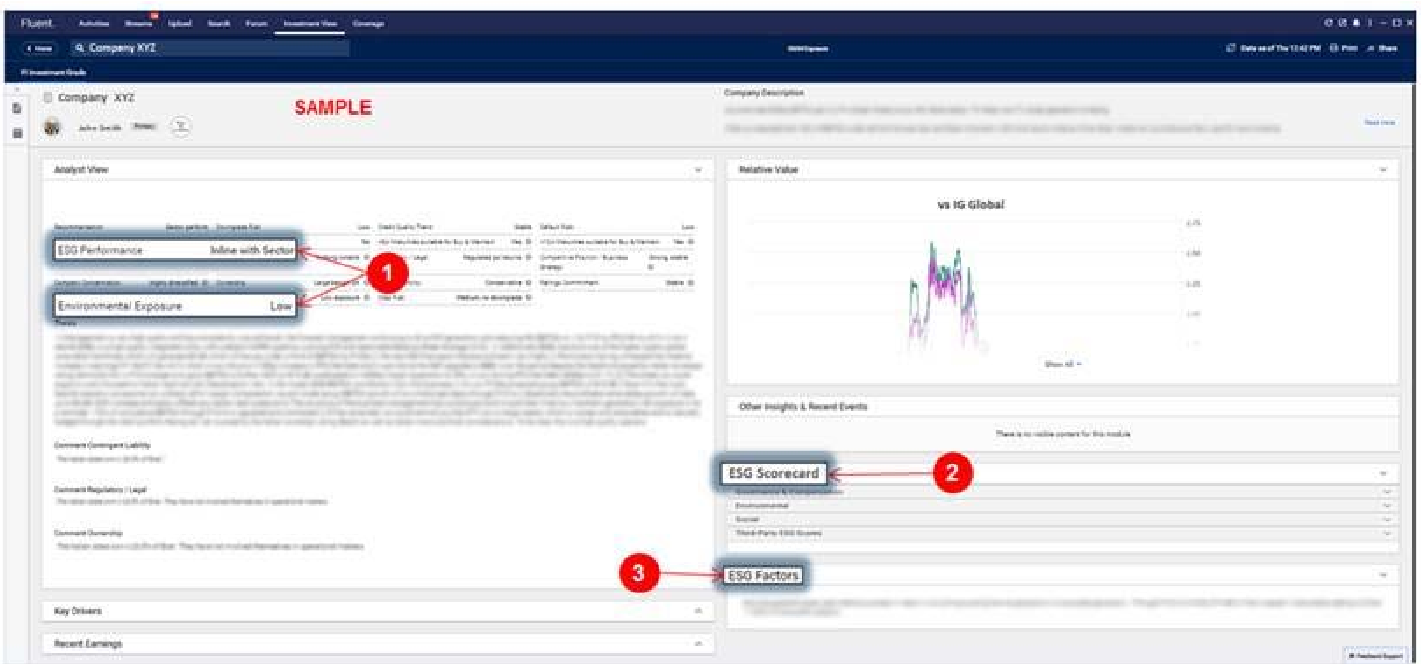
Renewable Energy: *In 2016, India, one of the world's largest emitters of greenhouse gasses committed to the Paris global climate agreement, requiring 40% of its power generation to be from non-fossil sources by 2030. This provides an attractive industry backdrop for renewables in India. In certain cases this provides an attractive industry backdrop for renewables in India.*

Utilization of Third-Party Climate Related Research & Data

The majority of our investment manager's Fixed Income's ESG assessment is conducted in-house by the investment manager. The team utilizes Fluent, a platform which facilitates content management, workflow and screening for research analysts and is used as a centralized repository of all external and internally generated research. Research can be stored and retrieved in a variety of ways, including ticker symbol, analyst name, investment theme, source, sector or country, making it seamless for our team members to share and retrieve all information on a company, sector or topic and further enhancing the communication lines within our teams.

ESG considerations are incorporated within our fundamental research, including a designated section within Fluent (mentioned above) that captures material ESG factors. Additionally, our investment manager's FI team has begun providing assessments of ESG Performance and furthermore Environmental Exposure/Risk for individual issuers. These ESG Performance assessments are assigned by the fundamental analysts and incorporate ESG themes, ESG related engagement and ESG third-party data that is curated from multiple sources.

Please see the screenshots below for a sample view of Fluent and the ESG designated scorecard within Fluent.



1. Fundamental research views on ESG factors

2. Material ESG data sourced from third-party vendors (Detailed view of ESG Scorecard on next page)

3. ESG factors relevant to the overall investment view highlighted in a dedicated space

Source: Our investment manager as of: June 30, 2019. For illustrative purposes only.

ESG Scorecard **SAMPLE**

Governance & Compensation

Board Quality

GSAM Threshold Met | GSAM Threshold Not Met | Not Evaluated

	GSAM Threshold	2017	2018
Size		9	8
# of Meetings		15	18
Independence (%)		77.78	77.78
Audit (%)		100	100
Comp (%)		100	100
Nominating (%)		100	100
Combined Chairman / CEO		No	No
Independent Lead Director		N	N
Female Directors (%)		33.33	37.5
Number of Female Directors		3	3
Average Tenure		4.93	4.71
Average Attendance (%)		100	98.76
Classified Board		N	N
Board Term (# of years)		3	3
Board Clusters (# Board Members Serving > 10 Years)		0	0

Management Quality & Risk Management

		2017	2018
Female Executives (%)		11.11	11.11
Female Executives %ile vs. peers		54.55	26.23
Whistle-blower Policy		–	–
Claw-back Policy		N	N
Jurisdiction Considered a Tax Haven		N	N
Runs Drills to Monitor Cyber Risk		–	–

Minority Shareholder Rights

		2017	2018
Controlling Shareholder		–	–
Dual Class Unequal Voting Rights		N	N
Poison Pill		–	–
Same Location of Domicile and Incorporation		Y	Y
Country of Incorporation Shareholder Friendly Jurisdiction		Y	Y

Environmental
Responsible Sourcing of Raw-materials
Use of Renewable Energy Sources
Illegal Procurement or Harmful Effects on Land
Emission Reduction policy / (%)
Environmental Supply Mgmt. policy
Energy Efficiency Policy
LEED (energy-efficiency certification system) compliance
Water Consumptions / Million of Sales %ile vs. peers
Water Consumptions / Million of Sales
Energy / Sales %ile vs. peers
Energy / Sales
CO2 Emissions (GHG Emissions) %ile vs. peers
CO2 Emissions (GHG Emissions)
Nox/Sales %ile vs. peers
Nox/Sales
Sox/Sales %ile vs. peers
Sox/Sales
Waste Generated / Sales %ile vs. peers
Waste Generated / Sales
Re-cycled Water %ile vs. peers
Re-cycled Water
GHG Scope 1 %ile vs. peers
GHG Scope 1
GHG Scope 2 %ile vs. peers
GHG Scope 2
Policy or investment in carbon reduction technologies
Oil-spill incidents
Controversies related to land procurement
Controversies related to environment

Social
Labour, Sourcing or Human Rights Issues
Corruption / Bribery Scandal
Controversies related to employees/unions
Sizeable fines in the past
Cyber-attacks or Data Breaches
Material Product Re-call(s)
UN Global Compact Signatory
Social Supply Chain Mgmt
Equal Opportunity Policy
Policy Against Child Labor
Ethics Policy
Anti-Bribery Policy
Female Employees %ile vs. peers
Female Employees
Total recordable incident rate %ile vs. peers
Total recordable incident rate
Attrition rate %ile vs. peers
Attrition rate
Employee Fatalities %ile vs. peers
Employee Fatalities
Employee Compensation %ile vs. peers
Employee Compensation

Third-Party ESG Scores
MSCIESG Total
MSCI E
MSCI S
MSCI G

Source: Our investment manager. As of: June 30, 2019. For illustrative purposes only.

ESG considerations are discussed regularly during in-person credit meetings and included within written research reports. Symphony, our secure, internal, cloud-based, communication and content sharing platform, also allows for the capture of ESG considerations, developments, trading and associated issuances on a real-time basis. As shown below, climate and environmental related issues are commonly discussed topics.

From a division-wide perspective, ESG themes are discussed within periodic meetings and ESG dedicated "Chats". Participants include all strategies within Fixed Income, as well as the Fundamental Equity Team, Quantitative Investment Strategy Team and the Imprint Team

The management of our fixed income portfolios employs the broad resources and expertise of the our investment manager's Global Fixed Income and Liquidity Solutions Team comprising of over 295 professionals located across London, New York, Bengaluru, Salt Lake City, Singapore, San Francisco, Burlington, Tokyo and Sydney and Buenos Aires. The team is divided into top-down and bottom-up strategy teams. We believe that the strength of our investment research lies in our unique ability to delegate decision making to small teams of experts who are responsible and accountable for their investment views. We consider this team approach vital to the long-term success of any active management strategy. ESG is a significant component of our bottom-up fundamental research process. We have a scalable and flexible investment process, which allows us to customize ESG investment solutions to our clients' investment preferences and guidelines.

While consideration of ESG factors are required of all members of investment teams, our investment manager's Fixed Income team has also appointed "ESG Team Leads" within the various fixed income investment strategy teams. ESG Team Leads (a combination of heads of research, analysts, traders and portfolio managers) serve as the main point of contact to the ESG dedicated team for evolving themes and data.

<u>Question Six:</u> Summarize steps the company has taken to encourage policyholders to reduce the losses caused by climate change-influenced events.

The company has taken steps to encourage policyholders to reduce the losses caused by climate change-influenced events by actively trying to get its current and new policyholders to utilize electronic billing and by encouraging policyholders to contact us via our electronic portals.

<u>Question Seven:</u> Discuss steps, if any, the company has taken to engage key constituencies on the topic of climate change.

The company has not taken steps to engage key constituencies on the topic of climate change. We have been a small life insurance company with manageable direct exposure to changing climate. We do monitor developments actively through insurance associations, and reinsurers, as well as monitoring best practices on operational considerations. As we grow, we will continue to invest in more resources to actively monitor this risk.

<u>Question Eight:</u> Describe actions the company is taking to manage the risks climate change poses to your business including, in general terms, the use of computer modeling.

The company is taking actions to manage the risks climate change poses to the business:

- *We have active disaster recovery plans*
- *We ensure our office and data center is prepared for a natural catastrophe*
- *We computer model drastic impact on our mortality to assess emerging diseases that may be associated with climate change*