

Benefitfocus Sustainability Report

Benefitfocus for *life*[™]

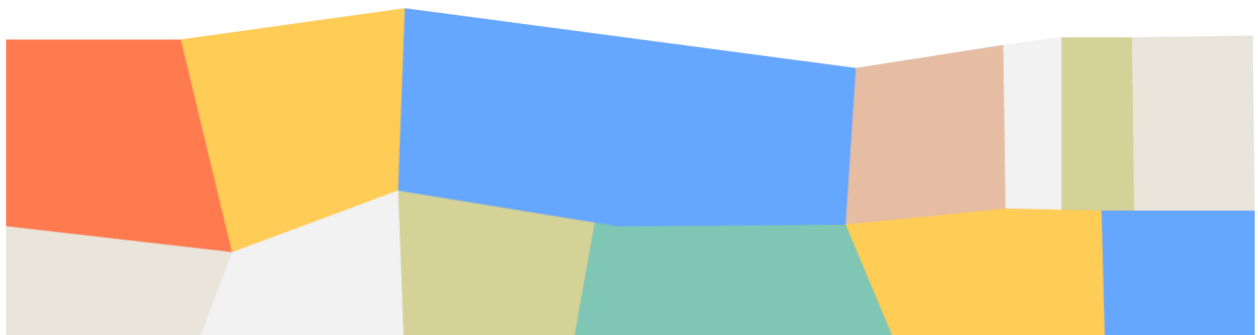


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CEO Letter

Dear Benefitfocus Stakeholders —

At Benefitfocus, the things we do that improve peoples' lives are also the things that make us financially sustainable. I'm pleased to share with you the Benefitfocus Sustainability report which introduces our environmental, social and governance policies and practices – topics which are of increasing importance in today's world.

The disparity between the high cost of medical care and stagnant wages means a well-designed and comprehensive benefits strategy can help employers attract and retain the best people — and can significantly enhance those peoples' lives. There is a direct connection between the benefits a Company offers and its overall employee retention rate. Even more rewarding is that companies with good benefits programs can help address some of the social justice and work-life balance issues we are so acutely aware of today.

Our technology makes providing good benefits plans possible in the following ways:

- We help automate the connections and exchange of data between HR, payroll and health plan systems;
- We help benefits managers build better programs by simplifying their day-to-day processes;
- We use data to deliver insights that help health plans, employers and their advisors make strategic benefits decisions in an era of major disruptions, while simultaneously protecting their data with the highest security standards.

We believe technology can drive more efficient and impactful human capital management initiatives. Importantly, technology that powers data insights and intelligence is the best way to help companies understand with more clarity whether their benefit programs are meeting employees' needs and how these programs affect employee and Company performance.

We are able to do what we do because our employees (whom we refer to as associates) make it possible — and we strive to treat them in ways that show how much we value them. Our own people are the first to gain access to innovative benefits available on the Benefitfocus platform. We treat our associates like owners, granting restricted stock units to all associates. And we demonstrate the importance of diversity and equity by having hired a workforce that is roughly 50/50 women and men and an executive leadership team that is 56% comprised of individuals from diverse backgrounds.

We invite you to read more in the pages that follow and thank you for showing interest in how we do what we do, as well as how well we do it.

Sincerely,



Stephen M. Swad
President and Chief Executive Officer
Benefitfocus

About Benefitfocus

Mission and Core Values

Our mission is to improve lives with benefits. This mission is supported by a set of core values which serve as a daily reminder of who we are and the standards we expect each associate to embody. Our values include:

- **Respect:** Acknowledge that each associate is unique and has diverse experience that brings value to Benefitfocus.
- **Community:** Actively create environments that make us proud, both personally and professionally, internally and externally.
- **Own It!:** Declare responsibility to hold oneself accountable and be proud of your actions and outcomes.
- **Anticipate:** Share and apply our experiences and learnings to proactively meet the needs of our teammates, customers, consumers and our market.
- **Together:** Work with each other in the spirit of understanding that “we” is more powerful than “me.”
- **Celebrate!:** Have fun and raise our voices to recognize one another and our accomplishments.

Business Overview

Benefitfocus unifies the entire U.S. benefits industry on a single technology platform to protect consumers’ health, wealth and lifestyle. Our cloud-based software, data-driven insights and thoughtfully designed services, enable employers, insurance brokers, health plans and suppliers to simplify the complexity of benefits administration and deliver a world-class benefits experience.

About Our Sustainability Reporting

The disclosures in this report were informed by the recommendations of the software and IT services standard published by the Sustainability Accounting Standards Board (SASB). SASB is an independent, private sector standards-setting organization dedicated to improving the effectiveness and comparability of corporate disclosures on environmental, social and governance factors.

Specifically, this report provides information on the following SASB sustainability disclosure topics:

- Data Privacy and Freedom of Expression ([page 6](#))
- Data Security ([page 6](#))
- Recruiting and Managing a Diverse, Skilled Workforce ([page 9](#))

How We Operate

Ethics and Compliance

Integrity is a key element of our corporate culture. We place a high value on honesty, fair dealing and ethical business practices. We ask our associates to ensure integrity in every aspect of their dealings with other associates, the public, partners, customers, suppliers and any governmental authorities.

Board and Managerial Oversight

Our board of directors and executive leadership team are committed to ethical business practices, which are based on our Company values. Our board regularly reviews evolving corporate governance best practices, changing regulatory requirements, and feedback from shareholders, and makes changes it believes are in the best interest of Benefitfocus and its shareholders. The Audit Committee monitors our enterprise-wide risk management program and our controls, compliance and ethics.

Ethics and Business Conduct

Our [Code of Conduct](#) is designed to communicate our core values and the standards that govern our business and to help all associates and affiliates understand what our Company expects in terms of ethical and legal business conduct.

Our Code of Conduct specifically calls out our commitment to equal opportunity employment and having a safe workplace. The Code was recently amended to ensure our commitment to labor laws is distinct and the right to freedom of association and collective bargaining is understandable.

All associates, including management, participate in annual Code of Conduct training, during which they must attest that they will comply with the code.

Whistleblower Programs

Associates, suppliers and customers are all empowered, without fear of punishment, to raise questions or concerns about our operations and business practices and are expected to report behaviors that they believe violate the Company Code of Conduct. Various federal and state laws provide legal protection to certain types of whistleblowers. Additionally, Benefitfocus has a policy of non-retaliation. This helps foster an ethical workplace and a culture of integrity.

Potential violations of our Code of Conduct or other Company policies may be brought to the attention of Human Resources and/or Legal Department and are handled with confidentiality. This includes all potential violations reported anonymously by phone, email and in-person accounts. All allegations are investigated, and appropriate action is taken based on the findings. Issues involving a violation of regulation, law or the Code of Conduct may be reported to the board of directors' Audit Committee.

All associates, including management, participate in annual Reporting a Violation Training, during which they gain an understanding of the available Hotline, the process in which reports are dealt with and our policy prohibiting retaliation.

Board and Management Sustainability Oversight

The Board believes that its structure and composition of highly experienced and engaged independent directors provide effective oversight of the Company's management.

The Board has an active role in the Company's overall strategies. The Board also conducts an annual review of the Company's corporate governance practices and periodically reviews the Company's data privacy and security, and human capital strategies. Furthermore, the Board is responsible for overall risk oversight of the Company, which includes certain social and governance matters. To this end, the Board receives periodic updates regarding the Company's social-related initiatives and progress.

The Company management team, subject to oversight by our Board, structures, monitors and adjusts our data privacy and security, and human capital efforts in a manner that best serves the interests of the Company and all of its stakeholders. Each year, senior management reviews our long-range business plans.

At an operating level, the following senior executives have ultimate responsibility for critical areas of our sustainability initiatives:

- Governance and ethics: General Counsel
- Data privacy and security: Chief Information Security Officer and Privacy Officer
- Human capital: Chief Human Resources Officer

Data Privacy and Security

We apply industry-leading data privacy and cybersecurity standards in our day-to-day business. We have a duty to our associates, customers, communities and stakeholders to proactively safeguard and handle their data, systems and technology in line with the continually developing regulatory frameworks.

Protecting personal information is a commitment we make to our customers and associates and is an essential part of doing business. Our commitments to data privacy are confirmed in our enterprise-wide data privacy policy. A copy of our Privacy Policy can be found [here](#).

Data Privacy and Cybersecurity Governance and Management Systems

Benefitfocus' Security Organization has a team of dedicated security professionals focused in areas including, but not limited to, cybersecurity defense, cybersecurity offense, risk management, information assurance and business continuity. Cybersecurity, business continuity, privacy events and threats are monitored continuously to ensure a proactive response. The Security organization has a standing committee that regularly reports on cybersecurity, privacy and risk management to organization executives and the board. Benefitfocus' Board of Directors has oversight of the Data Privacy and Cybersecurity programs.

Benefitfocus validates its security and operational practices and procedures through, among other steps:

- Internal and external assessments and audits;
- A threat and vulnerability management program that oversees vulnerability scanning and penetration testing activities;
- Various annual third-party audits including SOC, PCI-DSS, and SOX;
- Tabletop exercises and incident response programs;
- Regular security monitoring and testing of our corporate and customer facing environments; and
- A structured Business Continuity and Disaster Recovery framework which includes regular review, maintenance and testing of contingency plans.

Data Privacy and Cybersecurity Training

Benefitfocus ensures that all workforce members engaged in the processing or access of Personally Identifiable Information are contracted and trained accordingly. Benefitfocus has privacy, security and continuity training built specifically to ensure that all workforce members are informed about the criticality and confidentiality of data stored, processed and/or accessed. In addition to workforce training Benefitfocus ensures that third parties are contracted and reviewed according to access and processing activities including confidentiality commitments.

Our Products

We believe our products enable our customers and their employers to realize more value from the investment they make in their benefits. For example, as rising health care costs outpace wage growth, offering supplemental voluntary benefits within the Benefitfocus portfolio of products presents employers with a greater opportunity to attract and retain employees. Our [data analysis](#) of four million employees across more than 450 employers revealed that driving engagement and participation in at least one of five key voluntary benefits could help further reduce disruptive and costly turnover. The correlation between participation in these benefits and attrition is even stronger among companies with younger workforces. This analysis suggests that employers can save an average of \$1.2 million for every 10% increase in voluntary benefits participation.

In addition, because we are a cloud-based services provider, we believe our products are highly sustainable. Approximately 73% of our FY2019 revenues were derived from cloud services, which are low-carbon products because they contribute to reducing energy use and greenhouse gas (GHG) emissions for our customers by removing their need for physical infrastructure. This figure is approximated from our cloud-based software services revenue and excludes revenue associated with on-premises technology and professional services.

Our People

Attracting Talent

Our Benefitfocus Associates are Customer #1!

At Benefitfocus our mission to improve lives with benefits starts with our associates. We support the total wellbeing of our associates through targeted programs, products and community initiatives. As Customer #1, our associates are the first to gain access to an innovative total rewards package that enables them to flourish, thrive and prosper.

Flourish:

Associates can engage with benefits that protect and improve their total wellbeing, such as:

- Essential core benefit offering in medical, dental and vision, with a generous annual contribution to the associate's health savings account and the opportunity to personalize their benefit options to meet a diverse set of needs;
- Company-sponsored health and wellness programs that provide unlimited access to coaching, workshops and other resources, along with an on-demand fitness platform for the whole family; and
- A wide variety of curated voluntary benefits that foster peace of mind by providing financial safety nets, identity protection and the opportunity to ensure the health and safety of family pets.

Thrive:

Associates can develop resiliency and find support that fosters work-life balance through programs, adaptive skill-building and positive experiences, including:

- Company-sponsored emotional health programs with caregiving support, employee assistance program and health advocacy services;
- Generous paid leave program that includes annual PTO awards, parental leave, bereavement leave and Company holidays;
- Company-sponsored disability benefits; and
- A charitable giving match program, volunteer opportunities and a culture designed to help associates find connection and belonging.

Prosper:

Associates can build future financial security while being equipped for growth and success, including through:

- Our 401(k) Retirement Savings Plan with Company match, which includes all full-time associates and part-time associates working more than 20 hours per week;
- An Employee Stock Purchase Plan (ESPP) available to more than 95% of our associates including part-time associates working 20 hours or more per week and all full-time associates below the Vice President level; and
- Associate Stock Awards putting true ownership into the hands of all associates by providing grants of Restricted Stock Units (RSUs) to every full-time associate.

The following benefits are offered to Benefitfocus associates (in alphabetical order):

Aflac Accident, Critical Illness and Hospital Indemnity	LifeLock Identity Theft Protection
Allstate Identity Theft Protection ¹	MetLife Dental and Vision Benefits
Blue Cross Blue Shield of SC Medical Benefits	MetLife Legal Plan Benefits ¹
Brightdime Financial Wellness Program ¹	MetLife Lifeworks EAP (employee assistance) ^{1, 2}
Cariloop Caregiver Support Benefits ^{1, 2}	MetLife Life and Disability Insurance
Commonbond Student Loan Refinancing	Natalist Fertility and Family Planning Support
GoodRx Gold Prescription Savings Plan ¹	Nationwide Pet Insurance ¹
Gradvisor College Savings Program ¹	Pet Benefit Solutions (Pet discount program) ¹
Health Advocate Program ^{1, 2}	SAVVI Financial Wellness Program
Kashable Short-term Loan Program	Wellbeats Virtual Fitness Training ^{1, 2}

¹ Denotes also available to part-time associates

² Denotes 100% employer paid benefit

Future of Work Initiative – In response to the global pandemic and the shift to working remotely, the Company has established a “Future of Work” team charged with considering and implementing strategies and policies to support our associates in this new environment. As part of this effort, the Company launched a podcast series featuring tips on how to set up an efficient remote workspace and maximize bandwidth, held its first 100% virtual benefits fair, added a Company sponsored virtual fitness training program for all associates (Wellbeats), and provided associates necessary office furniture and supplies via shipment or drop-off. The Company also communicates frequently with associates to share and reinforce the CDC’s recommendations and guidelines for safely navigating the pandemic.

Training, Development and Engagement

Our Benefitfocus associates are our greatest asset! We are committed to designing a culture and environment that empowers our associates to thrive in their professional and personal lives.

Associate Training Programs – Our Associate Development Academy serves all associates by creating an adaptive learning environment where associates are equipped with the skills, knowledge and abilities to excel in their role today and in the future. We are working to provide curated and personalized learning pathways focused on the following areas:

- New and enhanced employee onboarding;
- Job-related technical skills and role-based training;

- Social and behavioral skills;
- Corporate and industry compliance; and
- Diversity, inclusion and belonging efforts.

Leadership Training Programs – Our Leadership Academy serves all leaders within our organization to ensure our leaders show up every day equipped to be great leaders. We leverage innovative, creative and virtual development practices within our leadership development programs, which are available for all our people leaders.

Performance Management – We have invested in a modern performance management tool to provide real-time performance feedback and coaching to every associate. It also serves as a platform for associate recognition.

Associate Engagement Survey – We conduct a bi-annual anonymous associate engagement survey which encourages open-ended feedback from every participant. We take this feedback very seriously and strive to make changes that are responsive and that improve associate engagement and retention.

Diversity, Inclusion and Belonging

Our Foundation of Equality Statement at Benefitfocus

Benefitfocus is committed to providing a diverse and inclusive workplace in which equality, representation and respect create a culture of belonging. Our collective experiences make us stronger. We strive to be a place where everyone respects one another, regardless of national origin, race, color, gender, gender identity or expression, religion, ethnicity, sexual orientation, age or disability.

We are taking steps to affect change by establishing a foundation of equality at Benefitfocus. We know an inclusive environment for learning is a powerful catalyst: one where minds are open to embrace and encourage differences, hearts are open to understand perspectives, and doors are open to pursue possibilities. We recognize not only the need for more diversity at all levels in the Company, but also the advantage of having unique and diverse perspectives.

Benefitfocus condemns all forms of racism and injustice.

- We proudly stand with and for our Black and LGBTQIA+ associates.
- We respect and recognize all religions.
- We believe in equality across gender, race, ethnicity and nationality.

We are committed to our mission to improve lives with benefits, and we are equally committed to embrace the diversity and uniqueness of everyone to move this mission forward.

Other program notes to enable a more diverse workforce:

- We have established a Diversity, Inclusion and Belonging (DIB) Council with charter and executive sponsorship led by the Company's CHRO (Chief Human Resources Officer);
- We provide maternity and paternity paid leave benefits, dedicated onsite "mother's rooms", preferred onsite parking for expecting mothers and flexible working arrangements; and
- We offer a charitable giving program with intentional focus on DIB efforts.

Demographics

The gender demographics of our Company are evenly split between female and male associates. 56% of our executive leadership team are of diverse backgrounds. 28.6% of the directors on our Company's board are female.

Associates	Female: 49.86%	Male: 50.04%
Executive Leadership	Diverse: 56.00% Female: 44.00%	Non-diverse: 44.00% Male: 54.00%
Board of Directors	Female: 28.57%	Male: 71.43%

Our Communities and Environment

Environmental Initiatives

Our impact on the environment matters to us and to our stakeholders. We are committed to doing our part to support the shift to a low-carbon economy and to lessen the impacts of climate change. We continue to seek ways to reduce our environmental footprint.

For example, at our corporate headquarters we have made the following investments:

- Removed disposable cups from all buildings and provided reusable drinking cups for all associates;
- Implemented a recycling program in each of our cafes; and
- Encourage the use of Company bicycles and electric golf carts for transitions between office buildings on our Charleston campus.

We have substantially reduced our paper usage by primarily communicating with clients through digital means.

We are in the process of becoming a SaaS-first, cloud-first Company including outsourcing our computing infrastructure to industry leading third parties and cloud providers. We expect our vendors to maintain sustainable practices and implement measures to mitigate climate change risk. For example, part of our vendor selection criteria is to choose cloud services vendors able to demonstrate the most efficient computing cycles and waste reduction practices.

Community and Philanthropic Initiatives

We empower our associates to support the organizations and causes that are meaningful to them. Causes and initiatives we support range from disaster relief and a wide variety of charities to sponsorships and community service. The following examples illustrate our impact in the community:

- Donations of more than \$500,000 since 2016
- Support for more than 200 organizations
- An ongoing program to provide \$250 in matching donations per associate per year to the charity of their choice; and
- An ongoing program to provide up to 100 community sports team sponsorships annually.

Thank you for taking the time to review the Benefitfocus Sustainability report. This document will be updated periodically in order to reflect the progress the Company is making to enhance and improve its environmental, social and governance policies and practices.