

# BNY Mellon Sustainable U.S. Equity Portfolio, Inc.

## **SEMIANNUAL REPORT**

June 30, 2021



**BNY MELLON**  
INVESTMENT MANAGEMENT

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## DISCUSSION OF FUND PERFORMANCE (Unaudited)

*For the period from January 1, 2021 through June 30, 2021, as provided by portfolio managers Jeff Munroe and Yuko Takano of Newton Investment Management Limited, Sub-Investment Adviser*

### **Market and Fund Performance Overview**

For the six-month period ended June 30, 2021, BNY Mellon Sustainable U.S. Equity Portfolio, Inc.'s Initial shares produced a total return of 13.03%, and the fund's Service shares returned 12.87%.<sup>1</sup> In comparison, the fund's benchmark, the S&P 500® Index (the "Index"), produced a total return of 15.25% for the same period.<sup>2</sup>

U.S. equities posted strong gains over the reporting period as COVID-19 restrictions began to lift, and previously stricken segments of the economy showed signs of recovery. The fund underperformed the Index, largely due to security selection in the health care sector, as well as a lack of exposure to the rebounding energy sector.

### **The Fund's Investment Approach**

The fund seeks long-term capital appreciation. To pursue its goal, the fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of U.S. companies that demonstrate attractive investment attributes and sustainable business practices and have no material, unresolvable, environmental, social and governance (ESG) issues. The fund invests principally in common stocks, focusing on companies with market capitalizations of \$5 billion or more at the time of purchase. The fund may invest up to 20% of its assets in the stocks of foreign companies, including up to 10% in the stocks of companies in emerging-market countries.

We use quantitative and qualitative fundamental analyses to identify attractively priced companies with good products, strong management and strategic direction that have adopted, or are making progress toward, a sustainable business approach. We employ an investment process that combines investment themes with fundamental research and analysis to select stocks for the fund's portfolio.

### **Equities Gain as the Pandemic Wanes**

U.S. equities made headway as the coronavirus pandemic showed signs of easing during the first quarter of 2021. Although fresh lockdowns were enforced across several major economies, the accelerating rollout of COVID-19 vaccination programs and the promising results witnessed in the countries most advanced in this process bolstered investors' risk appetite and encouraged them to discount wider economic reopening expected later in 2021. By contrast, the influence of monetary accommodation, which undoubtedly provided critical support for financial asset prices, took a somewhat different turn. With reflation underway and an elevated pace of growth expected in the second half of the year, investors began to anticipate a dialing back of the exceptional levels of monetary stimulus witnessed over the prior 12 months. This contributed to a sharp rise in government bond yields during the review period, with the long end of the U.S. Treasury market experiencing its worst quarter since 1980. The nature of fiscal stimulus also continued to evolve as President Biden formally announced his long-awaited \$2 trillion infrastructure program to underpin and accelerate the U.S. recovery, while also encompassing more strategic goals.

U.S. equity markets proceeded to deliver another quarter of gains from April through June 2021, drawing strength from an impressive slate of U.S. economic data, robust corporate earnings and further evidence that vaccination programs were paving the way for a full reopening of

economies. The inflation debate remained a high-profile and contentious issue throughout the quarter, with a series of elevated data points prompting many to question the narrative that this phase would be transitory. The inextricable linkage between interest rates and the direction of monetary policy further affected investor sentiment. Significantly, the two brief bouts of equity market weakness experienced during the review period, first at the start of May, and then toward the end of the quarter, were both prompted by the airing of more hawkish commentary from U.S. Treasury Secretary Janet Yellen, later echoed by some of her former colleagues at the Federal Reserve (Fed). Against this backdrop, markets saw a retracement in longer-dated government bond yields, which had climbed sharply higher in the first quarter. This downward move was exacerbated in late June by Fed members' comments, which caused investors to discount a weaker outlook for medium-term growth.

### **Cyclical Outperformance Detracts from Relative Returns**

Stock selection in the communication services and consumer discretionary sectors had a positive impact on the portfolio's relative returns. Top performing individual holdings included semiconductor equipment maker Applied Materials and financial services company The Goldman Sachs Group. Applied Materials shares benefited in early 2021 from news that Taiwan Semiconductor Manufacturing Company, one of the world's largest chip makers, planned to increase capital spending to \$25-\$28 billion in 2021, a move with positive implications for Applied Materials' sales. Shares continued to perform well throughout the remainder of the reporting period, aided by a succession of strong financial results due to strong demand for semiconductor equipment. The Goldman Sachs Group shares rose along with the broader banking sector on optimism regarding the prospects for economic reopening and recovery. Rising yields were perceived to be supportive of bank profitability, as was news that pandemic-induced divided restrictions were set to be relaxed by the Fed at the end of June. Results later in the review period were strong as all of Goldman's businesses delivered revenues that exceeded consensus estimates.

On the other hand, the portfolio's relative performance suffered as improving prospects for the world economy were reflected in the outperformance of cyclical areas for much of the first half of 2021. Stock selection in health care weighed on relative returns, as did a lack of exposure to energy. Notably weak individual holdings included wireless communications company Qualcomm and regulated electric utility Eversource Energy. Qualcomm stock struggled during the initial phases of the year, mirroring broader weakness among other growth names. Although results for the first quarter of 2021 were strong, shares retreated against a backdrop of heightened expectations in the market. Concerns regarding supply-chain constraints amid component shortages also negatively affected sentiment toward the stock. Eversource shares declined against a backdrop of rising bond yields for much of the year, a trend that typically detracts from utility performance. Eversource shares were further undermined as regulatory issues in Connecticut drew the attention of investors, and as the company slightly missed earnings estimates for the first quarter due to costs relating to Storm Isaias.

### **A Balanced Approach with Leverage to Economic Recovery**

While the market favored traditional cyclical sectors for much of the reporting period, the secular winners in the portfolio began to exhibit some stronger performance towards the end of the second quarter of 2021 as U.S. Treasury yields dipped. We remain positive on the potential for these secular areas as we continue to draw on our themes as a long-term guide to the most likely areas of strength moving forwards.

## DISCUSSION OF FUND PERFORMANCE (Unaudited) (continued)

Accordingly, we continue to maintain a balanced approach to the portfolio's investments, with longer-term secular growth situations represented alongside businesses with more leverage to a recovery. We believe this approach positions the portfolio to better navigate the challenges posed by a rotational and rapidly shifting market backdrop. Indeed, we have continued to advocate patience where the longer duration and more stable areas of the portfolio are concerned. At the same time, our focus on the sustainability of the portfolio's investments plays an important role in ensuring we meet our shareholders' expectations.

July 15, 2021

<sup>1</sup> ***DUE TO RECENT MARKET VOLATILITY, CURRENT PERFORMANCE MAY BE DIFFERENT THAN THE FIGURES SHOWN. Investors should note that the fund's short-term performance is highly unusual, in part due to unusually favorable market conditions, and is unlikely to be repeated or consistently achieved in the future.*** Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's return reflects the absorption of certain fund expenses by BNY Mellon Investment Adviser, Inc. pursuant to an agreement in effect through April 30, 2022, at which time it may be extended, modified or terminated. Had these expenses not been absorbed, returns would have been lower.

<sup>2</sup> Source: Lipper Inc. — The S&P 500® Index is widely regarded as the best single gauge of large-cap U.S. equities. The Index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Investors cannot invest directly in any index.

Equities are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations.

Recent market risks include pandemic risks related to COVID-19. The effects of COVID-19 have contributed to increased volatility in global markets and will likely affect certain countries, companies, industries and market sectors more dramatically than others. To the extent the fund may overweight its investments in certain countries, companies, industries or market sectors, such positions will increase the fund's exposure to risk of loss from adverse developments affecting those countries, companies, industries or sectors.

The fund's consideration of ESG issues in the securities selection process may cause the fund to perform differently from funds that do not integrate consideration of ESG issues when selecting investments.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of BNY Mellon Sustainable U.S. Equity Portfolio, Inc., made available through insurance products, may be similar to those of other funds managed by BNY Mellon Investment Adviser, Inc. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other BNY Mellon Investment Adviser, Inc. fund.

The fund may, but is not required to, use derivative instruments. A small investment in derivatives could have a potentially large impact on the fund's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets.

## UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

*As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.*

### Review your fund's expenses

The table below shows the expenses you would have paid on a \$1,000 investment in BNY Mellon Sustainable U.S. Equity Portfolio, Inc. from January 1, 2021 to June 30, 2021. It also shows how much a \$1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

<b>Expenses and Value of a \$1,000 Investment</b>		
Assume actual returns for the six months ended June 30, 2021		
	<b>Initial Shares</b>	<b>Service Shares</b>
Expenses paid per \$1,000 <sup>†</sup>	\$3.59	\$4.91
Ending value (after expenses)	\$1,130.30	\$1,128.70

## COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

### Using the SEC's method to compare expenses

The Securities and Exchange Commission ("SEC") has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a \$1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

<b>Expenses and Value of a \$1,000 Investment</b>		
Assuming a hypothetical 5% annualized return for the six months ended June 30, 2021		
	<b>Initial Shares</b>	<b>Service Shares</b>
Expenses paid per \$1,000 <sup>†</sup>	\$3.41	\$4.66
Ending value (after expenses)	\$1,021.42	\$1,020.18

<sup>†</sup> Expenses are equal to the fund's annualized expense ratio of .68% for Initial Shares and .93% for Service Shares, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

# STATEMENT OF INVESTMENTS

June 30, 2021 (Unaudited)

Description	Shares	Value (\$)
<b>Common Stocks - 98.2%</b>		
<b>Banks - 7.1%</b>		
Citigroup	120,790	8,545,892
First Republic Bank	47,324	8,857,633
JPMorgan Chase & Co.	38,308	5,958,426
		<b>23,361,951</b>
<b>Capital Goods - 1.8%</b>		
Ferguson	41,166	<b>5,722,965</b>
<b>Consumer Durables &amp; Apparel - 5.5%</b>		
Lennar, Cl. A	74,231	7,374,850
NIKE, Cl. B	67,840	10,480,602
		<b>17,855,452</b>
<b>Diversified Financials - 2.8%</b>		
The Goldman Sachs Group	23,858	<b>9,054,827</b>
<b>Food &amp; Staples Retailing - 2.2%</b>		
Costco Wholesale	18,195	<b>7,199,216</b>
<b>Food, Beverage &amp; Tobacco - 3.0%</b>		
Beyond Meat	7,211 <sup>a</sup>	1,135,661
PepsiCo	58,923	8,730,621
		<b>9,866,282</b>
<b>Health Care Equipment &amp; Services - 8.8%</b>		
Abbott Laboratories	83,817	9,716,905
Medtronic	83,751	10,396,012
The Cooper Companies	21,927	8,689,012
		<b>28,801,929</b>
<b>Materials - 4.0%</b>		
Albemarle	47,331	7,973,380
Ecolab	25,462	5,244,408
		<b>13,217,788</b>
<b>Media &amp; Entertainment - 4.8%</b>		
Alphabet, Cl. A	6,434 <sup>a</sup>	<b>15,710,477</b>
<b>Pharmaceuticals Biotechnology &amp; Life Sciences - 2.2%</b>		
Merck & Co.	93,162	<b>7,245,209</b>
<b>Retailing - 11.6%</b>		
Amazon.com	6,062 <sup>a</sup>	20,854,250
Dollar General	31,906	6,904,139
eBay	147,410	10,349,656
		<b>38,108,045</b>
<b>Semiconductors &amp; Semiconductor Equipment - 6.8%</b>		
Applied Materials	62,804	8,943,290
Qualcomm	35,035	5,007,553
Texas Instruments	43,034	8,275,438
		<b>22,226,281</b>

Description	Shares	Value (\$)
<b>Common Stocks - 98.2% (continued)</b>		
<b>Software &amp; Services - 22.0%</b>		
Accenture, Cl. A	42,894	12,644,722
Fidelity National Information Services	45,874	6,498,970
Intuit	20,425	10,011,722
Mastercard, Cl. A	25,619	9,353,241
Microsoft	90,027	24,388,314
salesforce.com	37,116 <sup>a</sup>	9,066,325
		<b>71,963,294</b>
<b>Technology Hardware &amp; Equipment - 9.1%</b>		
Apple	164,099	22,474,999
TE Connectivity	53,927	7,291,470
		<b>29,766,469</b>
<b>Telecommunication Services - 1.6%</b>		
Verizon Communications	94,513	<b>5,295,563</b>
<b>Transportation - 1.6%</b>		
Norfolk Southern	20,138	<b>5,344,827</b>
<b>Utilities - 3.3%</b>		
CMS Energy	59,376	3,507,934
Eversource Energy	91,031	7,304,327
		<b>10,812,261</b>
<b>Total Common Stocks</b> (cost \$180,840,993)		<b>321,552,836</b>
	1-Day Yield (%)	
<b>Investment Companies - 1.8%</b>		
<b>Registered Investment Companies - 1.8%</b>		
Dreyfus Institutional Preferred Government Plus Money Market Fund, Institutional Shares (cost \$5,806,918)	0.05	5,806,918 <sup>b</sup>
		<b>5,806,918</b>
<b>Total Investments</b> (cost \$186,647,911)	<b>100.0%</b>	<b>327,359,754</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(.0%)</b>	<b>(82,315)</b>
<b>Net Assets</b>	<b>100.0%</b>	<b>327,277,439</b>

<sup>a</sup> Non-income producing security.

<sup>b</sup> Investment in affiliated issuer. The investment objective of this investment company is publicly available and can be found within the investment company's prospectus.

STATEMENT OF INVESTMENTS (Unaudited) (continued)

Portfolio Summary (Unaudited) †	Value (%)
Information Technology	37.9
Consumer Discretionary	17.1
Health Care	11.0
Financials	9.9
Communication Services	6.4
Consumer Staples	5.2
Materials	4.0
Industrials	3.4
Utilities	3.3
Investment Companies	1.8
	<b>100.0</b>

† Based on net assets.

See notes to financial statements.

# STATEMENT OF INVESTMENTS IN AFFILIATED ISSUERS

(Unaudited)

Investment Companies	Value 12/31/20(\$)	Purchases(\$) <sup>†</sup>	Sales(\$)	Value 6/30/21(\$)	Net Assets(%)	Dividends/ Distributions(\$)
<b>Registered Investment Companies;</b>						
Dreyfus Institutional Preferred Government Plus Money Market Fund, Institutional Shares	3,426,748	27,513,829	(25,133,659)	5,806,918	1.8	1,495

<sup>†</sup> Includes reinvested dividends/ distributions.  
See notes to financial statements.

# STATEMENT OF ASSETS AND LIABILITIES

June 30, 2021 (Unaudited)

	Cost	Value
<b>Assets (\$):</b>		
Investments in securities—See Statement of Investments		
Unaffiliated issuers	180,840,993	321,552,836
Affiliated issuers	5,806,918	5,806,918
Dividends receivable		162,817
Receivable for shares of Common Stock subscribed		120,998
Prepaid expenses		4,970
		<b>327,648,539</b>
<b>Liabilities (\$):</b>		
Due to BNY Mellon Investment Adviser, Inc. and affiliates—Note 3(c)		173,236
Payable for shares of Common Stock redeemed		147,275
Directors' fees and expenses payable		3,314
Other accrued expenses		47,275
		<b>371,100</b>
<b>Net Assets (\$)</b>		<b>327,277,439</b>
<b>Composition of Net Assets (\$):</b>		
Paid-in capital		173,591,216
Total distributable earnings (loss)		153,686,223
<b>Net Assets (\$)</b>		<b>327,277,439</b>

<b>Net Asset Value Per Share</b>	Initial Shares	Service Shares
Net Assets (\$)	303,575,738	23,701,701
Shares Outstanding	5,873,507	465,478
<b>Net Asset Value Per Share (\$)</b>	<b>51.69</b>	<b>50.92</b>

*See notes to financial statements.*

**STATEMENT OF OPERATIONS**  
Six Months Ended June 30, 2021 (Unaudited)

<b>Investment Income (\$):</b>	
<b>Income:</b>	
Cash dividends:	
Unaffiliated issuers	1,919,769
Affiliated issuers	1,495
<b>Total Income</b>	<b>1,921,264</b>
<b>Expenses:</b>	
Management fee—Note 3(a)	925,602
Professional fees	59,907
Distribution fees—Note 3(b)	25,483
Prospectus and shareholders' reports	25,401
Directors' fees and expenses—Note 3(d)	8,831
Chief Compliance Officer fees—Note 3(c)	7,862
Shareholder servicing costs—Note 3(c)	4,392
Loan commitment fees—Note 2	4,148
Custodian fees—Note 3(c)	3,522
Miscellaneous	12,316
<b>Total Expenses</b>	<b>1,077,464</b>
<b>Investment Income—Net</b>	<b>843,800</b>
<b>Realized and Unrealized Gain (Loss) on Investments—Note 4 (\$):</b>	
Net realized gain (loss) on investments and foreign currency transactions	12,296,307
Net realized gain (loss) on forward foreign currency exchange contracts	15,664
<b>Net Realized Gain (Loss)</b>	<b>12,311,971</b>
Net change in unrealized appreciation (depreciation) on investments and foreign currency transactions	24,937,144
Net change in unrealized appreciation (depreciation) on forward foreign currency exchange contracts	66
<b>Net Change in Unrealized Appreciation (Depreciation)</b>	<b>24,937,210</b>
<b>Net Realized and Unrealized Gain (Loss) on Investments</b>	<b>37,249,181</b>
<b>Net Increase in Net Assets Resulting from Operations</b>	<b>38,092,981</b>

*See notes to financial statements.*

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2021 (Unaudited)	Year Ended December 31, 2020
<b>Operations (\$):</b>		
Investment income—net	843,800	2,443,416
Net realized gain (loss) on investments	12,311,971	7,395,059
Net change in unrealized appreciation (depreciation) on investments	24,937,210	48,215,379
<b>Net Increase (Decrease) in Net Assets Resulting from Operations</b>	<b>38,092,981</b>	<b>58,053,854</b>
<b>Distributions (\$):</b>		
Distributions to shareholders:		
Initial Shares	(9,105,383)	(5,450,358)
Service Shares	(620,217)	(278,338)
<b>Total Distributions</b>	<b>(9,725,600)</b>	<b>(5,728,696)</b>
<b>Capital Stock Transactions (\$):</b>		
Net proceeds from shares sold:		
Initial Shares	6,000,758	13,185,483
Service Shares	3,907,159	5,892,682
Distributions reinvested:		
Initial Shares	9,105,383	5,450,358
Service Shares	620,217	278,338
Cost of shares redeemed:		
Initial Shares	(15,555,566)	(27,686,362)
Service Shares	(862,379)	(4,001,592)
<b>Increase (Decrease) in Net Assets from Capital Stock Transactions</b>	<b>3,215,572</b>	<b>(6,881,093)</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>31,582,953</b>	<b>45,444,065</b>
<b>Net Assets (\$):</b>		
Beginning of Period	295,694,486	250,250,421
<b>End of Period</b>	<b>327,277,439</b>	<b>295,694,486</b>
<b>Capital Share Transactions (Shares):</b>		
<b>Initial Shares</b>		
Shares sold	122,934	337,739
Shares issued for distributions reinvested	191,289	195,143
Shares redeemed	(316,036)	(695,969)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>(1,813)</b>	<b>(163,087)</b>
<b>Service Shares</b>		
Shares sold	80,274	145,537
Shares issued for distributions reinvested	13,216	10,096
Shares redeemed	(17,784)	(100,741)
<b>Net Increase (Decrease) in Shares Outstanding</b>	<b>75,706</b>	<b>54,892</b>

*See notes to financial statements.*

## FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Net asset value total return is calculated assuming an initial investment made at the net asset value at the beginning of the period, reinvestment of all dividends and distributions at net asset value during the period, and redemption at net asset value on the last day of the period. Net asset value total return includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

Initial Shares	Six Months Ended	Year Ended December 31,				
	June 30, 2021 (Unaudited)	2020	2019	2018	2017	2016
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	47.24	39.30	30.73	40.27	37.86	38.56
Investment Operations:						
Investment income—net <sup>a</sup>	.14	.39	.40	.41	.38	.44
Net realized and unrealized gain (loss) on investments	5.88	8.47	9.85	(1.69)	5.14	3.15
Total from Investment Operations	6.02	8.86	10.25	(1.28)	5.52	3.59
Distributions:						
Dividends from investment income—net	(.40)	(.44)	(.52)	(.71)	(.46)	(.50)
Dividends from net realized gain on investments	(1.17)	(.48)	(1.16)	(7.55)	(2.65)	(3.79)
Total Distributions	(1.57)	(.92)	(1.68)	(8.26)	(3.11)	(4.29)
Net asset value, end of period	51.69	47.24	39.30	30.73	40.27	37.86
<b>Total Return (%)</b>	13.03 <sup>b</sup>	24.14	34.36	(4.41)	15.33	10.38
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.68 <sup>c</sup>	.68	.68	.74	.80	.86
Ratio of net expenses to average net assets	.68 <sup>c</sup>	.68	.68	.70	.77	.86
Ratio of net investment income to average net assets	.56 <sup>c</sup>	.97	1.14	1.19	.99	1.21
Portfolio Turnover Rate	9.72 <sup>b</sup>	24.81	25.43	51.68	119.51	60.67
Net Assets, end of period (\$ x 1,000)	303,576	277,555	237,287	193,538	226,078	221,172

<sup>a</sup> Based on average shares outstanding.

<sup>b</sup> Not annualized.

<sup>c</sup> Annualized.

See notes to financial statements.

FINANCIAL HIGHLIGHTS (continued)

Service Shares	Six Months Ended	Year Ended December 31,				
	June 30, 2021 (Unaudited)	2020	2019	2018	2017	2016
<b>Per Share Data (\$):</b>						
Net asset value, beginning of period	46.54	38.71	30.30	39.80	37.46	38.19
Investment Operations:						
Investment income—net <sup>a</sup>	.07	.29	.31	.32	.28	.34
Net realized and unrealized gain (loss) on investments	5.79	8.38	9.71	(1.66)	5.08	3.12
Total from Investment Operations	5.86	8.67	10.02	(1.34)	5.36	3.46
Distributions:						
Dividends from investment income—net	(.31)	(.36)	(.45)	(.61)	(.37)	(.40)
Dividends from net realized gain on investments	(1.17)	(.48)	(1.16)	(7.55)	(2.65)	(3.79)
Total Distributions	(1.48)	(.84)	(1.61)	(8.16)	(3.02)	(4.19)
Net asset value, end of period	50.92	46.54	38.71	30.30	39.80	37.46
<b>Total Return (%)</b>	12.87 <sup>b</sup>	23.86	34.01	(4.64)	15.04	10.08
<b>Ratios/Supplemental Data (%):</b>						
Ratio of total expenses to average net assets	.93 <sup>c</sup>	.93	.93	.99	1.05	1.11
Ratio of net expenses to average net assets	.93 <sup>c</sup>	.93	.93	.95	1.02	1.11
Ratio of net investment income to average net assets	.31 <sup>c</sup>	.72	.88	.95	.74	.96
Portfolio Turnover Rate	9.72 <sup>b</sup>	24.81	25.43	51.68	119.51	60.67
Net Assets, end of period (\$ x 1,000)	23,702	18,139	12,964	9,410	10,274	10,884

<sup>a</sup> Based on average shares outstanding.

<sup>b</sup> Not annualized.

<sup>c</sup> Annualized.

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

### **NOTE 1—Significant Accounting Policies:**

BNY Mellon Sustainable U.S. Equity Portfolio, Inc. (the “fund”), which is registered under the Investment Company Act of 1940, as amended (the “Act”), is a diversified open-end management investment company. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund’s investment objective is to seek long-term capital appreciation. BNY Mellon Investment Adviser, Inc. (the “Adviser”), a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”), serves as the fund’s investment adviser. Newton Investment Management Limited (the “Sub-Adviser”), a wholly-owned subsidiary of BNY Mellon and an affiliate of the Adviser, serves as the fund’s sub-investment adviser.

BNY Mellon Securities Corporation (the “Distributor”), a wholly-owned subsidiary of the Adviser, is the distributor of the fund’s shares, which are sold without a sales charge. The fund is authorized to issue 150 million shares of \$.001 par value Common Stock in each of the following classes of shares: Initial and Service. Initial shares are subject to a Shareholder Services Plan fee and Service shares are subject to a Distribution Plan fee. Each class of shares has identical rights and privileges, except with respect to the Distribution Plan, Shareholder Services Plan and the expenses borne by each class, the allocation of certain transfer agency costs, and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) is the exclusive reference of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund is an investment company and applies the accounting and reporting guidance of the FASB ASC Topic 946 Financial Services-Investment Companies. The fund’s financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund’s maximum exposure under these arrangements is unknown. The

fund does not anticipate recognizing any loss related to these arrangements.

**(a) Portfolio valuation:** The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

**Level 1**—unadjusted quoted prices in active markets for identical investments.

**Level 2**—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

**Level 3**—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in equity securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. For open short positions, asked prices are used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset

value. All of the preceding securities are generally categorized within Level 1 of the fair value hierarchy.

Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices. These securities are generally categorized within Level 2 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant American Depository Receipts and futures. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to accurately reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the fund's Board of Directors (the "Board"). Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized within Level 2 or 3 of the fair value hierarchy depending on the relevant inputs used.

For securities where observable inputs are limited, assumptions about market activity and risk are used and such securities are generally categorized within Level 3 of the fair value hierarchy.

Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange.

The following is a summary of the inputs used as of June 30, 2021 in valuing the fund's investments:

	Level 1- Unadjusted Quoted Prices	Level 2- Other Significant Observable Inputs	Level 3- Significant Unobservable Inputs	<b>Total</b>
<b>Assets (\$)</b>				
Investments In Securities:†				
Equity Securities -				
Common Stocks	321,552,836	-	-	<b>321,552,836</b>

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

	Level 1- Unadjusted Quoted Prices	Level 2- Other Significant Observable Inputs	Level 3- Significant Unobservable Inputs	<b>Total</b>
<b>Assets (\$)(continued)</b>				
Investments In Securities:†(continued)				
Investment				
Companies	5,806,918	-	-	<b>5,806,918</b>

† See Statement of Investments for additional detailed categorizations, if any.

**(b) Foreign currency transactions:** The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized on securities transactions between trade and settlement date, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments resulting from changes in exchange rates. Foreign currency gains and losses on foreign currency transactions are also included with net realized and unrealized gain or loss on investments.

**(c) Securities transactions and investment income:** Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

**(d) Affiliated issuers:** Investments in other investment companies advised by the Adviser are considered "affiliated" under the Act.

**(e) Risk:** Certain events particular to the industries in which the fund's investments conduct their operations, as well as general economic, political and public health conditions, may have a significant negative impact on the investee's operations and profitability. In addition, turbulence in financial markets and reduced liquidity in equity, credit and/or fixed income markets may negatively affect many issuers, which could adversely affect the fund. Global economies and financial markets are becoming increasingly interconnected, and conditions and events in one country,

region or financial market may adversely impact issuers in a different country, region or financial market. These risks may be magnified if certain events or developments adversely interrupt the global supply chain; in these and other circumstances, such risks might affect companies worldwide. Recent examples include pandemic risks related to COVID-19 and aggressive measures taken world-wide in response by governments, including closing borders, restricting international and domestic travel, and the imposition of prolonged quarantines of large populations, and by businesses, including changes to operations and reducing staff. To the extent the fund may overweight its investments in certain countries, companies, industries or market sectors, such positions will increase the fund's exposure to risk of loss from adverse developments affecting those countries, companies, industries or sectors.

**(f) Dividends and distributions to shareholders:** Dividends and distributions are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

**(g) Federal income taxes:** It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income and net realized capital gain sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended June 30, 2021, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period ended June 30, 2021, the fund did not incur any interest or penalties.

Each tax year in the three-year period ended December 31, 2020 remains subject to examination by the Internal Revenue Service and state taxing authorities.

The tax character of distributions paid to shareholders during the fiscal year ended December 31, 2020 was as follows: ordinary income \$3,974,173

and long-term capital gains \$1,754,523. The tax character of current year distributions will be determined at the end of the current fiscal year.

**NOTE 2—Bank Lines of Credit:**

The fund participates with other long-term open-end funds managed by the Adviser in a \$823.5 million unsecured credit facility led by Citibank, N.A. (the “Citibank Credit Facility”) and a \$300 million unsecured credit facility provided by The Bank of New York Mellon (the “BNYM Credit Facility”), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions (each, a “Facility”). The Citibank Credit Facility is available in two tranches: (i) Tranche A is in an amount equal to \$688.5 million and is available to all long-term open-ended funds, including the fund, and (ii) Tranche B is an amount equal to \$135 million and is available only to BNY Mellon Floating Rate Income Fund, a series of BNY Mellon Investment Funds IV, Inc. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for Tranche A of the Citibank Credit Facility and the BNYM Credit Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended June 30, 2021, the fund did not borrow under the Facilities.

**NOTE 3—Management Fee, Sub-Investment Advisory Fee and Other Transactions with Affiliates:**

(a) Pursuant to the management agreement with the Adviser, the management fee is computed at an annual rate of .60% of the value of the fund’s average daily net assets and is payable monthly. The Adviser has contractually agreed, from January 1, 2021 through April 30, 2022, to waive receipt of its fees and/or assume the direct expenses of the fund, so that the direct expenses of none of the classes (excluding Rule 12b-1 Distribution Plan fees, Shareholder Services Plan fees, taxes, interest expense, brokerage commission, commitment fees on borrowings and extraordinary expenses) exceed .70% of the value of the fund’s average daily net assets. On or after April 30, 2022, the Adviser may terminate this expense limitation agreement at any time. During the period ended June 30, 2021, there was no expense reimbursement pursuant to the undertaking.

Pursuant to a sub-investment advisory agreement between the Adviser and the Sub-Adviser, the Sub-Adviser serves as the fund’s sub-investment adviser responsible for the day-to-day management of the fund’s portfolio. The Adviser pays the sub-investment adviser a monthly fee at an annual percentage of the value of the fund’s average daily net assets. The Adviser has obtained an exemptive order from the SEC (the “Order”), upon which

the fund may rely, to use a manager of managers approach that permits the Adviser, subject to certain conditions and approval by the Board, to enter into and materially amend sub-investment advisory agreements with one or more sub-investment advisers who are either unaffiliated with the Adviser or are wholly-owned subsidiaries (as defined under the Act) of the Adviser's ultimate parent company, BNY Mellon, without obtaining shareholder approval. The Order also allows the fund to disclose the sub-investment advisory fee paid by the Adviser to any unaffiliated sub-investment adviser in the aggregate with other unaffiliated sub-investment advisers in documents filed with the SEC and provided to shareholders. In addition, pursuant to the Order, it is not necessary to disclose the sub-investment advisory fee payable by the Adviser separately to a sub-investment adviser that is a wholly-owned subsidiary of BNY Mellon in documents filed with the SEC and provided to shareholders; such fees are to be aggregated with fees payable to the Adviser. The Adviser has ultimate responsibility (subject to oversight by the Board) to supervise any sub-investment adviser and recommend the hiring, termination, and replacement of any sub-investment adviser to the Board.

**(b)** Under the Distribution Plan adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Distribution Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Distribution Plan are payable without regard to actual expenses incurred. During the period ended June 30, 2021, Service shares were charged \$25,483 pursuant to the Distribution Plan.

**(c)** Under the Shareholder Services Plan, Initial shares reimburse the Distributor at an amount not to exceed an annual rate of .25% of the value of its average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares' shareholder accounts. During the period ended June 30, 2021, Initial shares were charged \$3,397 pursuant to the Shareholder Services Plan.

The fund has an arrangement with the transfer agent whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency fees. For financial reporting purposes, the fund includes net earnings credits, if any, as shareholder servicing costs in the Statement of Operations.

The fund has an arrangement with the custodian whereby the fund will receive interest income or be charged an overdraft fees when cash balances are maintained. For financial reporting purposes, the fund includes this interest income and overdraft fees, if any, as interest income in the Statement of Operations.

The fund compensates BNY Mellon Transfer, Inc., a wholly-owned subsidiary of the Adviser, under a transfer agency agreement for providing transfer agency and cash management services inclusive of earnings credits, if any, for the fund. The majority of transfer agency fees are comprised of amounts paid on a per account basis, while cash management fees are related to fund subscriptions and redemptions. During the period ended June 30, 2021, the fund was charged \$864 for transfer agency services, inclusive of earnings credit, if any. These fees are included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. These fees are determined based on net assets, geographic region and transaction activity. During the period ended June 30, 2021, the fund was charged \$3,522 pursuant to the custody agreement.

During the period ended June 30, 2021, the fund was charged \$7,862 for services performed by the Chief Compliance Officer and his staff. These fees are included in Chief Compliance Officer fees in the Statement of Operations.

The components of “Due to BNY Mellon Investment Adviser, Inc. and affiliates” in the Statement of Assets and Liabilities consist of: management fees of \$158,039, Distribution Plan fees of \$4,623, Shareholder Service Plan fees of \$578, custodian fees of \$1,800, Chief Compliance Officer fees of \$7,862 and transfer agency fees of \$334.

**(d)** Each Board member also serves as a Board member of other funds in the BNY Mellon Family of Funds complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

**NOTE 4—Securities Transactions:**

The aggregate amount of purchases and sales of investment securities, excluding short-term securities and forward foreign currency exchange contracts (“forward contracts”), during the period ended June 30, 2021, amounted to \$29,608,065 and \$37,766,588, respectively.

**Derivatives:** A derivative is a financial instrument whose performance is derived from the performance of another asset. The fund enters into International Swaps and Derivatives Association, Inc. Master Agreements

or similar agreements (collectively, “Master Agreements”) with its over-the-counter (“OTC”) derivative contract counterparties in order to, among other things, reduce its credit risk to counterparties. Master Agreements include provisions for general obligations, representations, collateral and events of default or termination. Under a Master Agreement, the fund may offset with the counterparty certain derivative financial instruments’ payables and/or receivables with collateral held and/or posted and create one single net payment in the event of default or termination.

Each type of derivative instrument that was held by the fund during the period ended June 30, 2021 is discussed below.

**Forward Foreign Currency Exchange Contracts:** The fund enters into forward contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign portfolio holdings, to settle foreign currency transactions or as a part of its investment strategy. When executing forward contracts, the fund is obligated to buy or sell a foreign currency at a specified rate on a certain date in the future. With respect to sales of forward contracts, the fund incurs a loss if the value of the contract increases between the date the forward contract is opened and the date the forward contract is closed. The fund realizes a gain if the value of the contract decreases between those dates. With respect to purchases of forward contracts, the fund incurs a loss if the value of the contract decreases between the date the forward contract is opened and the date the forward contract is closed. The fund realizes a gain if the value of the contract increases between those dates. Any realized or unrealized gains or losses which occurred during the period are reflected in the Statement of Operations. The fund is exposed to foreign currency risk as a result of changes in value of underlying financial instruments. The fund is also exposed to credit risk associated with counterparty nonperformance on these forward contracts, which is generally limited to the unrealized gain on each open contract. This risk may be mitigated by Master Agreements, if any, between the fund and the counterparty and the posting of collateral, if any, by the counterparty to the fund to cover the fund’s exposure to the counterparty. At June 30, 2021, there were no outstanding forward contracts.

The following summarizes the average market value of derivatives outstanding during the period ended June 30, 2021:

	Average Market Value (\$)
Forward contracts	14,554

NOTES TO FINANCIAL STATEMENTS (Unaudited) *(continued)*

At June 30, 2021, accumulated net unrealized appreciation on investments was \$140,711,843, consisting of \$141,609,657 gross unrealized appreciation and \$897,814 gross unrealized depreciation.

At June 30, 2021, the cost of investments for federal income tax purposes was substantially the same as the cost for financial reporting purposes (see the Statement of Investments).

## INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AND SUB-INVESTMENT ADVISORY AGREEMENTS (Unaudited)

At a meeting of the fund's Board of Directors held on May 18, 2021, the Board considered the renewal of the fund's Management Agreement pursuant to which the Adviser provides the fund with investment advisory and administrative services (the "Agreement"), and the Sub-Investment Advisory Agreement (together, the "Agreements"), pursuant to which Newton Investment Management Limited (the "Subadviser") provides day-to-day management of the fund's investments. The Board members, a majority of whom are not "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of the Adviser and the Subadviser. In considering the renewal of the Agreements, the Board considered several factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board considered information provided to it at the meeting and in previous presentations from representatives of the Adviser regarding the nature, extent, and quality of the services provided to funds in the BNY Mellon fund complex, including the fund. The Adviser provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. The Adviser also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the BNY Mellon fund complex (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or the Adviser) and the Adviser's corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to the fund.

The Board also considered research support available to, and portfolio management capabilities of, the fund's portfolio management personnel and that the Adviser also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board also considered the Adviser's extensive administrative, accounting and compliance infrastructures, as well as the Adviser's supervisory activities over the Subadviser. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board reviewed reports prepared by Broadridge Financial Solutions, Inc. ("Broadridge"), an independent provider of investment company data based on classifications provided by Thomson Reuters Lipper, which included information comparing (1) the performance of the fund's Initial shares with the performance of a group of large-cap core funds underlying variable insurance products ("VIPs") selected by Broadridge as comparable to the fund ("Performance Group 1") and with a broader

## INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AND SUB-INVESTMENT ADVISORY AGREEMENTS (Unaudited) *(continued)*

group of funds consisting of all large-cap core funds underlying VIPs (the “Performance Universe”), all for various periods ended March 31, 2021; (2) at the request of the Adviser, the performance of the fund’s Initial shares with the performance of a second group of large-cap core funds underlying VIPs with an above average Morningstar ESG (environmental, social and governance) Sustainable Ranking selected by Broadridge (“Performance Group 2”), all for various periods ended March 31, 2021; (3) the fund’s actual and contractual management fees and total expenses of the fund’s Initial shares with those of two groups of comparable funds, one identical to Performance Group 1 (“Expense Group 1”) and the other identical to Performance Group 2 (“Expense Group 2”), and with a broader group of all large-cap core funds underlying VIPs with similar 12b-1/non-12b-1 structures, excluding outliers (the “Expense Universe”); and (4) at the request of the Adviser, the total expenses of the fund’s Service shares with those of Expense Group 1, Expense Group 2 and the Expense Universe, the information for which was derived in part from fund financial statements available to Broadridge as of the date of its analysis. The Adviser previously had furnished the Board with a description of the methodology Broadridge used to select the Performance Groups and Performance Universe and the Expense Groups and Expense Universe.

*Performance Comparisons.* Representatives of the Adviser stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations and policies that may be applicable to the fund and comparison funds and the end date selected. The Board discussed with representatives of the Adviser and the Subadviser the results of the comparisons and considered that the fund’s total return performance was above the Performance Group 1, Performance Group 2 and Performance Universe medians for all periods, except the one-year period when the total return performance was below the Performance Group 1 median, ranking in the first quartile of Performance Group 1 and Performance Group 2 in most of the periods shown. The Adviser also provided a comparison of the fund’s calendar year total returns to the returns of the fund’s benchmark index.

*Management Fee and Expense Ratio Comparisons.* The Board reviewed and considered the contractual management fee rate payable by the fund to the Adviser in light of the nature, extent and quality of the management and sub-advisory services provided by the Adviser and the Subadviser, respectively. In addition, the Board reviewed and considered the actual management fee rate paid by the fund over the fund’s last fiscal year. The Board also reviewed the range of actual and contractual management fees and total expenses as a percentage of average net assets of the Expense Group and Expense Universe funds and discussed the results of the comparisons.

The Board considered that the fund’s contractual management fee was below the Expense Groups 1 and 2 contractual management fee medians, the fund’s actual management fee was above the Expense Group 1 median, below the Expense Group 2 median and slightly above the Expense Universe median actual management fee, the total expenses of the fund’s Initial shares were below the Expense Groups 1 and 2 medians and the Expense Universe median total expenses, and the total expenses of the

fund's Service shares were above the Expense Group 1 median, approximately equal to the Expense Group 2 median and above the Expense Universe median total expenses.

Representatives of the Adviser stated that the Adviser has contractually agreed, until April 30, 2022, to waive receipt of its fees and/or assume the direct expenses of the fund so that the direct expenses of none of its classes (excluding Rule 12b-1 fees, shareholder services fees, taxes, interest, brokerage commissions, commitment fees on borrowings and extraordinary expenses) exceed 0.70% of the fund's average daily net assets.

Representatives of the Adviser reviewed with the Board the management or investment advisory fees paid by the one fund advised or administered by the Adviser that is in the same Lipper category as the fund (the "Similar Fund"), and explained the nature of the Similar Fund. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board considered the relevance of the fee information provided for the Similar Fund to evaluate the appropriateness of the fund's management fee. Representatives of the Adviser noted that there were no separate accounts and/or other types of client portfolios advised by the Adviser or the Subadviser that are considered to have similar investment strategies and policies as the fund.

The Board considered the fee payable to the Subadviser in relation to the fee payable to the Adviser by the fund and the respective services provided by the Subadviser and the Adviser. The Board also took into consideration that the Subadviser's fee is paid by the Adviser, out of its fee from the fund, and not the fund.

Analysis of Profitability and Economies of Scale. Representatives of the Adviser reviewed the expenses allocated and profit received by the Adviser and its affiliates and the resulting profitability percentage for managing the fund and the aggregate profitability percentage to the Adviser and its affiliates for managing the funds in the BNY Mellon fund complex, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not excessive, given the services rendered and service levels provided by the Adviser and its affiliates. The Board also had been provided with information prepared by an independent consulting firm regarding the Adviser's approach to allocating costs to, and determining the profitability of, individual funds and the entire BNY Mellon fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board considered, on the advice of its counsel, the profitability analysis (1) as part of its evaluation of whether the fees under the Agreements, considered in relation to the mix of services provided by the Adviser and the Subadviser, including the nature, extent and quality of such services, supported the renewal of the Agreements and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. Since the Adviser, and not the fund, pays the Subadviser pursuant to the Sub-Investment Advisory Agreement, the Board did not

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AND SUB-INVESTMENT ADVISORY AGREEMENTS (Unaudited) *(continued)*

consider the Subadviser's profitability to be relevant to its deliberations. Representatives of the Adviser also stated that, as a result of shared and allocated costs among funds in the BNY Mellon fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board also considered potential benefits to the Adviser and the Subadviser from acting as investment adviser and sub-investment adviser, respectively, and took into consideration that there were no soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreements. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by the Adviser and the Subadviser are adequate and appropriate.
- The Board was satisfied with the fund's performance and determined to approve renewal of the Agreement through August 31, 2021, not due to the fund's performance, but to align with the renewal of the advisory agreements of other funds in the BNY Mellon Family of Funds with the same Board.
- The Board concluded that the fees paid to the Adviser and the Subadviser continued to be appropriate under the circumstances and in light of the factors and the totality of the services provided as discussed above, subject to review no later than the next renewal consideration.
- The Board determined that the economies of scale which may accrue to the Adviser and its affiliates in connection with the management of the fund had been adequately considered by the Adviser in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

In evaluating the Agreements, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with the Adviser and its affiliates and the Subadviser, of the Adviser and the Subadviser and the services provided to the fund by the Adviser and the Subadviser. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreements, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. In addition, the Board's consideration of the contractual fee arrangements for the fund had the benefit of a number of years of reviews of the

Agreements for the fund, or substantially similar agreements for other BNY Mellon funds that the Board oversees, during which lengthy discussions took place between the Board and representatives of the Adviser. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the fund's arrangements, or substantially similar arrangements for other BNY Mellon funds that the Board oversees, in prior years. The Board determined to renew the Agreements through August 31, 2021.

## LIQUIDITY RISK MANAGEMENT PROGRAM (Unaudited)

Effective June 1, 2019, the fund adopted a liquidity risk management program (the “Liquidity Risk Management Program”) pursuant to the requirements of Rule 22e-4 under the Investment Company Act of 1940, as amended. Rule 22e-4 requires registered open-end funds, including mutual funds and exchange-traded funds but not money market funds, to establish liquidity risk management programs in order to effectively manage fund liquidity and shareholder redemptions. The rule is designed to mitigate the risk that a fund could not meet redemption requests without significantly diluting the interests of remaining investors.

The rule requires the fund to assess, manage and review their liquidity risk at least annually considering applicable factors such as investment strategy and liquidity during normal and foreseeable stressed conditions, including whether the strategy is appropriate for an open-end fund and whether the fund has a relatively concentrated portfolio or large positions in particular issuers. The fund must also assess its use of borrowings and derivatives, short-term and long-term cash flow projections in normal and stressed conditions, holdings of cash and cash equivalents, and borrowing arrangements and other funding sources.

The rule also requires the fund to classify its investments as highly liquid, moderately liquid, less liquid or illiquid based on the number of days the fund expects it would take to liquidate the investment, and to review these classifications at least monthly or more often under certain conditions. The periods range from three or fewer business days for a highly liquid investment to greater than seven calendar days for settlement of a less liquid investment. Illiquid investments are those a fund does not expect to be able to sell or dispose of within seven calendar days without significantly changing the market value. The fund is prohibited from acquiring an investment if, after the acquisition, its holdings of illiquid assets will exceed 15% of its net assets. In addition, if a fund permits redemptions in-kind, the rule requires the fund to establish redemption in-kind policies and procedures governing how and when it will engage in such redemptions.

Pursuant to the rule’s requirements, the Liquidity Risk Management Program has been reviewed and approved by the Board. Furthermore, the Board has received a written report prepared by the Program’s Administrator that addresses the operation of the Program, assesses its adequacy and effectiveness and describes any material changes made to the Program.

### *Assessment of Program*

In the opinion of the Program Administrator, the Program approved by the Board continues to be adequate for the fund and the Program has been implemented effectively. The Program Administrator has monitored the fund’s liquidity risk and the liquidity classification of the securities held by the fund and has determined that the Program is operating effectively.

During the period from January 1, 2020 to December 31, 2020, there were no material changes to the Program and no material liquidity events that impacted the fund. During the period, the fund held sufficient highly liquid assets to meet fund redemptions.

Under normal expected foreseeable fund redemption forecasts and foreseeable stressed fund redemption forecasts, the Program Administrator believes that the fund maintains sufficient highly liquid assets to meet expected fund redemptions.

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# For More Information

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**Internet** Information can be viewed online or downloaded at [www.im.bnymellon.com](http://www.im.bnymellon.com)

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (“SEC”) for the first and third quarters of each fiscal year on Form N-PORT. The fund’s Forms N-PORT are available on the SEC’s website at [www.sec.gov](http://www.sec.gov).

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at [www.im.bnymellon.com](http://www.im.bnymellon.com) and on the SEC’s website at [www.sec.gov](http://www.sec.gov) and without charge, upon request, by calling 1-800-373-9387.



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