

2019 Arch Sustainability Report
WE **ENABLE** POSSIBILITY



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A MESSAGE FROM OUR PRESIDENT AND CEO



Insurance supports the innovations that allow the global economy to prosper. At Arch, our Purpose, We Enable Possibility, is how we aim to inspire our clients, employees, investors and communities to achieve their greatest potential. Today more than ever, amid the unprecedented realities of the COVID-19 pandemic, this purpose serves as a guide for our actions as a responsible corporate citizen. From continuing to enable people to buy their first home, to creating safer communities, to investing in the development of our employees and encouraging them to give back, our business continues to revolve around building resiliency and managing risk, with an eye toward making the people, places and institutions in our sphere of influence better and stronger.

Since Arch was formed in 2001, we have grown in many ways: geographically, through new lines of business and by increasing the size of our workforce. What hasn't changed is how our employees — and the company itself — have consistently made generosity and compassion a cornerstone of our culture. Whether through corporate donations, matching gifts or the volunteerism of approximately 4,300 employees around the world, Arch is committed to making a measurable positive social and environmental impact.

Striving to make a difference is one of our corporate values, and as our company has grown, so has our aspiration for how we will positively shape our world. In 2019, we created an Environmental, Social and Governance (ESG) team to enhance the impact we have and better coordinate our efforts across our businesses. We also formalized ESG oversight at the Board of Directors level, launched an investment manager ESG performance survey and created an employee-led environmental stewardship committee, among other initiatives.

While Arch has a proud history of generosity and service to others, we haven't thoroughly communicated to our employees, our customers or our investors what we were doing and why. Until now.

For the past 10 months, we have been on an "ESG journey" to collect, organize and share information about the initiatives that make our company special, and our work in this area is just beginning. Simply reporting what we do is not enough; we understand that our stakeholders expect information about how we implement ESG in the way we operate, how we manage the risks in our own operations and those of our policyholders and how we drive impact. We are in the process of crafting an ongoing strategic plan to improve how we operate as a corporate citizen.

To me, preparing ourselves to address long-term ESG developments and societal needs while strengthening our current ESG policies and practices is what a sustainable strategy requires. We are excited to share Arch's first sustainability report with you and appreciate your attention and support.

MARC GRANDISSON
President and Chief Executive Officer
Arch Capital Group Ltd.

ESG AT ARCH

This first sustainability report incorporates and reflects ESG disclosures and meaningful sustainability stories from across our organization in 2019. Ultimately, however, the report reflects an ESG journey that we've been on for many years. The process of articulating our ESG priorities and goals reinforces what we already knew: we have a strong commitment to being

responsible and to integrating ESG best practices into our business.

We are proud to share our approach, policies and practices in this report with our employees, investors, regulators and other stakeholders. We believe they will be as engaged as we are with our firm commitment to do right and to be a responsible corporate citizen.

Our Three Levers for Driving Meaningful ESG Integration

1 We invest in the success of our employees.

We are dedicated to helping our people succeed by creating a meaningful, challenging and fulfilling work experience. By investing in learning, career development and attractive benefits, and by practicing our values of inclusion, equality and respect — we are able to grow our business from within and drive innovation across our company.

2 We help build stronger communities through our generosity and specialized insurance products.

Generosity and compassion are integral parts of our culture, and we are committed to providing our people the flexibility to build stronger communities through volunteering and giving. Their commitment is clear in how they've helped Arch develop solutions and specialized insurance products. From accelerating peoples' "dream" of owning a home, to educating companies about safer practices, we are helping people and companies more effectively take, protect and manage risks.

3 We operate responsibly and sustainably.

From advancing our internal sustainability efforts, to promoting stewardship among our business partners, to managing the risks of doing business, we strive to operate responsibly in everything we do.

Our Reporting Process

Defining ESG Priorities

In 2019, we conducted our first ESG materiality* assessment (for sustainability purposes) to explore and prioritize potentially relevant topics to Arch and our key stakeholders. We compiled an initial set of topics from leading industry-specific third-party sustainability standards and organizations, including the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). We supplemented these topics with other publicly available resources, the findings from a comprehensive peer assessment, existing programs at Arch and the results of our first companywide employee engagement survey.

To prioritize the topics, we sought a wide variety of perspectives by engaging executives across our core businesses and centralized functions in one-on-one interviews and reviewing external stakeholder-specific documentation on key ESG issues. We

formalized these issues and our existing activities into a strategy comprised of three main pillars. We validated these topics with Arch's internal ESG Steering Committee, which includes our President/CEO, CFO, COO and leaders from Human Resources, Marketing/Communications, Legal and Investor Relations. The ESG Steering Committee reviewed the assessment results, provided feedback and approved the priority ESG and sustainability topics. Starting in February 2020, the Nominating and Governance Committee of our Board of Directors oversees the establishment, management and processes related to ESG activities.

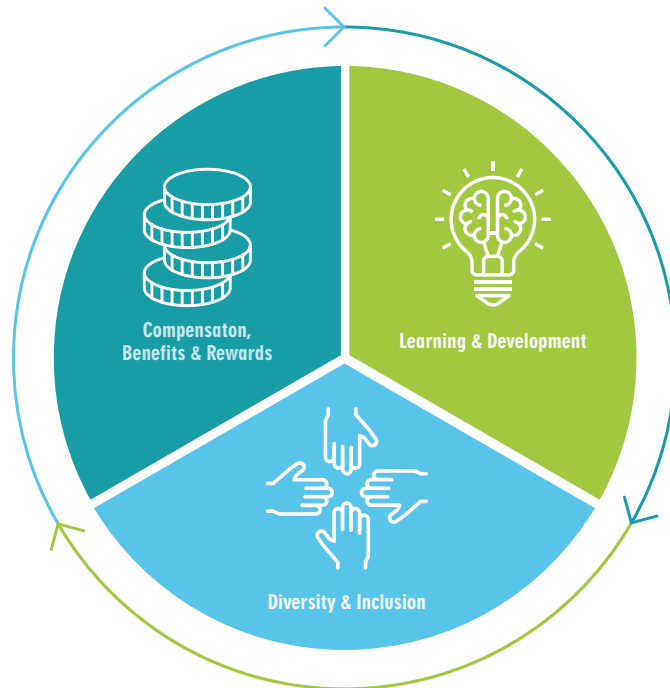
Reporting Guide

ESG at Arch is not new, but the way we report it is. We recognize there are several standards available for ESG-related reporting and we are working to improve our disclosures for interested stakeholders. See also our 2019 SASB Report, available on our website.

** Material issues for sustainability purposes most important to our business and stakeholders and are not related to financial material issues, as defined by the SEC.*

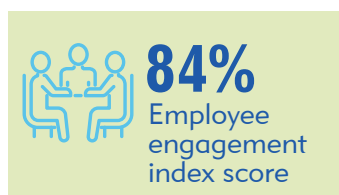


1. INVESTING IN OUR EMPLOYEES



At Arch, we have a performance-driven culture, focused on winning in our markets by providing the best customer solutions. We know our financial success depends on our people — both their individual talents and their ability to collaborate in teams.

2019 Employee Highlights



2020 Employee Priorities

Benefits education and offerings and work-life balance initiatives.

Leadership and professional development opportunities.

Diversity and inclusion strategy and programs.

Enhanced HR systems to support worldwide employees.

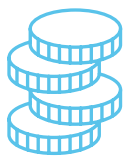
Given the high caliber of talent needed to run our business, we are keenly focused on creating an unmatched employee experience by building an inclusive culture where our employees are engaged, developed, rewarded, recognized and provided the opportunity and flexibility to contribute to their communities.

We work hard to attract, develop and retain highly talented individuals who embrace our culture. We are a growing organization with an increasingly global footprint. To ensure that our employees are well supported across our business segments, we are focused on streamlining our processes to create an aligned and consistent “One Arch” experience.

Our One Arch approach drives operational efficiencies, improved insights and superior support services and solutions. We expect this approach to make a significant difference in the experience of our employees as we:

- Identify opportunities for our talent to develop professionally across lines of business.
- Analyze diversity and inclusion (D&I) measures on a One Arch basis and utilize the resulting insights in future D&I initiatives.
- Organize robust, inclusive and measurable community impact programming.
- Educate our employees about our competitive benefits offerings and work-life balance initiatives.
- Review global benefits offerings to ensure there is alignment with employee needs.





Compensation, Benefits and Rewards

Our employees are Arch's greatest asset. Creating and maintaining a supportive work environment is paramount to our success.

How Arch Competes for Talent

Attracting, developing and retaining talented people is a key objective for our leaders and human resources. We strive to enrich our employees' well-being financially, physically and mentally. We know that when employees and their families are satisfied, they are more present and focused in both their personal and professional lives.

To enable a healthy level of work-life balance for our employees, we offer a comprehensive benefits program. Learn more about our employee benefits [here](#).



Financial Well-Being Benefits

We are proud of the compensation packages we offer employees including competitive base salaries, incentive compensation programs and other measures, if eligible.

Employee Share Purchase Plan

Our popular Employee Share Purchase Plan (ESPP) provides employees with an avenue to add to their financial well-being by purchasing Arch stock at a discount. The program was launched in 2007 and is available to more than 3,600 employees worldwide (approximately 85% of our workforce). Participants gain the ability to be part of Arch's future success, as it aligns our employees' interests with our shareholders' interests.

The ESPP has consecutive 6-month offering periods. Participants purchase shares at the end of the offering period at 85% of the trading price at the beginning of the offering period ("discount price").

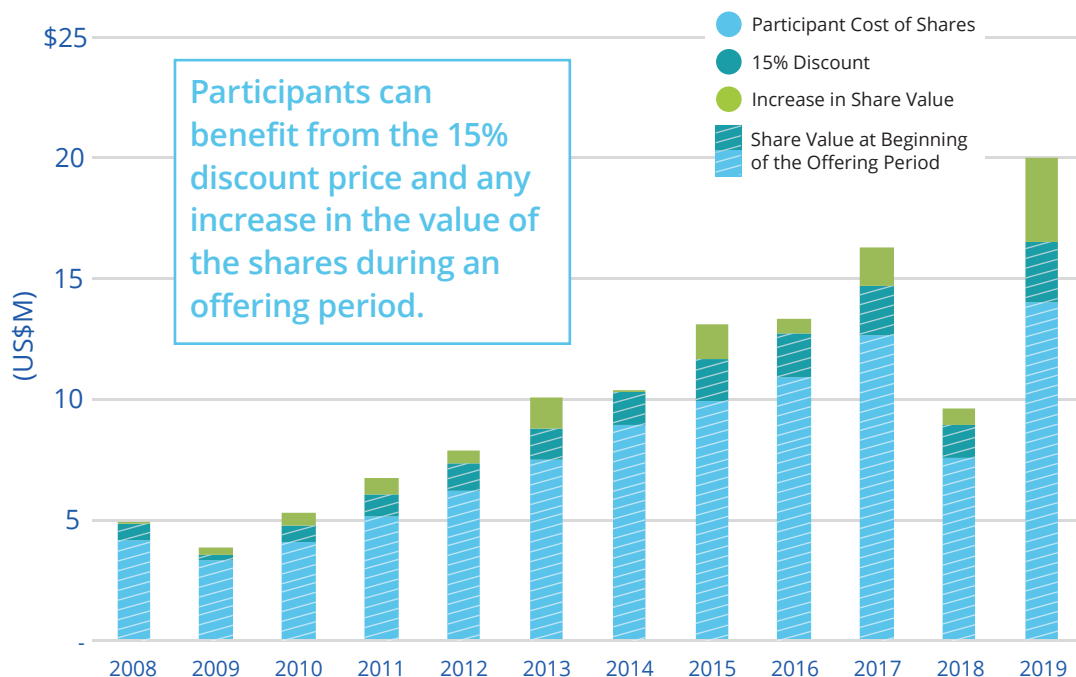
Parental Leave Policy

Arch provides a flexible parental leave policy designed to give new mothers and fathers paid time off to adjust to all that comes with having a new child or the placement of a child in connection with an adoption or foster care.

Parental leave is compensated at 100% of the employee's regular base pay rate and leave periods vary by region. For example, in the U.S., eligible employees will receive a maximum of 10 weeks of parental leave per birth, adoption or placement of a child/children in a rolling 6-month period.



ESPP: Employees Share in Arch's Future Success



During the 2019 offering periods, our employees were able to purchase shares with an aggregate value of approximately **\$20 million** for an aggregate purchase price of approximately **\$14 million**.

During the first offering period of 2018, the fair market value of the stock fell below the discount price. Shares were not purchased and the employees' contributions were returned to them.



Enabling Employees to Save for Retirement

Arch contributes generously to **retirement savings plans** on behalf of our eligible employees. In the U.S., we offer the following 401(k) plan benefits to all full- and part-time employees:

- **Non-discretionary matching contribution** in an amount equal to 100% of the first 3% of employees' eligible compensation and 50% of the next 3% of their eligible compensation.
- **Arch employer non-elective contributions** of between 5% and 10% of eligible compensation.
- **Roth and traditional employee contribution options** give employees the freedom to meet their tax planning needs.



Student Loan Payback Assistance Program

Additionally, we're working to relieve some of the education-related financial pressure for current employees in two direct ways. In 2018, we announced a student loan payback assistance program for our U.S.-based employees. We also have a generous tuition reimbursement policy to support current employees who are still in school, or are considering returning to school.



\$1.38 million

Student loan payback contributions since program inception

381 employees

received benefits

Employee Recognition — Arch Achieve

Each year, we offer a unique and meaningful award where our employees nominate colleagues they believe are most deserving of recognition for their exceptional work, teamwork, innovation, positive relationships, integrity and reflection of Arch's core values. Fellow employees, who are past winners of the award, review the nominations and select the next honorees. The winners in most locations receive Arch stock. In locations where stock cannot be granted, the winners receive a cash award.

Since the program's inception in 2009

307 employees

received an Arch Achieve Award

Overall, the program provides a gauge of the strength of our culture and values. In 2019, there were approximately 400 unique Arch Achieve nominations, 25% more than the number of

submissions in 2018, and the most we've received in a year since the program's introduction. And, since the program's inception, more than 300 employees have received an Arch Achieve Award.

Mental and Physical Well-Being Benefits

We manage our health and welfare benefits geographically, taking into account local needs and requirements.

Based on the country, our employee benefit programs may include:

- Medical and prescription drug coverage.
- Dental.
- Vision.
- Group life insurance.
- Short- and long-term disability.
- Paid time off.
- Legal services.
- Health care flexible spending.
- Dependent care flexible spending.
- Transit and parking programs.
- Parental leave.
- Child and elder care support and discounts.

In the United States, both full- and part-time employees and their eligible family members, including spouses, domestic partners and children, are eligible for most coverage from their first day of employment.



Since day one, we have found that continued investment in a portfolio of services, benefits and learning opportunities for our employees pays high dividends. We regularly review our programs to ensure we provide value. For example, our student-debt assistance program has helped close to 400 employees pay down their debt over the past two years.

—Annie Howden Yarmy
SVP, Employee Engagement



Empowering Employees to Meet Wellness Goals

- An Employee Assistance Program (EAP), which offers a variety of services including professional counseling and work-life seminars, resources and referrals, and is free, confidential and available 24/7.
- A service that helps employees find top-rated doctors in the area, facilitates a second opinion from a specialist and provides information about a new diagnosis or treatment.
- Discounts at health clubs.
- Discounted weight management programs and tobacco cessation programs.
- Wellness screenings.
- A diabetes management program.



Learning and Development

In response to our 2019 employee engagement survey, Arch employees reported learning and development (L&D) as one of their top three drivers of engagement and work productivity. In the face of a rapidly evolving industry and marketplace, a robust approach to L&D enables us to grow our business from within and continue to produce innovative solutions across our operating segments. For these reasons, L&D is a major tenet of our talent development strategy.

We engage our employees by helping them build skills and experiences in their current roles, as well as preparing them for future roles in their careers.

We offer several resources for L&D at various career stages. These resources enable our employees to continuously build their technical skills and earn specific certifications. Our programs also facilitate the development of personal communication and leadership skills. We believe that providing opportunities to learn both technical and leadership skills can lead to high-impact growth and successful development.

Companywide Training

Arch University

Through our Arch University ("Arch U") learning



Arch University was launched in 2018

platform, we provide extensive coursework and certification opportunities for our employees around the globe. In 2019, we revamped Arch U to focus more on employee growth and development. We implemented

these improvements to empower and encourage our employees to make the most of their careers, including the rollout of optional curated learning paths and career planning tools within the platform.

LinkedIn Learning

Additionally in 2019, we launched LinkedIn Learning access for every employee. This platform offers thousands of on-demand training videos and e-books from industry experts.

2019



1,300
Courses
accessed by
employees



2,500
Hours of
training

LinkedIn Learning

2019



8,000
Courses
accessed by
employees



3,500
Hours of
training
viewed



Performance Management

At Arch, teamwork and communication are part of our core values. Our managers provide real-time feedback on an ongoing basis, and each year we formally undertake a performance management process for all of our employees. We review goals and reflect on accomplishments, identify areas for further learning and work together to create development plans.

We use this time to set new goals for the coming year. The assessment is a way for us to engage in meaningful conversations, as it provides transparency regarding career progression and compensation. We utilize these performance ratings in the compensation review to provide guidance on merit increase ranges and to factor into personal performance modifiers on annual incentive compensation programs.

Developing Early Professionals

We recognize that early professionals have unique development needs. Our approach is to provide support to this group in a holistic way. We offer unique internship opportunities to work with talented professionals through an industry-leading young professionals training program in underwriting. We also offer scholarships and tuition reimbursement programs and access to mentoring relationships.

Internships

We offer both summer and semester-long internships for highly motivated and high-performing students. We offer interns a competitive salary and we pair them with exceptional mentors. Our internship program is not a one-size-fits-all experience. Arch interns are assigned to specific business or support units for the duration of their internship. Within their assigned group, interns are

“

The Underwriting Program was an incredible ... kick-start as a new Arch employee. ... I learned about the company's values, its various business units and gained the skills to be an underwriter.

—Madeline Maxwell (Class of 2019)

”

given the opportunity to work on practical projects that are applicable and meaningful to our business. Interns also participate in social activities with their teammates and other interns and share their experiences and insights with executives. We believe this approach provides meaningful personal growth for the individual and allows them to match their personal career goals with the most fitting area of our business.

Underwriting Training — Young Professionals Program

Arch offers a robust early career training program with a keen focus on technical and professional development. The Underwriting Training Program is designed to give participants a great advantage and significant head start as they acquire the skills, technical knowledge and professional relationships they need to build a long and successful career at Arch. The 12-month program offers a challenging curriculum, including classroom and hands-on experience.



Training for Experienced Professionals

Development at Arch does not end at a certain position or level, which is why we invest in programs for experienced professionals. We have comprehensive succession planning and targeted development programs in place for every stage of our employees' careers.

Manager and Leadership Training

For employees further along in their Arch careers, we focus on leadership and managerial skill development. In 2019, we introduced more intentional leadership coaching sessions and training programs to ensure our managers are well equipped to prioritize the development of their direct reports and teams.

Managerial effectiveness is measured in our employee survey, and we utilize our results to help identify areas for improvement in specific teams or segments of our organization. We also use these results to analyze areas where we are successful and areas where we need additional support. As a result, we created our IMPACT Leadership Development Program.

IMPACT Leadership Development Program

IMPACT is a nomination-based, cohort-driven leadership development program designed to build core skills and competencies required to succeed in our competitive industry. Employees experience a mix of in-person and virtual learning, collaborative group learning and discussions. Arch delivers this program in collaboration with Harvard Business Publishing Corporate Learning. Participants have access to world-class content and learn from Harvard professors, thought leaders and top Arch executives.

Certified Mortgage Banker Designation

For our mortgage employees, we have partnered with Mortgage Bankers Association (MBA) Education to offer more specific courses that help employees become more knowledgeable about relevant developments in the mortgage industry. By providing a required curriculum, we enable these specialized employees to receive an MBA Certified Mortgage Banker designation.



Scholarships

As part of Arch's commitment to personal development, we support education in the communities where we work and live. We offer a range of scholarships to support the professional growth of high potential, young individuals.

Bermuda Internship to Scholarship Program

Bermuda, where our corporate headquarters are located, is an insurance and reinsurance industry hub. Since the industry is so prevalent on the island, many Bermudian students plan for careers in insurance.

To support these future industry leaders, we established a summer internship program that works with local high schools to identify high-achieving students. Each student gains insight into our operations and participates in an Arch-sponsored community volunteer event.

Scholarships are awarded to those students who plan to complete their studies at an accredited university in an insurance-related field. Since the program's inception in 2016, we have paid over \$70,000 in tuition assistance.

U.S. and Canada Actuarial Scholarship Program

In 2019, Arch partnered with the Casualty Actuaries of Greater New York (CAGNY) to sponsor actuarial scholarships.

The scholarships are available to U.S. and Canadian citizens or visa holders with demonstrated high scholastic achievement and a strong interest in pursuing a career in the property and casualty (P&C) industry.

The scholarships are designed to further student interest in the P&C actuarial profession and to encourage the attainment of the Casualty Actuarial Society designations. They typically range from \$1,500 to \$5,000.



MBA Scholarship Fund

The Bryan School of Business and Economics at the University of North Carolina at Greensboro develops principled leaders and exceptional problem solvers through coursework, hands-on projects, global experiences and community outreach. Students gain a global perspective, an innovative mindset, a broad understanding of sustainability and a commitment to improve the organizations in which they work and the communities in which they live.

Arch Mortgage donates to the Bryan School each year, and three students received support from the Arch MI MBA Scholarship Fund for the 2019–2020 academic year.



Diversity and Inclusion

At Arch, we know that diversity and inclusion (D&I) are deeply connected to employee engagement. Inclusion drives engagement, which drives top-line growth and operational consistency and helps manage risk over time.



We promote a workplace that values inclusiveness, equality and respect. Arch employees have a responsibility to embrace and welcome individual differences, fostering a deep sense of empowerment to achieve their personal and collective goals and to make a difference. Simply put, our employees excel when we get this right.

Getting this right is a complex challenge. As a company, we recognize the importance of taking a thoughtful and thorough approach to fulfilling this responsibility for our employees and all stakeholders. Currently, 22% of our independent directors are women. We are committed to continuing to enhance diversity on our board.



Every day, we each bring our own set of diverse backgrounds and life experiences to Arch. Appreciating our differences and, better yet, leveraging our differences to drive innovation, is key to enabling possibility. Our culture is special and unique at Arch. As we grow, we have the opportunity to build on that culture and make it even more inclusive.

—Jennifer Centrone
Chief Human Resources Officer



In 2020, we set a goal to finalize our diversity and inclusion strategy and to select a few key areas of focus to have the most impact. To reach that goal, we've hired a senior D&I professional with extensive experience in career development and D&I initiatives. We will be well positioned to set in motion targeted solutions.

We have many strong grassroots D&I efforts. Employee Resource Groups, Employee Engagement Committees and Women in Leadership Initiatives bring employees together to provide information and support. Executives have participated in Inclusive Leadership Training, and we utilize survey tools to encourage transparency across our organization. We take employee feedback about our culture seriously and do all we can to respond to suggestions and implement appropriate changes.

Transparency and open communication from the top down and from the bottom up are essential in building an inclusive culture. That's why we launched our first all-employee engagement survey in 2019. This survey will be one of our key tools for benchmarking our performance and tracking the effectiveness of our D&I initiatives. Working with a third-party surveyor enables us to measure ourselves against peers in the insurance and financial industries and to ensure our survey methodology is unbiased and strategic.

With approximately 4,300 employees and offices on four continents, we recognize that building an inclusive culture and embracing diverse perspectives is more than just an aspirational value, it's a business imperative.

colleagues who share their values of supporting D&I. Each ERG has an employee "President" who oversees and manages the group, and an executive sponsor to support initiatives.

While ERGs originated in our Mortgage Insurance operations, we are working in 2020 to encourage and facilitate the expansion of these grassroots employee communities globally.

Diversity and Inclusion Programs

Employee Resource Groups

Employee Resource Groups (ERGs) make Arch stronger and more inclusive. There are currently five ERGs, which allow our employees to connect with a network of

Employee Engagement Committees

Engagement committees are formed in various areas across the company to help operationalize the employee survey feedback and other employee feedback and to translate the combined feedback into meaningful changes and solutions.

EMPLOYEE RESOURCE GROUPS



Women's Leadership Initiative

This initiative is a grassroots effort to bring women together across various areas of the company to have a greater collective impact. Networking events, panels and mentoring circles have all been areas of focus as the group continues to evolve. During 2019 this group's efforts included the following:

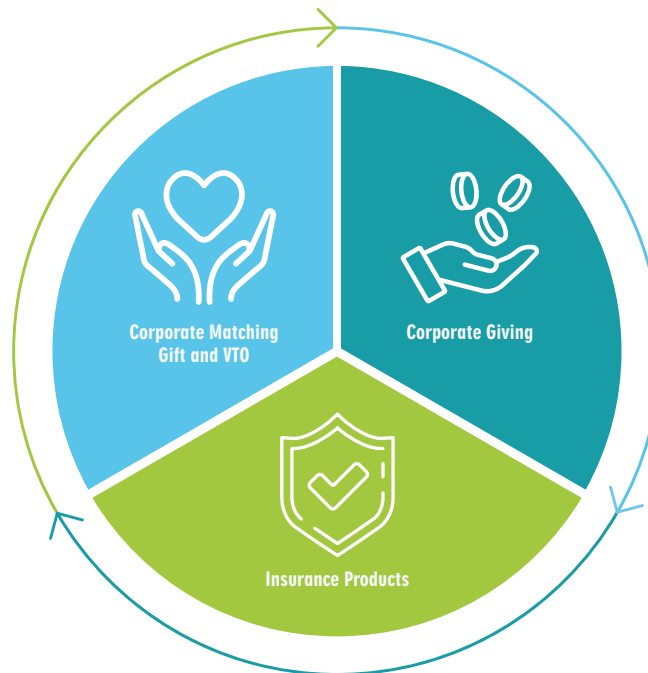
- **Women's Leadership Initiative** formed at the corporate level to promote more women leaders at Arch (formed in 2018).
- **Arch Reinsurance Women's Empowerment** program on issues facing women in the workplace (May 2019 in Jersey City, New Jersey).
- **IICF Women in Insurance Conference** sponsorship and participation (June 2019 in NYC, New York).
- **Women's Mentoring Circles Event** (July 2019 in NYC, New York).
- **Inclusive Leadership training for Executive Leaders** (Oct. 2019 in Hamilton, Bermuda).
- **Women's Panel Forum** (February 2020 in Jersey City, New Jersey).

Looking Ahead

To build a more equitable and inclusive Arch, we're working to eliminate bias in our systems and people processes. In 2019, 100% of our Executive Management Team completed Inclusive Leadership Training. Additionally, 100% of our employees complete workplace safety and harassment awareness training. We believe in the power of awareness training to positively influence our culture, and we are looking for ways to strategically build on our 2019 progress in 2020, and in years to come.



2. BUILDING STRONGER COMMUNITIES



At Arch, We Enable Possibility every day by helping people and companies take, protect and manage risks. Through our business activities and specialized product offerings, as well as through our corporate philanthropic efforts, we are committed to building stronger and more inclusive communities.

2019 Highlights



\$1.5M

Corporate giving



\$3.2M

Employee giving that was matched 1:1



Matching Gift Platform

Centralized portal launched in North America



Volunteer Time Off Policy

Unified policy introduced in North America

2020 Priorities

Expand our Corporate Matching Gift and VTO policies to our worldwide employees, subject to country requirements.

Further build out our Corporate Giving Strategy in our strategic focus areas of health, housing and education.

Continue to offer specialty insurance products and solutions to build more resilient communities.



Our Corporate Matching Gift and Volunteer Time Off Policy

Since our founding, Arch employees have helped to weave the concept of generosity and compassion for others into the fabric of our culture. We feel responsible for helping individuals and communities build safe, strong and successful neighborhoods. Through our targeted philanthropic programs, volunteering opportunities that include partnering with like-minded national/international/local organizations, and by harnessing the power of approximately 4,300 employees to engage in their communities, we are committed to making a difference.

Matching Gifts and Paid Volunteer Time Off Programs

In 2019, we announced a new community giving policy to unify and standardize our Matching Gift and Volunteer Time Off (VTO) programs for employees based in North America. As part of this policy, we use the online giving platform “Good Works” to provide a centralized location for employees to donate to charitable organizations, request matching gifts from the company and track their community giving and volunteering hours. We understand that providing volunteer opportunities, a structured VTO program and a matching gift program



We invest in our communities and encourage each other to give our time and talent in meaningful ways.



is critical to enhancing employee engagement and retention.

To match employee gifts, we ask the charitable organization to complete and sign an affirmation statement that confirms

it is upstanding, ethical and operating legally. The signed statement includes an attestation that it will not discriminate against a person or group on the basis of race, religion, color, national origin, age, sex, gender identity, disability, status as a disabled veteran, political preference, sexual orientation, pregnancy, membership or non-membership in any lawful organization or other basis prohibited by local laws or regulations.

Looking Ahead

We are excited to continue compiling information in this new platform across our U.S. and Canadian operations in 2020 with the goal of reporting our first year of matching gift and VTO data from Good Works in our 2020 Sustainability report. Our plan for 2020 is to roll the Good Works platform to our worldwide employees (subject to local requirements) and begin to incorporate their giving and volunteer hours in our totals.

Every day our employees strive to make a difference. It's not just a corporate value, it's our way of life at Arch.





Our Corporate Giving Strategy: Housing, Health and Education

Arch focuses on three core community impact categories for corporate giving: housing, health and education. We view all three as critical areas where we can productively contribute to long term community growth and **resiliency**. We believe that more inclusive and well-funded education, health and housing systems are essential to successful and sustainable community development.

Supporting Housing

Beyond the intrinsic support we deliver to the housing market through our Mortgage Insurance business solutions (see “Enabling Access to Housing and Related Mortgage Programs” for more information), we also support housing through our corporate giving strategy.

Community Housing Solutions

Arch is proud to partner with Community Housing Solutions (CHS), an organization that improves neighborhoods by providing home repairs to Guilford County, North Carolina low-income homeowners. With a skilled construction staff and volunteer groups from the community, this organization works with homeowners who fall below specific income levels to address needed home repairs. The repairs enable the homeowners to live in a secure place and a home that is warmer, drier and safer.



“ Arch MI’s contribution to Community Housing Solutions allowed us to complete six large repair projects for six low-income homeowners in Guilford County, North Carolina.

These repairs made these six homes warmer, drier and safer, preserving homeownership for these families. In addition, Arch MI provided in-kind legal review of their procurement contracts and an IT proposal helping to streamline these processes for the organization.

—Jim Jumpe, SVP Marketing and CHS Board Member



Habitat for Humanity

Habitat for Humanity Greensboro was formed in 1987, and has expanded to almost 6,000 volunteers and 30 staff members. Arch supports this organization’s efforts to build, renovate and provide critical repairs to 30 to 35 homes in the Greensboro, North Carolina area each year.

MBA Opens Doors Foundation

Arch supports The MBA Opens Doors Foundation, an organization dedicated to providing the comforts of home to families in crisis. Through the home grant program, MBA Opens Doors offers mortgage and rental assistance to parents and guardians caring for a critically ill or injured child, allowing them to take unpaid leave from work and spend precious time together without jeopardizing their homes.



Supporting a Healthier Society

Bermuda Hospitals

In 2014, Arch made a contribution of \$1 million to the Bermuda Hospitals Charitable Trust as a part of the “Why it Matters” campaign for a redevelopment project. The donation was a joint gift with the XL Group (now AXA XL) for the reception lobby in the Acute Care Wing. This area has been named the Arch XL Reception Lobby. The lobby serves as the main entrance to the Acute Care Wing and provides access to the General Wing and Healing Garden. We’ve also made significant annual contributions to the King Edward VII Memorial Hospital in Bermuda.

In 2019, Arch committed to a \$50,000 donation to the Bermuda Diabetes Association for medication for patients with a financial need.

Bermuda Cancer and Health Centre’s Relay for Life

Since 2015, Arch has participated in raising more than \$95,000 in the Bermuda Cancer and Health Centre’s annual Relay for Life event to fund cancer treatment services.

Lung Center of the Philippines

In 2019, Arch introduced a corporate giving program to support child patients at the Lung Center of the Philippines, a medical center for respiratory and thoracic surgical conditions. Our company has a significant presence in the Philippines, and we are proud to support this impactful cause with our Arch Global Services Annual Holiday Gift Giving Program.

Additionally, at the global level, we support meaningful giving initiatives that promote Arch employee wellness goals and simultaneously provide financial backing to deserving organizations.





JPMorgan Chase Corporate Challenge

The JPMorgan Chase Corporate Challenge is a 3.5 mile race series that takes place in 13 cities and seven countries. The New York City race is in Central Park, with all proceeds going directly to the Central Park Conservancy. In 2020, Team Arch will mark its 15th year participating in the event. On a warm summer night, 100 employees will run, jog or walk in one of New York City's most beautiful locations. Team Arch expanded recently to Chicago. Approximately 30 employees will run in Grant Park with all proceeds going to Chicago Cares.

Heart and JDRF Charity Walks

In 2019, Arch supported a reimbursement program for fitness trackers for all of our Mortgage Insurance employees. This wellness-oriented stipend corresponded with encouragement to join a walk/run charity event and join an online community club focused on healthy activities. Notably, employees walked a 5k on the day of the JDRF One Walk.

Improving Access to Quality Education

We primarily drive our third area of corporate giving, improving access to quality education, by supporting local initiatives focused on the neighborhood schools where our business has operations.

Partners in Giving

We are proud of our role in Partners in Giving, together with DonorsChoose.org, an acclaimed nonprofit with more than 1 million completed projects involving 26 million students since 2000. When an eligible client closed a loan we insure, Arch provided a \$100 DonorsChoose.org gift card for the lender to give the homeowner. Borrowers used the gift card to support their community's public schools with items including musical instruments, lab materials and learning technology.

"Your generous donation will go a long way to helping to prepare my students for testing and their future learning goals,"

—A Walnut Creek, CA, teacher writing about a new classroom computer

With funds remaining after the Partners in Giving program ended in 2019, we responded to teachers' requests for a variety of educational resources.

We made 28 classroom contributions totaling more than \$14,000 to schools in Greensboro and Raleigh, North Carolina and Walnut Creek, California. Student populations at several of the schools are largely from low-income households.

Guilford Education Alliance

Guilford Education Alliance (GEA) is an independent nonprofit that galvanizes the community in support of quality public education for all students. One GEA initiative is offering free materials through its Teacher Supply Warehouse, which Arch supports with employee volunteers. Additionally, our employee resource groups host school supply drives, and Arch makes a generous corporate donation annually.

in a Day,” where employees deliver JA programming directly to hundreds of middle schoolers in Greensboro, North Carolina.



500+ students

Received programming support from our financial contributions to JA

Junior Achievement

Junior Achievement (JA) is the largest U.S.-based organization dedicated to giving young people the knowledge and skills they need to own their economic success, plan for their future and make smart academic and economic choices. JA's programs in the core content areas of work readiness, entrepreneurship and financial literacy help prepare young people to realize the opportunities and realities of work and life in the 21st century. Arch volunteers annually participate in “JA

Albert Schweitzer Familienwerk Foundation

As a part of a wider corporate giving program from the Arch Global Services Operations (Philippines), Arch has partnered with the Albert Schweitzer Familienwerk Foundation, an organization that helps abandoned, neglected and exploited children by providing shelter and other basic needs for survival, protection, development and participation. Through our first donation, we helped provide scholarship grants to children enrolled in primary and secondary schools.

Arch's multifaceted support has helped GEA serve over 3,000 teachers during the 2018/2019 school year.



Our Specialized Insurance Programs Supporting Community Resiliency

Our specialized insurance products offer our customers solutions that have a positive social, economic and environmental impact and help to build safer and stronger communities. Through our mortgage insurance products, we enable more families to purchase homes and facilitate their ability to build and accumulate wealth earlier in life. We also protect communities and the environment through many of the specialized products we offer for fire and emergency service workers.



Enabling Access to Housing and Related Mortgage Programs

Every day, our Mortgage Insurance (MI) business gives lenders the confidence and flexibility to approve mortgage loans with only a modest down payment, expanding the opportunities for homebuyers, which in turn strengthens communities and promotes a healthy economy. We are proud of our role in expanding homeownership opportunities responsibly and for enabling homebuyers to begin their economic security and realize the long-term benefits of owning a home.

Affordable Housing: Supporting our Community Heroes

Strong communities depend on a healthy mix of residents with a wide range of skills. We know that communities made up of homeowners who share a common interest in protecting their community's property values enhances the community's quality of life and its commitment to creating a better living experience now and in the future.

All communities need essential workers like teachers, police, firefighters, active and former military personnel and paramedics: We call them “Community Heroes.” But with home prices increasing they often can’t afford to buy homes in the communities where they work. Down payments are usually the biggest obstacle for these would-be homeowners. Through one of our innovative mortgage insurance programs, we make it possible for eligible Community Heroes to get mortgages with modest down payments — as low as 0–1% — in the localities where they work. We’re proud that we can help everyday heroes become homeowners right in the neighborhoods that they support and protect.

First-Time Homebuyer Initiatives

Our interest in facilitating first-time homeownership isn’t limited to helping Community Heroes. Millions of people use mortgage insurance every year, including private MI, FHA (U.S. Federal Housing Administration) and VA (Veteran Affairs): It’s an important factor in making home purchases possible for first-time

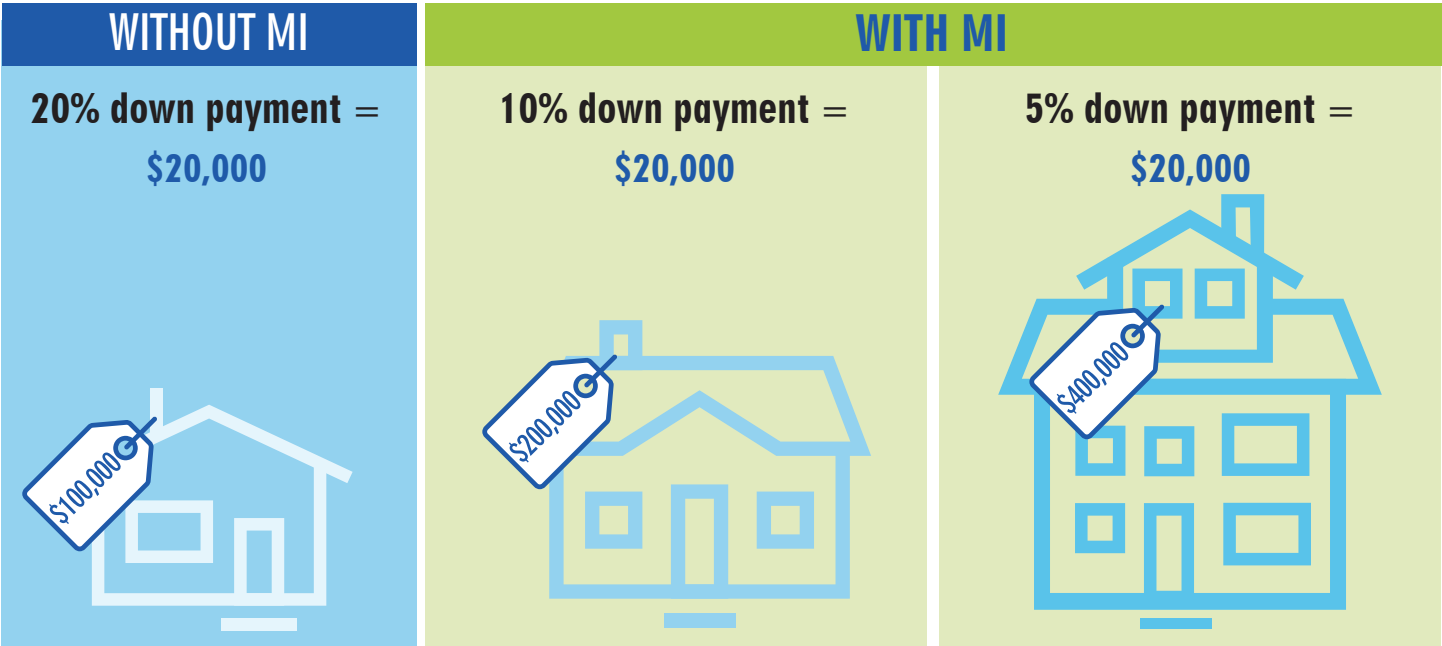
homebuyers, low- to moderate-income borrowers and minority and immigrant borrowers.

Our insurance products demonstrate our commitment to building protected and successful communities.

Most lenders require a 20% down payment for a home loan, which is the single biggest obstacle prospective homebuyers face. Our residential mortgage insurance solutions give lenders the flexibility to significantly reduce the financial barriers to buying a home. With mortgage insurance, families and individuals who can only budget for small down payments are still able to purchase homes.

We’re an approved MI provider for Fannie Mae’s HomeReady® and Freddie Mac’s Home Possible®. These federally sponsored affordable loan programs offer low- and moderate-income borrowers the opportunity to become first-time homebuyers and begin to build a stronger foundation of economic security. HomeReady

Borrower Buying Power



If a borrower’s income can support a larger loan amount, a \$20,000 down payment with mortgage insurance increases buying power.

and Home Possible mortgages insured by us allow buyers to put down as little as 3%. We are proud to be part of programs that help creditworthy buyers access more affordable solutions.

Of course, the prospective buyer not only has the challenging task of saving toward this goal, but also

must deal with potentially rising home prices. To address this concern, beyond facilitating lower down payments, our MI fixed-payment solutions provide homebuyers the added benefit of locking in a set payment for simpler and more cost-effective financial planning.

How long does it take to save a 20% down payment?



Assumptions and Sources: Median-priced house cost \$280,200 [NAR]; House price growth rate 3.73% [FHFA]; Median annual income \$63,170 [FRED]; Income growth rate 3.11% [FRED]; Annual savings rate 7.90% [FRED]; Average monthly rent \$1,405 [CBS News]; Annual inflation 1.89% [BLS]; 30-year mortgage interest rate 4.10% [FRED]

Disclaimer: For example purposes only. The example is based on economic conditions to date. Actual loan and investment scenarios will vary with economic conditions. Source data from: National Association of Realtors (NAR), Federal Bank Reserve of St. Louis (FRED), CBS News and U.S. Bureau of Labor Statistics (BLS)



As a leading MI provider, over the years, we have helped homeowners create billions of dollars of house-related wealth.

Wealth Accumulation through Homeownership

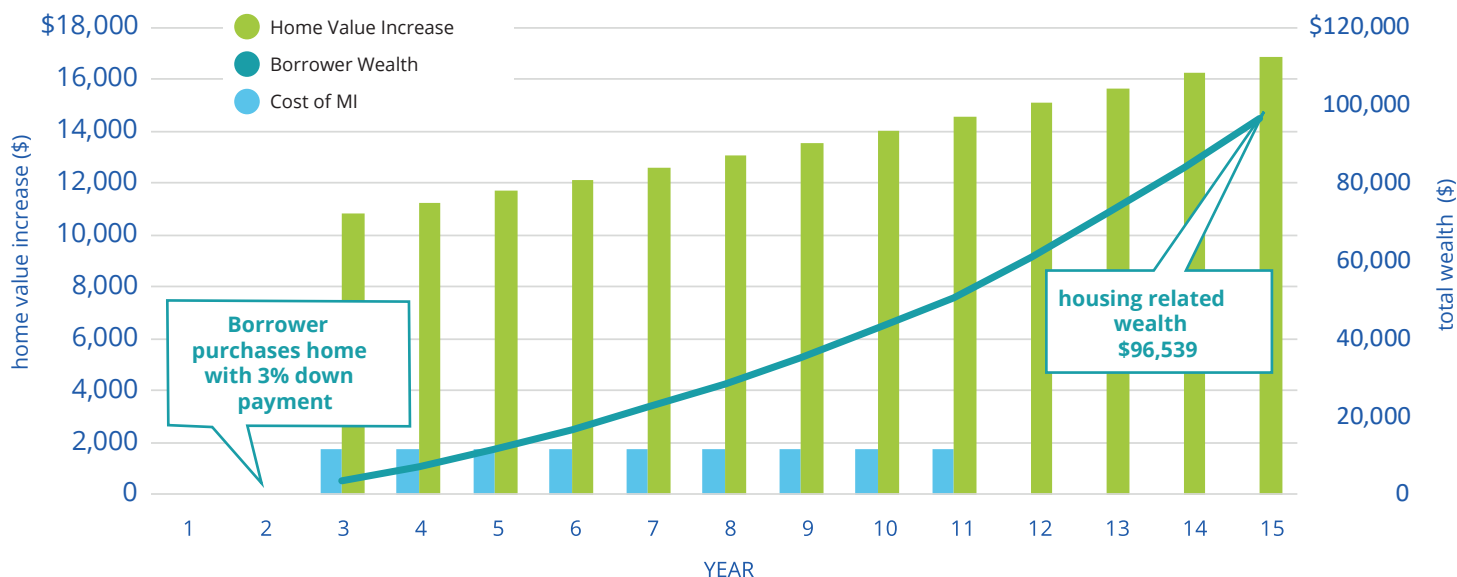
In addition to the benefits that communities made up of homeowners enjoy, homeownership can be a wealth building tool. Through our MI products, eligible borrowers are able to become first-time buyers and begin the process of accumulating wealth sooner than they otherwise could have.

As shown in the chart below, this homebuyer took two years to save for a 3% down payment. In Year 3, the homebuyer puts 3% down and finances 97% with mortgage insurance to purchase the home. It would have taken this buyer another 13 years to save for a 20% down payment. In these 13 years, this homebuyer has the potential to accumulate housing related wealth of over \$90,000.

First-Time Apartment Rentals

Not only do we facilitate the first-time homebuyer, we also facilitate first-time renters. Our surety group operates a lease rental bond program which issues bonds to provide rent payment protection for apartment leases, primarily in Maryland and the metropolitan areas of Washington, D.C. and New York City. With the protections afforded by these bonds, students, first-time renters, new entrants into the job market and other underserved segments of the community are able to lease apartments that they may not otherwise be able to rent. This program helps these individuals and families obtain needed and appropriate housing in neighborhoods with better opportunities and/or safer environments while building their personal credit history. We are committed to assisting the communities we serve by offering creative solutions to support their housing needs while also improving leasing opportunities for tenants in those communities.

How does mortgage insurance help build wealth?



Assumptions and Sources: Median-priced house cost \$280,200 [NAR]; House price growth rate 3.73% [FHFA]; Median annual income \$63,170 [FRED]; Income growth rate 3.11% [FRED]; Annual savings rate 7.90% [FRED]; Average monthly rent \$1,405 [CBS News]; Annual inflation 1.89% [BLS]; 30-year mortgage interest rate 4.10% [FRED]

Disclaimer: For example purposes only. The example is based on economic conditions to date. Actual loan and investment scenarios will vary with economic conditions. *Source data from:* National Association of Realtors (NAR), Federal Bank Reserve of St. Louis (FRED), CBS News and U.S. Bureau of Labor Statistics (BLS)



Educational Support to First-Time Homebuyers

We work closely with lenders and industry associations to identify areas of opportunity to educate the public on our solutions and address common misconceptions about down payment requirements and the home buying process. We understand that owning a home can be financially challenging, so we see immense value in clearer and more inclusive opportunities for the public to engage with experts at Arch and across the industry.

As explained above, most buyers do not realize that with MI, they can purchase a home with a down payment as low as 3%. In some cases, a buyer can even use gift or grant money for the entire down payment. Research has shown that the mortgage loans of borrowers who completed face-to-face homebuyer education performed better compared to those who did not, a positive outcome for both lenders and their borrowers. We are constantly working to provide education on the meaningful role this part of our business plays in society.

- We support the U.S. Department of Housing and Urban Development's (HUD) efforts to identify

approved housing counseling agencies by state on their [website](#). These programs offer advice on understanding the home buying process, default prevention and credit management.

- We provide access to GSE (Government Sponsored Enterprise)-approved homebuyer education courses at archmi.com/hbe to help borrowers prepare for the challenges and responsibilities of homeownership. We believe that prospective homebuyers can also benefit from homebuyer education programs sponsored by community, nonprofit and governmental agencies.
- We are proud to partner with BALANCE, a nonprofit financial counseling organization that makes homebuyer education accessible to a wider audience. We are constantly working on ways to spotlight the meaningful role this part of our business plays in promoting a healthy economy and a stronger society. In 2019, over 4,600 potential homebuyers completed the homebuyer education course.

Fair Housing Act and Equal Credit Opportunity Act

We promote the expansion of viable homeownership opportunities through the use of fair and reasonable underwriting requirements that support our objective of making homeownership affordable and sustainable. We believe in fair treatment of all borrowers in accordance with applicable law. We operate in accordance with the provisions of the Fair Housing Act as well as the Equal Credit Opportunity Act (though this law is not directly applicable to Arch MI). The Fair Housing Act makes it unlawful to discriminate in housing-related activities against any person because of race, color, religion, national origin, sex, handicap or familial status. The Equal Credit Opportunity Act prohibits discrimination with respect to any aspect of a credit transaction on the basis of sex, race, color, religion, national origin, marital status, age (provided the applicant has the capacity to enter into a binding contract), receipt of public assistance or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

We fully support the letter and the spirit of both of these laws and will not condone discrimination in any mortgage guaranty insurance transaction. It is our

objective to help make homeownership affordable and attainable. Our commitment to homeowners and the housing finance industry is a responsibility we take seriously, as we work to encourage fair lending, open new markets and expand our insurance services.

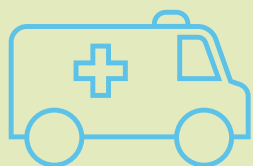
Supporting our Community Heroes and Keeping Them Safe — Fire and Emergency Services Insurance Programs

Here at Arch and through our subsidiary McNeil & Company, Inc., we create specialized insurance programs that build on more than 25 years of success in insuring providers of fire and emergency services. We take pride in designing our programs to address the real and critical needs of these organizations, including volunteer fire departments, emergency rescue squads and ambulance service providers. We believe these workers embody the definition of community heroes, so we work hard to support them with the very best service, primarily through our two leading ambulance and emergency services insurance programs.





Number of community heroes we support



Ambulance Services

10,400*



Emergency Services

150,200*

Ambulance Services Insurance Program

ASIP has consistently led the industry in specialized insurance for private ambulance services, developing a deeper understanding of our clients' challenges and opportunities than any other provider. We have both a dedicated risk management team and an in-house claims staff that work diligently on behalf of these clients.

Emergency Services Insurance Program

We are a national leader in providing insurance solutions to the emergency services industry. We service volunteer fire departments, rescue squads, ambulance services, fire districts, career and combination fire departments and fire/EMS related associations with these unique, tailored and proactive insurance solutions.



The best way to describe what we do here is to simply ask, and we'll do our best to provide. What I love about my job is that every day I get to help others. More specifically, I get to help the 'everyday heroes' stay safe and do their jobs in the safest way possible.

—Katherine Niver
Risk Management Resource Manager



*Corrected number of community heroes supported. Previously reported number represented a multiple of the correct number supported because many insureds carry more than one policy with McNeil at one time.

Expert Risk Management Services

Our Risk Management department at McNeil offers safety and training aids to reduce the potential of on-the-job error or injury and help our clients avoid the resulting long-term costs.

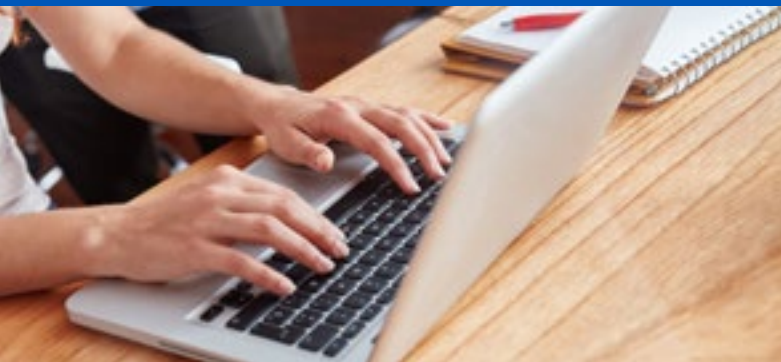
Firefighters and emergency responders not only respond to critical emergency situations, but also handle hazardous materials and chemicals and act as emergency medical technicians. Therefore, we also inform and educate them about industry safety and compliance best practices.

For example, we provide education on safely cleaning and storing protective fire gear that often contains by-products of combustion. Because some of these

individuals often take their gear home with them, we include information about the secondary exposure risks for their families and how to prevent them. We offer safety posters, sample policies and online training courses to help protect firefighters from these dangers.

Additionally, we offer an e-learning platform with hundreds of courses tailored for our community heroes and with the flexibility to post custom material. For example, if an ambulance company wants to train their entire workforce on a specific company safety policy, we can adapt the material and include any associated, required action items.

Community Heroes E-Learning Training



Within our online training portal, we offer Commission on Accreditation for Pre-Hospital Continuing Education (CAPCE) credits for specific coursework. CAPCE is an organization that we partner closely with to retain a certification so that we can offer continuing education credit coursework to our clients in the EMS industry at no added cost. This is a significant value add, as these courses enable our clients' employees, including registered paramedics and emergency medical technicians, to retain their licensure and continue working to better our communities through their services.

Community Heroes In-Person Training



We offer more than just an e-learning portal to our clients. We extend our training across the U.S. to in-person courses led by our team of registered experts. Our Emergency Vehicle Operations Course (EVOC) is one of our biggest impact drivers in this area. The course is designed to help firefighters improve their driving skills to help mitigate potential losses. Even more, the course is designed to help these community heroes build a relevant skill set to help make sure that they are keeping everyone involved as safe as possible when responding to a fire or an accident. This course has been recognized across the country and has become the official state curriculum in multiple states.



Supporting Animal Well-Being — Specialized Animal Welfare Programs

We also provide insurance and risk management services for the prevention of cruelty to animals, animal rescue groups and humane societies. We have great satisfaction knowing that that we are supporting organizations that care for strays and abandoned animals, assist in the prevention of cruelty toward animals and serve as “match makers” through their adoption services — potentially improving the well-being of their owners by providing loving animal companions.

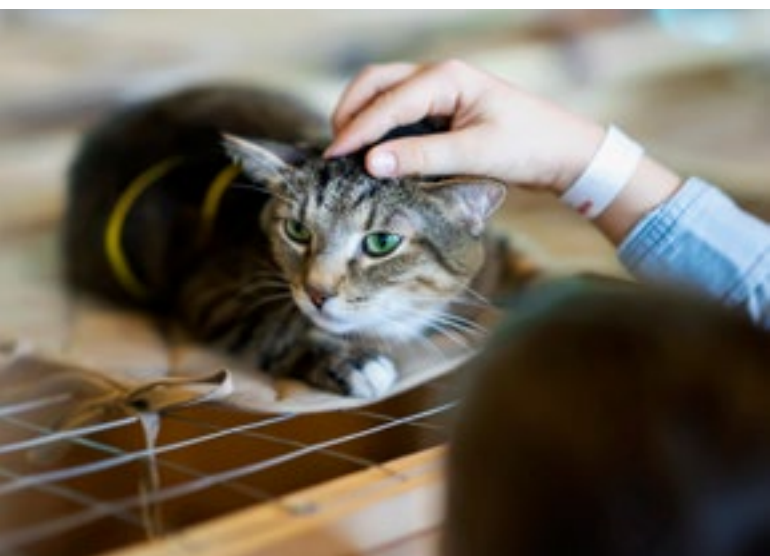


AnimalKeepers

Our program is called “AnimalKeepers,” and offers these organizations specialized coverage for the animals and their unique needs for outdoor pens and cages, their numerous volunteer workers and the medical claim coverage related to the care of the animals.

To protect these valued workers, we provide risk management measures including assessments and training for employees and volunteers. Here are a couple of examples of such specialized programs:

1. Custom e-learning.
2. Multiple avenues to conduct background checks for both employees and volunteers as well as checks for the potential adopters of the animals.
3. A customized incident report to document a wide variety of potential incidents and risks within the organization.



31,800*

Number of animal welfare workers we support

*Corrected number of community heroes supported. Previously reported number represented a multiple of the correct number supported because many insureds carry more than one policy with McNeil at one time.

Enabling Growth and Stability in Emerging Markets

Our sovereign credit and political risk underwriting programs enable developing countries to drive their economic and social growth. The governments of emerging economies turn to lending institutions for capital to fund initiatives to drive trade and development, improve debt sustainability (*i.e.*, long duration and/or lower cost debt portfolios) and/or build infrastructure like roadways, hospitals and railways. We facilitate this lending by covering the lenders against the risk of a sovereign default.

We are proud of our relationship with a host of different multilateral organizations. In particular, Africa's leading multilateral political risk and credit insurer, ATI, which supports trade and investment in African member states through its risk solutions. The insurance we provide helps to advance ATI's mandate to promote investment, trade and economic growth. Africa, specifically, has a large funding gap. Banks alone are



Protecting Arch's balance sheet is always front and center but by carefully selecting the transactions we support, we not only reduce the chance of default, we also ensure the greatest positive change on the ground in these difficult economies.

—Ed Cornish
Underwriting Manager – Credit & Political Risk



unable to meet the financing needs of these countries and other types of financing are needed.

As an insurer, we use our balance sheet to attract financing from institutional investors (*e.g.*, pension funds). Our “comprehensive non-payment” insurance mitigates the risk of a sovereign defaulting on its debt obligations. The investment is more attractive because we are able to position ourselves behind multilateral institutions like ATI that have de jure “preferred creditor status” in the territories we cover.

Through our insurance products, we've helped in the following ways:

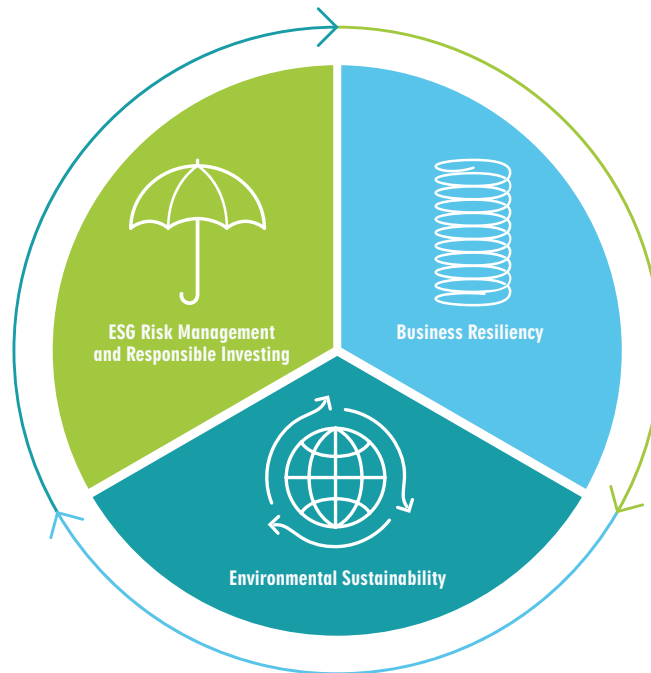
- **Support of a 420 MW hydropower plant on the central source of the Sanaga River in Cameroon** (Nachtigal) that will create significant benefits for power generation, allowing Cameroon to become a net exporter of power. This is a substantial step forward for the nation in terms of power security, which will undoubtedly increase foreign direct investment.





- **Transmission lines in Sierra Leone and Ethiopia** aimed at enhancing and preserving crop production. The project will support crop production and growth in manufacturing, employment and small business activity. The cost of production will be greatly reduced with the benefits being passed on to the end buyer.
- **Construction and extension of airports in Korhogo, Kong, Séguéla and Daoukro** and realization of road, electricity and water connection for low-income housing in Côte d'Ivoire.
- **Debt re-profiling in the Republic of Benin and Niger.** Debt re-profiling involves the restructuring of existing expensive short-term sovereign debt into cheaper debt with longer maturities. This eases the government's near term debt service obligations allowing greater focus on initiatives that develop their respective economies, improving living standards on the ground.

3. OPERATING RESPONSIBLY



We ground our global operating principles in sustainable business thinking and processes. Our foundation of strong business ethics and values reflects our wider responsibility to actively manage ESG risks, and thoughtfully seize ESG opportunities, while embedding compliance, transparency, data protection, privacy and resiliency across all areas of our business.

2019 Highlights



100%

Employees received security training



22

Employees formed the Environmental Sustainability Committee



ESG Aware Policy

Formalized policy for responsible investment management



ESG Risk Oversight

Formally integrated into our ERM process

2020 Priorities

Privacy and Security — Increase training efforts for worldwide employees to effectively identify and manage privacy and cyber-related threats.

Operational Sustainability — Continue to improve our operational sustainability practices.

Responsible Investing — Continue to assess and analyze data from third-party investment manager ESG surveys.



Ethics and Values: Our Approach

We value honesty and integrity above all else. At Arch, our existence is rooted in our shared [Purpose](#) that is supported by a common set of Values. Every day, we do what's right, and we are proud of our reputation as a company that prioritizes these beliefs and behaviors.

Code of Conduct

We have a [Code of Business Conduct](#) (Code) and a series of policy statements, including a policy regarding insider trading and confidential information, a policy on the use of our computer network and electronic communications and a policy against discrimination and harassment (Policy Statements), that apply to all of our employees, officers and directors and provide a set of standards for making decisions that are consistent with our regulatory and ethical framework and that are good for business. We are committed to a workplace culture where our people are treated with dignity and respect and individual differences are valued, all with the goal of securing employee trust, empowerment and satisfaction. Our commitment to upholding human rights is embedded in our company culture.

Our policies, practices and community outreach and volunteerism reflect our belief that all people should be treated with dignity and respect.

We strive to provide a safe, inclusive and respectful workplace for our employees. Overall responsibility for the functioning of the company's Compliance and Ethics Program has been assigned to our CFO, who functions as the Director of Compliance.

The Code standards provide that simply complying with laws or following widespread business practices may be insufficient; we require that our employees perform their duties with the highest standards of ethical business conduct — this is our top priority. Our Code and Policy Statements set forth our expectations on a number of topics, including conflicts of interest, anti-bribery and corruption, policy against discrimination and harassment, money laundering and compliance with laws and business ethics.

Annually, all of our employees, officers, directors and outside directors are required to certify their compliance with the Code and the Policy Statements. Every three years, all of our employees, officers and Board members take robust training that reinforces compliance with these critical issues.

Our Compliance Officers oversee the communication, education and compliance with the Code and its related

compliance training courses. We also employ and train additional legal, compliance and human resources personnel to help guide our employees when facing challenges in the workplace.

Policy Against Discrimination and Harassment

Contained within our Code, we have a separate policy that specifically addresses our commitment to providing a workspace that is free of harassing and offensive behavior. Our policy states that all of our employment-related decisions are made based on an individual's job qualifications and performance and not based on any characteristic protected by law like: race, color, religion, creed, sex, national origin, ancestry, disability, age, genetic information, citizenship status, pregnancy, gender identity or expression, affectional or sexual orientation, atypical cellular or blood trait, marital status, veteran status, membership in the armed services. We also state that harassment based on these,

or other, protected characteristics is strictly prohibited and will not be tolerated. Through our Whistleblower Program, we encourage our employees to report offensive conduct by calling our dedicated compliance hotline number.

Reporting Concerns and Our Whistleblower Program

We maintain a formal whistleblower mechanism through which employees are encouraged to report actual or planned business conduct by an employee or anyone doing business with the company that is believed to be a violation of our Code, company policies or any other applicable law or regulation. Our employees have access to a toll free number that is available 24/7. Employees are assured that they will not be penalized or retaliated against for voicing a concern over a violation of our company policies against discrimination or harassment.



ESG Risk Management and Responsible Investing

Risk management is fundamental to the insurance business, and we view risk management as every employee's responsibility, every day.

Risk Governance Process

We are an international group with diversified operations, customers and exposures all over the world. We employ the Three Lines of Defense structure for our risk governance. As a key part of the Second Line of Defense, our risk management group monitors the overall risk profile in relation to risk appetite and ensures adequate financial resources are maintained. This process leads the development, implementation and maintenance of risk frameworks and challenges execution of strategies and approaches. For our property and casualty lines, we consider climate risk alongside all other relevant perils in our evaluation process and look at the impact of climate factors in the near and long terms.

Our Board of Directors, as a whole and also at the committee level — specifically the Finance, Investment and Risk Committee (FI&R Committee) — has an active role in overseeing management of our company's risks. On a quarterly basis, our Board reviews information from senior management, including from our Chief Risk Officer, on areas of material risk to our operations, including with respect to risks related to natural catastrophes, data privacy and cyber security, reputation, underwriting, investments, capital

management, liquidity, financial reporting, legal and regulatory and compliance. Our Chief Risk Officer, who is responsible for implementing our enterprise risk management framework, reports directly to our Chief Financial Officer and reports to the FI&R Committee quarterly, or as needed, to review and monitor risk.

Our risk management group follows a well-documented internal control framework. Our Risk Management and Governance Policy details our framework including the mechanisms used to monitor and control key risks.

We use various modeling methods, some proprietary and some utilizing third-party computer models, to inform our underwriting and reinsurance decisions and to manage our aggregate exposure to climate risk and catastrophic events. Our risk management team monitors these exposures. The exposures include those from natural catastrophes such as hurricanes, earthquakes, typhoons and wildfires. They keep our management informed of peak high risk zones and insurance policies with exposure to risk for a substantial loss from a catastrophic event.

During 2019, our Enterprise Risk Management (ERM) team formally integrated ESG performance into its risk register and identified controls to address the risk.

Responsible Investing

Our investment approach seeks to enhance the company's return on equity while avoiding undue risk. We achieve this by investing the vast majority of our portfolio in investment grade fixed income securities, with modest allocations to high yield, equities and alternatives. We focus on total return rather than nominal yield and we generally attempt to match, within a reasonable range, the duration of our investments to the duration of our liabilities. We manage the portfolio conservatively, securing our reserves and ensuring an ongoing ability to pay claims when due. This approach preserves the company's capital and ensures ready liquidity.

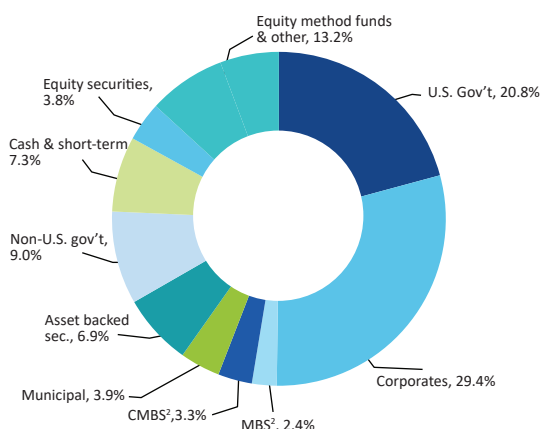
Our ESG Aware Investment Policy and Approach

We believe that the incorporation of material, non-financial factors into investment selection and risk management has the potential to enhance long-term investment returns. We use these factors, commonly described as environmental, social and governance, with respect to both our internally managed assets and to those assets managed for us by third parties. Additionally, we measure our exposure to ESG risks at both individual asset classes and total portfolio levels.

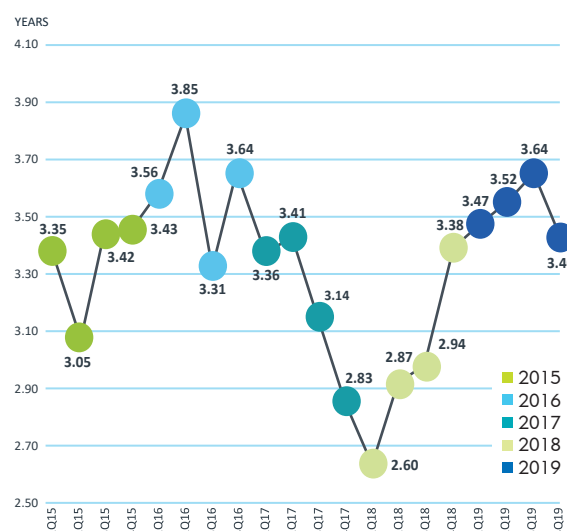
We recognize the importance, relevance and significance of ESG factors in assessing the sustainability of the entities in which we invest. Our ESG Aware Policy, approved by our Board of Directors, reflects our approach to sustainable value creation and requires that we consider ESG factors in the investment process for fixed income, equities and alternatives, to the extent relevant.

Investments by Type¹

as of December 31, 2019

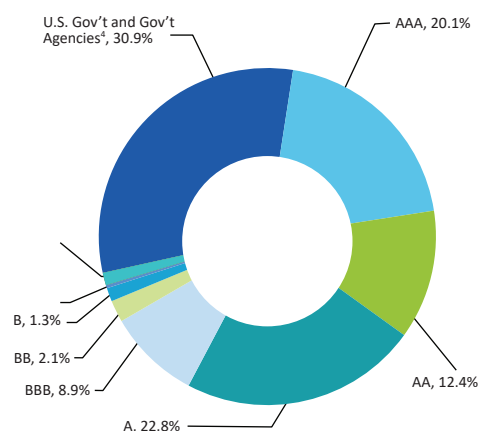


Effective Duration of Total Portfolio³



Fixed Maturities by Rating¹

as of December 31, 2019



(1) Excludes the results of Watford Holdings Ltd.

(2) MBS = Mortgage backed securities.

CMBS = Commercial mortgage backed securities.

(3) The effective duration for the total portfolio includes the effect of zero duration assigned to Equities and Alternative Investments.

(4) Includes U.S. government-sponsored agency MBS and agency CMBS.

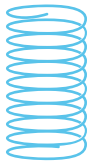
In pursuing an ESG Aware Policy, we seek to:

- Comply with all applicable laws and regulations.
- Adhere to the highest standards of conduct and business practice.
- Integrate consideration of ESG issues into our due diligence and investment decision-making processes.
- Measure our exposure to ESG risks in general and to the individual sub factors (environmental, social, governance), ensuring we focus on issues that are specific and material to individual companies.
- Assess and monitor the standards employed by external managers and service providers, and incorporate ESG factors into our annual review of those entities.
- Regularly review and report quarterly to our senior management and the Board, our exposures to ESG factors as part of the portfolio oversight and risk management process.
- Where possible, engage with companies in which we are invested to support sustainable long-term business planning.
- Engage with industry-wide initiatives to improve the consistency of ESG reporting across our industry.
- Ensure that all employees involved with corporate investments are aware of these policies.

For more information on the incorporation of ESG factors in our investment process, and the impact of the regulatory environment in which we operate on the investments we make, see our 2019 SASB Report on our website, www.archcapgroup.com.

ESG Third-Party Investment Management

At the end of 2019, the investments team launched its investment manager ESG due diligence survey to collect data for the purpose of assessing external managers' ESG profiles and potential risks to our investments, as part of our ESG Aware Policy. The Arch ESG team will collaborate with the investments team to report progress in this area and understand emerging trends. We plan to continue to survey our third-party asset managers on an annual basis.



Operational Risk: Our Business Resiliency Planning

Business Continuity Process

We have a dedicated team of business resiliency professionals that helps to prepare our company for the unexpected, including emergencies, catastrophes, pandemics and other disasters. As a company, we are committed to business resiliency across our operations and manage a variety of levers to reduce the potential of all business disruptions, including those related to climate. Our programs are designed to prevent business interruption and to be compliant with standards set forth by applicable insurance industry regulators. Our recovery and continuity strategy includes, but is not limited to: extensive and companywide exercises to ensure our capabilities are effective; Emergency Facility Action Plans for every Arch company, encompassing the unique environment of each geographic location and office building; and annual evaluations to practice and exercise the effectiveness of our policies and procedures.

Just this past year, the company successfully responded to natural disasters like earthquakes, volcanoes, hurricanes and typhoons. We invoked our business continuity plans, implemented our recovery strategies and were able to continue operating without interruption.

Our overarching business resiliency strategy is overseen by our Chief Operations Officer (COO) who reports to our CEO. In addition, the company's Privacy and Security Committee (described in the Cyber Security section); oversees and reviews the company business continuity planning on an annual basis or more frequently, as needed. At the Board level, our resiliency planning is a frequent topic and of interest of our Board members.

Cyber Security and Privacy — Enabling Confidence in a Digital Society

We live in a sophisticated digital age where nearly all information is shared electronically and the associated



risks are no less complicated. We are committed to applying high standards of diligence and security when it comes to handling and protecting the personal data of our customers and employees and when it comes to observing data protection laws and regulations. We already have robust policies and programs in place, and we continue to build on our capabilities.

Defensive Strategy

We employ an in-depth strategy to protect information in our care. Our comprehensive approach includes embedded data protection throughout our operations and technology programs to safeguard personal data and digital assets. These controls focus on our ability to prevent, detect and respond quickly to security events affecting our environment. We use sophisticated technology tools to help protect our systems, including multifactor authentication, firewalls and detection and response systems. We bolster this technology by following industry best practices regarding hardening our applications and infrastructure.

Privacy Policies

We implement [safeguards](#) designed to help prevent unauthorized use, access and disclosure of protected information. We restrict access to personal information and require those who have access to use it only for legitimate business purposes.

Training

Our employees receive annual training on data security best practices, equating to thousands of training hours. Employee training includes: information security (annual), the EU's General Data Protection Regulation (GDPR; annual) and social media (new hires and every two years). Our Cyber Security team members hold many advanced industry certifications and engage in ongoing training to keep aware of the latest threats.

External/Independent Evaluation and Self-Assessments

We annually undergo external evaluation including penetration testing to ensure Arch is adapting to the latest threats. We conduct self-assessments of our internal controls to evaluate the integrity of our security posture. We look to continually improve our security posture.

Privacy and Security Committee

We established a formal internal committee comprised of senior representatives from our legal, compliance and security groups to monitor data privacy matters across jurisdictions and to recommend changes within affiliates' operations as well as best practices to meet regulatory and customer demands.

Oversight

Our COO is responsible for information security and business continuity programs. A member of the Privacy and Security Committee reports to the COO and the COO reports to the CEO. The COO provides updates on the information security and business continuity programs and policies, as needed, to executive management and to the FI&R Committee of the Board. The FI&R Committee reviews and discusses with management the strategies, processes and controls pertaining to the management of our information technology operations, including cyber risks and information security.



Operational Sustainability: Protecting the Environment

As an insurance business and responsible corporate citizen, we are working to reduce — and where possible, eliminate — the harmful impacts our operations have on our world's natural environment. Our employees care deeply about protecting the environment and are committed to being environmental stewards. As a business, we share this sentiment and sense of environmental responsibility and purpose. We support this cause and are excited about the positive steps our organization is taking to go green in 2020 and beyond.

As a financial services business, we understand that our greatest energy consumption comes from our global office facilities, work processes and employee habits. This includes the environmental footprint of our office buildings, our business travel and our employee commuting practices. These factors affect our natural environment in direct and immediate ways, while also contributing to long-term trends that affect risk. Responsibly managing Arch's contributions to these trends is central to our commitment to environmental stewardship.

Environmental Stewardship Committee

In September 2019, a grassroots Environmental Stewardship Committee was formed by employees from our worldwide operations. This committee is responsible for taking the necessary steps to find operational efficiencies in an environmentally responsible way. The committee works to identify

ways to reduce our environmental footprint across our global offices, implement such initiatives effectively and engage employees through eco-friendly awareness and education efforts so they can reduce their individual and collective environmental impact.

From the first meeting, the committee was passionate about the environment and applying Arch's culture of innovation in ways that facilitate more earth-conscious practices. The committee calls themselves the "Blue Goes Green" Sustainability Committee — playing on Arch's signature color blue and our movement to greener practices. A committee member acts as chair and they are managed by our Chief ESG Officer. The committee has a charter to guide them and all initiatives are approved by our CFO.





Blue Goes Green's first initiative is to eliminate single-use plastic water bottles in our offices. After surveying our offices in 2019 about their single-use water bottle habits, it was determined that in 2018 we spent approximately \$113,000 on single-use plastic water bottles, which equates to approximately 375,000 bottles. Recognizing this unnecessary waste and the harm the plastic causes our oceans and wildlife, the committee put a plan into action to replace the plastic water bottles with draft water dispensers in office pantries. The water dispensers eliminate the need for plastic water bottle deliveries, reducing the carbon emissions for the delivery vehicles. Branded sustainable water bottles are being distributed to our employees to facilitate the transition.

In addition, the committee will focus on other operational efficiencies by introducing more sustainable pantry practices and supplies, improving recycling efforts, reducing paper usage, reducing travel and encouraging video conferencing where appropriate.

Energy Efficient Offices

Our sustainability committee also works with our head of global real estate and the facilities team to identify ways to operate more responsibly and reduce our environmental impact. Facilities has prioritized looking for new office space in LEED-certified and Energy Star® buildings when considering new leaseholds. The team is also committed to designing energy efficient office plans with energy efficient equipment and LED lighting and working with sustainable suppliers for greener buildout materials.



22%

Arch offices globally
that are certified LEEDs
buildings