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This report may include forward-looking statements, which reflect our current views with respect to future events, risks and uncertainties. Actual events and results may differ materially from those expressed or implied in these statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. For a complete description of the risks and factors that could cause actual results to differ from our current expectations, please see our annual reports on Form 10-K and quarterly reports on Form 10-Q filed with the SEC.

## A MESSAGE FROM OUR CEO



Despite the unprecedented challenges of 2020, I'm pleased that Arch faced the extraordinary year head on, persevered and emerged stronger. We held to our Purpose — We Enable Possibility — while advancing our Environmental, Social and Governance (ESG) strategy. And while it was a demanding year, it also gave us a clearer perspective on how our company can make a difference through focused efforts.

Supporting our employees, clients and communities as they navigated the pandemic was our priority in 2020. Early on, we recognized the importance of providing stability and assistance to those in need and quickly identified organizations that were aiding underserved communities and addressing the immediate and long-term needs of the most vulnerable.

We also mobilized to help our employees and their families. We expanded our existing financial, medical and mental health benefits to address the unique challenges of COVID-19 and established an employee assistance fund to provide monetary support for our people suffering financial hardships. Additionally, we offered several avenues for employees to bolster their mental and emotional well-being.

Beyond the pandemic, the past year was marked by historic protests for racial justice and equality. We committed resources to the fight against race-based violence and injustice by supporting organizations that champion diversity, inclusion and equity in the U.S. and around the world. Internally, we expanded our commitment to diversity with the launch of a new Diversity and Inclusion strategy, approved by our executive leadership team and implemented in 2020. We are pleased with this progress while acknowledging the hard work that lies ahead for us to achieve our goals.

Last year we introduced our inaugural Sustainability Report, and as we advance the integration of our ESG considerations into our business strategy for long-term value creation, we will continue to improve our disclosures. In 2020, we sharpened our focus on the environment and the effects of global climate change on our sustainability goals. Understanding that certain insurance transactions have heightened environmental risks, we adopted sector-specific guidelines that outline our approach to underwriting risks in the thermal coal industry. Additionally, our investment

team continues to manage ESG factors in our portfolio, improving the overall ESG rating of Arch's investments. With this increased emphasis on climate, we prepared our first climate-related report aligned with the framework set forth by the Task Force on Climate-related Financial Disclosures.

Recognizing the importance of minimizing our corporate footprint, for the first time, we measured our greenhouse gas emissions so we can continue to take steps to reduce and offset emissions from our operations.

This year marks Arch's 20th anniversary, and we are excited to enter our third decade in business and to continue our overall ESG journey.

**MARC GRANDISSON**  
Chief Executive Officer  
Arch Capital Group Ltd.

# OUR ESG REPORTING

In 2020, we set a goal to enhance our ESG strategy to focus on meaningful, companywide ESG integration. We believe in the value of transparency around our sustainability initiatives, and we are excited to share our 2020 progress.

## Our Sustainability Reports and Disclosures

- **2020 Sustainability Report:** Intended for all stakeholders and the general public. This report describes our comprehensive ESG narrative and strategy, including an overview of Arch’s response to the COVID-19 pandemic and support of the social justice movement.
- **2020 SASB (Sustainability Accounting Standards Board) Report:** Intended for investors, SASB has disclosures around the financial impacts of sustainability. [Click here to view the report>>](#)
- **2020 TCFD Report:** Aligned with the framework set forth by the Task Force on Climate-related Financial Disclosures (TCFD), this report is intended for investors, regulators, and other significant stakeholders. [Click here to view the report>>](#)

## Sustainability Reporting Updates

Following our 2019 ESG materiality assessment, we introduced our strategy in our inaugural Sustainability Report and made three commitments that remained at the heart of Arch’s sustainability efforts throughout 2020:

- **Invest in our employees;**
- **Build stronger communities; and**
- **Operate responsibly and sustainably.**

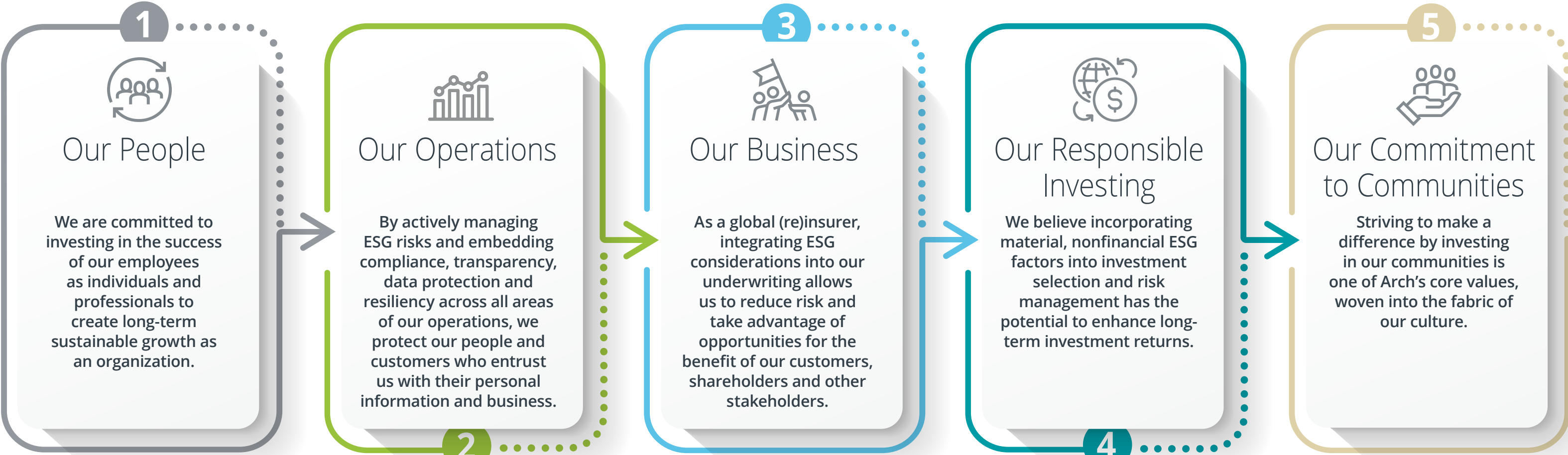
To better reflect our growing ESG maturity and drive to remain a responsible company through our sustainability practices, we adjusted our 2020 reporting structure to ensure our commitments and ESG processes are clear and appropriately targeted to our key stakeholder groups.

## 2020 Reporting Strategy

By focusing our 2020 ESG story on our efforts to integrate sustainability-driven thinking and decision-making into five core areas of our company, we seek to encompass Arch’s collaborative ESG successes and sustainability progress across our operations. This updated reporting framework described below also enables us to highlight the sustainability goals we have set across each area on a go-forward basis. The first four sections of this report cover our worldwide human capital management, operations, business segments and investments. The final section highlights our ongoing commitment to supporting the communities where our employees and customers live and work, a commitment of heightened importance to Arch and our people during the extraordinary year of 2020.

## 2020 Report Framework: Sustainability at Arch across Five Key Impact Areas

In this report, we outline our ESG strategy by applying an updated commitment to driving the integration of material environmental and social risks and opportunities across:





ESG and Sustainability at Arch\*

Sustainability at Arch is not a stand-alone initiative. Instead, it is an element of our business ethos and strategy that weaves throughout our day-to-day operations, decision-making and consistent efforts to support and build resilience in the communities where we live and work.

As a global specialty property and casualty (re)insurance provider and a mortgage (re)insurance company, we approach sustainability with a firm understanding and established history of delivering reliable risk management expertise to our markets. At its core, our worldwide ESG strategy is grounded in this fundamental, collective understanding of risk. While we recognize that certain ESG topics could present significant risks to our business and stakeholders if left unaddressed, we are committed to sharing robust ESG disclosures and heightened transparency around our strategy and mitigation efforts.

Moreover, we have long believed in the value of embedding sustainable practices in our business and pursuing environmental and social impact opportunities to drive better long-term outcomes for the world in which we operate. We know from our materiality assessment that this is a priority for all of our stakeholders, and perhaps most significantly, for our people.

Stakeholder Groups:

Employees, Board of Directors, Shareholders/Investors, Regulators, Sustainability Experts.

Material Topics:

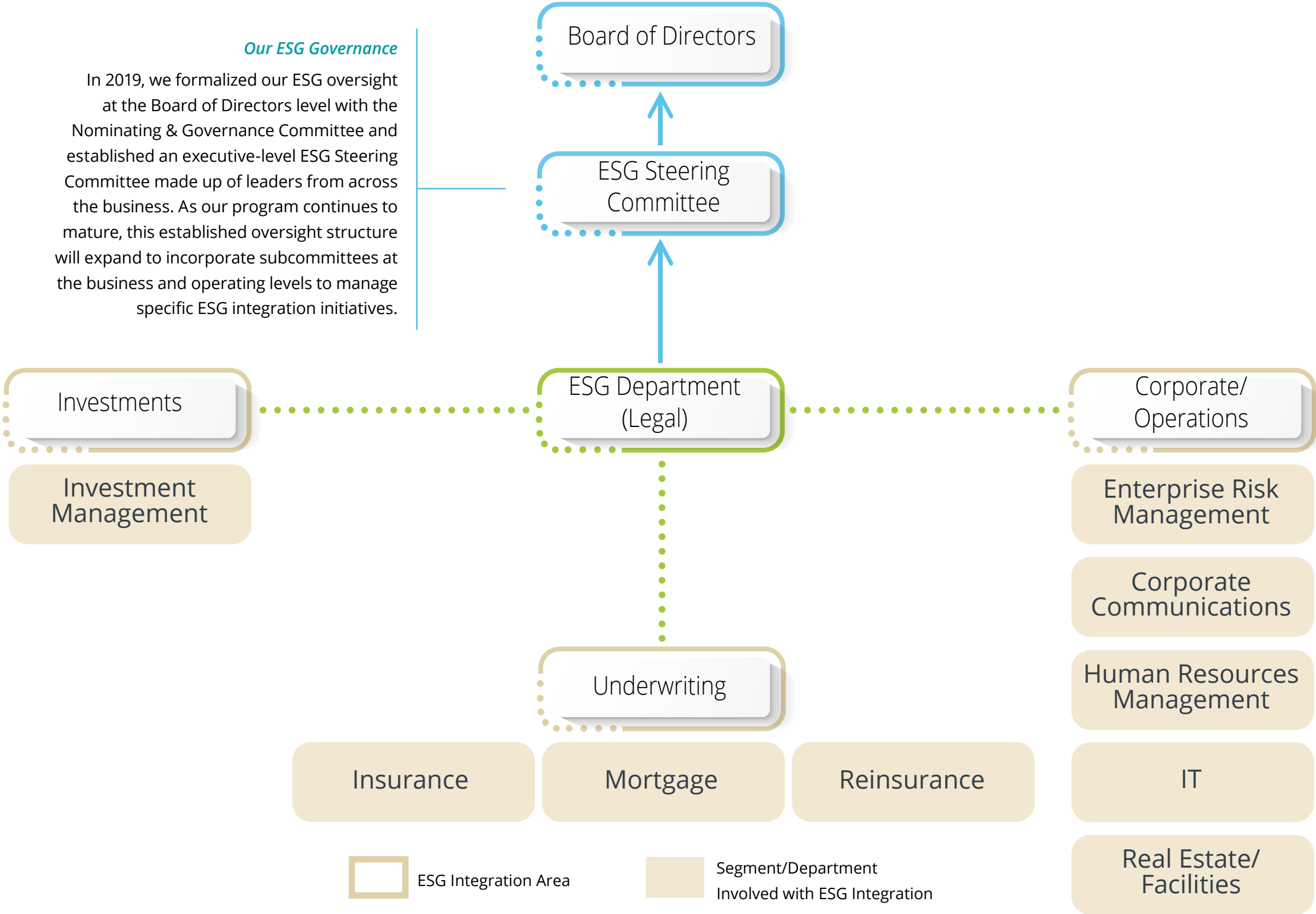
Diversity and Inclusion, Human Capital Management, Ethics/Governance, Climate Risk Management, Operational Environmental Efficiency, Data and Privacy Security, Housing Insecurity, Food Insecurity, Health Insecurity.

*\*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.*



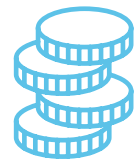
ESG Workflow and Integration Oversight

The ESG team is part of our legal department and reports to Arch’s General Counsel, however much of our sustainability work involves ongoing collaboration with other Arch departments and business segments to drive the integration — and disclosure — of sustainability best practices. The chart below is a visual overview of Arch’s sustainability workflow.



# 1. OUR PEOPLE

At Arch, we understand that our people are our greatest asset. We are committed to investing in the success of our employees as individuals and professionals to create long-term sustainable growth as an organization. Our holistic approach to human capital management (HCM) is centered on providing an unparalleled employee experience. This enables us to attract and retain a diverse, talented and innovative workforce and to grow an inclusive culture where employees are engaged, developed, rewarded and fulfilled.



Employee Well-Being



Diversity and Inclusion



Career Development

## 2020 Highlights

**Companywide D&I strategy launched**

**\$51.6 million employer contributions**

to worldwide employee retirement plans

**5.6% global voluntary turnover rate**

**6 new worldwide Employee Networks**

with over 1,100 employee participants

**Record 600 nominations for Arch Achieve Award**

## 2021 Priorities

- Optimize new HCM platform to support worldwide employees.
- Conduct companywide Employee Engagement Survey.
- Support development of and engagement with Employee Networks.
- Continue to focus on diverse talent pipeline and inclusive hiring practices.
- Build on inclusive leadership development.

A Foundation of Comprehensive Benefits

Arch offers a comprehensive benefits program annually, including health and wellness, financial, educational and life management as well as awards and recognition.

Arch’s competitive benefits packages are designed to meet the needs of a diverse group of employees. Our **worldwide health care programs** emphasize prevention through screenings, regular checkups and programs to encourage healthy lifestyles. For a description of our global benefits click below.

[Learn more about our global benefits >>](#)

We also strive to enrich our employees’ well-being financially, physically and mentally. Our **Employee Assistance Program** offers a variety of services including professional counseling and work-life seminars, resources and referrals, and is free, confidential and available 24/7.

Other wellness benefits include a service that helps employees find top-rated doctors in their geographic area, reduced rates at health clubs and discounted weight management and tobacco cessation programs. We also offer free wellness screenings, access to a diabetes management program and back-up child and elder care.

In addition to competitive salaries and wages, Arch contributes generously to **worldwide retirement savings** plans on behalf of eligible employees.

• In 2020 Arch contributed **\$51.6 million**  
• to our employee retirement plans.



Our popular **Employee Share Purchase Plan** 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 3,900 employees worldwide or 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.



Our **Student Loan Assistance Program** has helped pay more than **\$2.3 million** toward employees’ student loan debt.



I believe our people’s remarkable ability to adapt has fueled our success. As we continue to run this marathon together, we believe it is Arch’s responsibility to help employees build positive resiliency skills that will stay with them forever. That means taking good care of themselves and others along the way. Once we cross the finish line, we will be stronger as individuals and even stronger as a company.

–Jennifer Centrone,  
Chief Human Resources Officer (CHRO)



Since 2015, Arch has paid nearly **\$1.4 million** to help current employees in school cover tuition costs.



Since 2018, Arch has offered a **Student Loan Assistance Program** for our U.S.-based employees. Through this program, Arch helps employees pay their debt faster by contributing up to \$3,000 a year toward the principal on student loans. This valuable program has helped our employees pay more than \$2.3 million toward their student loan debt, with over 360 employees receiving assistance in 2020.

We also have a generous **tuition reimbursement policy** to support current employees who are still in school, or are considering returning to school. Since 2015, Arch has paid nearly \$1.4 million to help employees cover tuition costs.

While we have always invested in employee well-being, COVID-19 dramatically increased the need for support. Throughout 2020, we underscored our commitment by expanding our existing financial, medical and mental health benefits to address the unique challenges of COVID-19.

[Learn about our expanded COVID-19 benefits >>](#)





Expanded Benefits for COVID-19 Support

In March, the majority of our population shifted from working in offices to being full-time remote workers. This was not just a physical shift. We understood our responsibility to help our people manage this transition and the impact it could have on their mental and physical health and well-being.

Resources for Working from Home

To support the move to working from home, Arch started by providing the technology and equipment for employees to set up home offices. This was followed by offering resources to help navigate this “new normal,” including practical tips on optimizing home internet speed, suggestions for ways to care for children while working from home, resources for practicing self-care and recommendations for mindfulness and meditation apps.

Mental Health Resources

Webinar Series on Building Resilience

Arch offered webinars on practical techniques to build resilience. A three-part series in the spring featured a clinical psychologist with 20 years of experience in wellness and positive psychology, speaking to Arch business leaders about best practices for combating “COVID-19 Fatigue” and building resilience. The psychologist also presented two series (spring and fall) for our entire employee base that included numerous tools for maintaining resilience. The sessions were held during the workday and employees were encouraged to attend.

Stress Management Classes

Arch also offered virtual programming on practicing mindfulness to manage stress. Classes were led by Arch colleagues with expertise in mindfulness techniques, including yoga and meditation, and were offered to our global employees.



More than 1,100 employees participated in live sessions or viewed recorded wellness webinars.

Mental Health First Aider



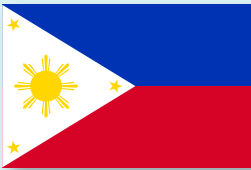
To support mental health for our people based in the U.K., a group of six employees formed the *Mental Health First Aiders (MHFA) Team*, with the goal of raising awareness and promoting better mental health and well-being. The MHFA team is a first point of contact for any employee experiencing a mental health issue. Team members are trained to:

- Spot the early signs and symptoms of mental health issues.
- Engage in supportive conversation with a colleague who may be experiencing a mental health issue.
- Encourage the individual to access appropriate professional support or self-help strategies, including resources from our Employee Assistance Program.

Home Alone Club

As our Global Services Operations employees in the Philippines navigated working from home, the leadership team helped launch the *Home Alone Club* to encourage our people to share their experiences with isolating at home and tips for coping. Employees stayed connected with others outside their immediate team and created a valuable support system for a challenging time.

Home Alone Club in the Philippines provided support and tips for coping while isolated at home.



Arch Cares fund provided more than 30 Grants and \$111,000 in financial support.

Arch Cares

To help ease the economic burden of any Arch employee whose family suffered due to the pandemic, we created the *Arch Cares: COVID-19 Employee Assistance Fund for Financial Hardships*. This fund provided confidential grants up to \$5,000 to employees for COVID-19 related eligible expenses such as housing, utilities, food and dependent care. Even though Arch did not take any drastic steps such as layoffs or salary reductions, we understood the pandemic could affect employees’ family members, and in some cases cause financial stress.



Employee Recognition

The **Arch Achieve** award is given to employees nominated by their colleagues for their exceptional work and reflection of Arch’s core values.

Past award winners review the nominations and select the next year’s honorees. The winners in most locations receive Arch stock; in locations where stock cannot be granted,



the winners receive a cash award. Additionally, winners typically enjoy lunch or dinner with senior Arch leaders in their area. Due to the pandemic, our CEO hosted “virtual coffee meetings” with 2020 Arch Achieve winners, providing

an opportunity for them to discuss business priorities along with perspectives on areas where Arch could strive to improve.

600 Nominations  
received in 2020.

50% increase  
over previous year.

Overall, the program provides a gauge of the strength of our culture and values. In 2020, there were nearly 600 Arch Achieve nominations, exceeding the previous year’s record 400 nominations. Since the program’s inception, more than 360 employees have received an Arch Achieve Award.

Learn more about our core values >>



Our CEO hosted “virtual coffee meetings” with 2020 Arch Achieve winners.

To show appreciation for the excellent work our employees are doing every day, we rolled out a peer-to-peer recognition platform, called **Kudos**, across a number of our business groups. The platform helps employees recognize their colleagues for demonstrating Arch’s core values in the meaningful work they do every day. We have already seen excellent engagement with Kudos: more than 1,000 employees used the platform in 2020, sending over 20,000 recognition messages to colleagues. We are currently looking to expand recognition across other business groups, all with the goal of fostering a culture that recognizes strong performance and inclusive behaviors.

In addition, our Mortgage group launched an employee rewards program called the **Keystone Award**. This award recognizes outstanding performance by individuals or teams nominated by their fellow employees and selected by senior leaders in each department. Winners receive an electronic gift card for \$500 (or USD equivalent). More than 45 employees received the Keystone Award in 2020, and we are looking forward to recognizing additional high-performing teams and individuals in the future.

“Kudos, our peer-to-peer recognition program, has become one of the cornerstones of our culture. It allows our employees to recognize, celebrate and reward each other for milestones, significant accomplishments and for actions and behaviors in alignment with our organizational values. A key driver of employee engagement, it ensures that our employees feel valued and recognized for the great work they do.”

–Amy Keyser,  
CHRO, Mortgage

Philippines Employee Recognition Program

Our Global Services Operations employees based in the Philippines developed an employee recognition program to honor individuals and teams who have demonstrated exceptional performance. Since 2019, employees who achieve certain metrics throughout the year are honored with awards, like the **Excellence in Customer Service** award, while others are nominated by their colleagues to receive awards, like **Mentor of the Year**. Starting in 2020, employees are also recognized on a quarterly basis for performance within certain job categories.

Since 2019, 87 individuals and 17 teams have been recognized in the Philippines through these award programs.



At Arch, we believe inclusion and equitable access to opportunities for success allow us to live up to our Purpose — **We Enable Possibility** — for our business, our employees, our customers and our communities. We understand a diverse workforce and an inclusive culture are imperative for our long-term sustainability as an organization, and while we are proud of our progress, we acknowledge much work lies ahead for us to achieve our diversity and inclusion goals.

Our goal in 2020 was to formalize our companywide strategy to achieve our ambitious diversity and inclusion (D&I) goals, which we accomplished through the leadership of our new Senior Vice President of Talent Management, Diversity and Inclusion, Christy Caragol. Caragol joined Arch in early 2020, bringing a depth of experience in talent development and D&I within the insurance industry. She was responsible for getting our companywide D&I strategy approved by our executive leadership team and for driving global programming in alignment with that strategy to promote D&I with our colleagues, our communities and within our culture. We know growing a diverse and inclusive workplace is a process that takes time, and we are excited to have a seasoned professional with D&I expertise to help us navigate the journey ahead.

The violence and acts of racial injustice that took place during 2020 underscored our need to do more work around racial equality, both at Arch and in our communities. While we had already prioritized having a D&I strategy in place for 2020, these acts reinforced and accelerated our plans. See “Responding to Racial Injustice in 2020” (on the right side of this page) and the **Our Communities** section for additional detail regarding contributions to organizations that fight for racial equality in the U.S. and around the world.

Broadening and Developing Our Pool of Diverse Talent

One of our key goals as a company is to build a workforce that better reflects the communities in which we work and the markets we serve, enabling us to attract and leverage top talent to meet our business goals in an increasingly diverse environment. We recognize this will require us



to broaden our access to diverse candidates, so we’ve introduced several business-led initiatives with university and professional organizations.

**Gamma Iota Sigma (GIS).** Arch is a sustaining partner of GIS, a college academic fraternity organized to promote, encourage and sustain student interest in professions in insurance, risk management and actuarial science, all key roles at Arch.

**International Association of Black Actuaries (IABA).** We support employee involvement in the IABA, an organization that offers professional development and networking opportunities to support Black actuaries. Arch was proud to sponsor the 2020 IABA Annual Meeting and though the meeting was virtual due to the pandemic, the event allowed Arch employees to network with and mentor

students and young professionals interested in actuarial career opportunities.

**Women in Reinsurance (WiRE).** Maamoun Rajeh, the leader of our Worldwide Reinsurance group, serves on the board of directors of WiRE. WiRE is dedicated to promoting professional development opportunities for women in the Bermudian reinsurance industry, a mission that mirrors Arch’s own goals of enhancing gender diversity across the company, particularly at the leadership level.

**Scholarships.** Arch established a number of scholarships with organizations that support the next generation of diverse, innovative talent, including the Spencer Foundation and North Carolina Agricultural and Technical State University. Learn more about Arch scholarships in the **Our Communities** section.

Responding to Racial Injustice in 2020

The acts of violence and racial injustice in 2020 ignited a movement to create a future in which all individuals have access to the opportunity to thrive. In response to the murder of George Floyd — and so many others who have lost their lives to acts of racism — as well as the violence against members of the Asian American Pacific Islander (AAPI) community, we reaffirmed our support for our Black and AAPI employees, customers and communities worldwide as we continue to recognize and resist racism in all forms. Arch believes that Black lives matter and is committed to contributing to the dialogue to promote racial equality and social justice.

Race Matters

**Real Talk.** We made efforts to support our employees as they continued processing the acts of racial violence and unfolding protests across the United States and around the world. During 2020, we hosted “Real Talk” sessions around race, bias and how these issues play out in our everyday lives. Our Mortgage group piloted the program with five virtual sessions, and we then extended participation to all employees. We used the sessions as a platform to encourage open, candid and supportive dialogue as an important step in listening, learning and supporting one another. The series will continue in 2021.



Learn more about our efforts to promote racial equality around the world >>



Enhancing Our Culture of Inclusion

Our people inspire us to prioritize an inclusive workplace where everyone can feel heard, valued and respected, and realize their full potential. We know developing a culture of belonging and trust requires continuous relationship-building and commitment.

**Employee Networks.** While employee networks have existed in various forms in our operating units for several years, we knew offering these groups throughout our global operations would be an important step. In 2020 we launched six Employee Networks and invited all our employees worldwide to participate. Arch Employee Network objectives include:

- Organize and build on grassroots momentum.
- Support strategic goals, such as recruiting, developing and retaining diverse talent.
- Provide members with networking, support, mentoring and other development opportunities.
- Educate on best practices, advocate and build awareness.
- Engage allies and share experiences with other Employee Networks.



The D&I team analyzed input from an all-employee survey to determine which networks would be most valued and gather ideas of where we can have the most impact. Feedback from the survey helped shape the launch of these Employee Networks:

- **Abled not Labeled and Allies.**
- **Black Professionals and Allies.**
- **LGBTQ+ and Allies.**
- **Veterans and Allies.**
- **Women and Allies.**
- **Young Professionals and Allies.**

So far, more than 1,100 employees have signed up to participate in at least one network.

Importantly, we have not only focused on meaningful participation by members of each Employee Network, but also strive for a minimum 30% participation rate from “Allies” because we know real change depends on all of us working side-by-side, listening, learning and adopting new behaviors that improve our collective decision-making, employee engagement and ultimately our sustainability.

Each Employee Network sets annual goals that reflect member priorities, in alignment with our corporate strategy. Each Network has an executive sponsor who is responsible for helping Network leaders finalize goals, solve problems, execute plans and position communications in a manner that resonates with key decision-makers. Given our current virtual environment, we are seizing the opportunity to provide even broader interaction across Arch by forming agile teams that will focus on achieving different objectives.

Employee Resource Groups (ERGs) have been active within our Mortgage group for several years, and these groups have been integral in the creation of companywide Employee Networks through sharing ideas, best practices, and even partnering on ERG-specific programming. Our Mortgage group also launched a formal D&I Council and D&I project teams aimed at recommending and improving Metrics, People Processes, Culture, and Communications related specifically to D&I.

More than 1,100 employees have signed up to participate in at least one Employee Network.

DIVERSITY AND INCLUSION

**Fostering Inclusive Leadership.** Because we know leaders play a critical role in shaping a culture that prioritizes D&I, a key component of our strategy is to equip leaders to model inclusivity in their interactions so that we maximize the contributions of all employees. In 2020, we introduced a course called “**Fostering Inclusion and Diversity**,” with 20 Arch leaders participating in the pilot.

ExecOnline

The three-week intensive course was designed by Yale University professors and delivered through the ExecOnline platform. After completing the program, all 20 of the original participants will co-facilitate weekly discussion groups for other Arch employees. Our goal is to deliver the program to an additional 100 Arch leaders in 2021 and have 800 managers complete the online program by 2022.

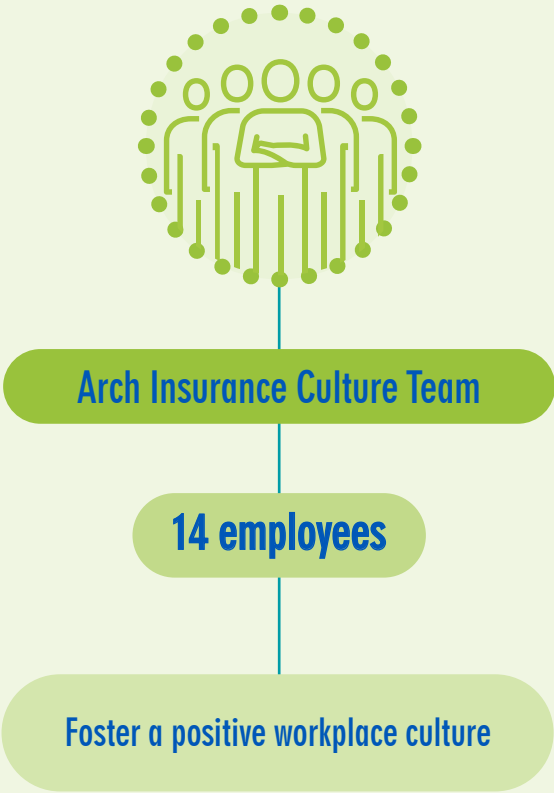
Our goal is to deliver the inclusive leadership program to an additional 100 Arch leaders in 2021 and have at least 800 managers complete the online program by 2022.



“ The program was like a bus tour of a major city. I got a thorough overview and learned about the fundamentals. The instructors presented interesting concepts in a way that made me want to know more. I’m excited to continue to ‘explore’ on my own to get more in-depth. ”

–Gina Pilla  
Managing Director

**Arch Insurance Culture Team.** As we continue to drive enhancements to our inclusive culture across our company, each of our business units also shapes the fabric of our corporate culture through programs and initiatives that empower employees by giving them a voice. For example, our Insurance group formed the 14-member Arch Insurance Culture Team in 2019 to create thoughtful solutions in response to feedback from an employee engagement survey. Since then, the team has met frequently to identify and promote ways to foster a positive workplace culture.





The Arch employee experience is enriched by a culture in which employees feel encouraged to grow personally and professionally. We invest in developing our people so they can grow with the company as we continue to produce innovative solutions. Our approach includes challenging career paths and high-caliber learning and engagement programs, all of which are supported by tools and resources to foster meaningful career development for all employees.

Human Capital Management System

In 2020, we implemented a new global HCM system called Workday®. This implementation provides a modern, centralized employee and manager self-service experience. The integrated information on all aspects of human resources (HR) management enables better transparency, an easier employee onboarding experience, and will help facilitate conversations about career progression, development opportunities and performance management. Furthermore, it will provide better HR workforce data and analytics across the global organization.



The framework offers managers a number of benefits, including the ability to translate business goals into clear talent requirements; the ability to attract, retain and engage employees by “demystifying” ways to navigate and grow their careers; and the flexibility to determine the skills and competencies needed in response to changing market conditions.

For employees, the framework provides a better understanding of how their role supports the business, clear insights into their professional growth opportunities as well as consistent standards and objective measurements of performance. The framework is designed to ensure fairness and equity in compensation by using consistent standards.



Career Framework and Job Architecture

During 2020, we completed an extensive workforce analysis to develop a job architecture and systematic job-leveling framework. This framework serves as a model for the enterprise to evaluate and align roles and compensation levels based on job responsibilities, market data, strategic importance of the role and other relevant factors. Our HR team developed this new job architecture by identifying job families and subfamilies across the organization, then partnering with the business to map each Arch employee to the new job architecture based on specified criteria.

The framework enables learning and development teams across our operations to identify, create and manage programs tailored to the unique development needs of our employees.

Career Development at a Glance

Framework	Worldwide <b>job architecture</b> and <b>job-leveling</b> framework developed and implemented.
14,000 hours	<b>Employee training</b> on our two learning and development platforms.
36,000	<b>Courses accessed</b> by employees through our two learning and development platforms.
48	<b>Interns</b> in the U.S., U.K. and Bermuda.

Learning and Development

Learning and Development (L&D) continues to be a top driver of employee engagement and work productivity. In the face of a rapidly evolving industry and marketplace, a robust approach to L&D helps us to grow our business from within and continue to produce innovative solutions across our segments. Individuals and teams leverage companywide resources including training platforms and content. L&D continues to be a major tenet of our talent development strategy.



Arch U

Through our Arch University (“Arch U”) learning platform, we provide extensive coursework and certification opportunities for our employees around the globe.

- **9,000 hours** of training in 2020.
- **4,500 employees** accessed over **21,000 courses**.

LinkedIn Learning

All employees have access to the LinkedIn Learning platform, which offers thousands of on-demand training videos and e-books from industry experts.

- **5,000 hours** of training in 2020.
- **1,600 employees** accessed over **15,000 courses**.



Early Career Development

We recognize that identifying and cultivating talent in young professionals is essential to sustaining an innovative workforce. Our internship and early career programs are a few of the opportunities we provide young professionals to engage with the insurance industry.

**Internship Programs.** Our internship programs provide highly motivated students with meaningful work experience and professional development opportunities within our operations across the globe. In the U.S. and the U.K. we offer both summer and semester-long internships for high-performing college students. Working in departments including actuarial, underwriting, legal, IT and communications, interns gain hands-on experience as well as career development through skills-based workshops and networking events. In 2020, we moved our internship programs online due to COVID-19, and the interns connected with their respective departments remotely to complete projects and participate in virtual events like our **Speaker Series** highlighting Arch employees from each of our insurance, reinsurance and mortgage segments. The online experience allowed interns to network with each other as well as with senior Arch leaders. In total, we had 44 talented interns in our U.S.- and U.K.- based virtual internship programs.

**Bermuda Internship to Scholarship Program.** To support development of future insurance industry talent in Bermuda, where our corporate headquarters is located, we established an internship program that works with local high schools to identify high-achieving students. Each student gains insight into our operations, receives mentorship and career development, and completes a presentation at the end of their internship. Scholarships are awarded to 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 \$90,000 in tuition assistance, and we have hired two former

interns into full-time roles in the Bermuda office after they completed their undergraduate degrees. In 2020, we worked with four bright interns as they connected with mentors and completed projects virtually.

**Early Career Program.** We offer an **Early Career Program** with a keen focus on technical professional development for college graduates. The 12-month program is geared toward ambitious young professionals looking to launch a successful career with a worldwide insurance leader. Currently, the program focuses on helping associates build underwriting skills, and in 2021 we will add a claims and an actuarial track. Throughout the year, participants receive specialized training that can position them for career advancement and valuable industry certifications.

In 2020, we made the program virtual due to COVID-19. Despite the changed environment, associates continued to learn collaboratively; completed self-directed training sessions; and interacted with peers, Arch leaders and experts. Like previous years, they also participated in mentoring groups led by our executives and completed a capstone project, which they presented to a panel of Arch leaders. In 2020, 23 talented associates graduated from the program and we added 19 new associates who are expected to complete it in 2021.



Leadership and Professional Development

We believe in continuous development at Arch, which is why we invest in programs for experienced professionals. We offer a number of targeted development programs throughout our business units for every stage of our employees’ careers.

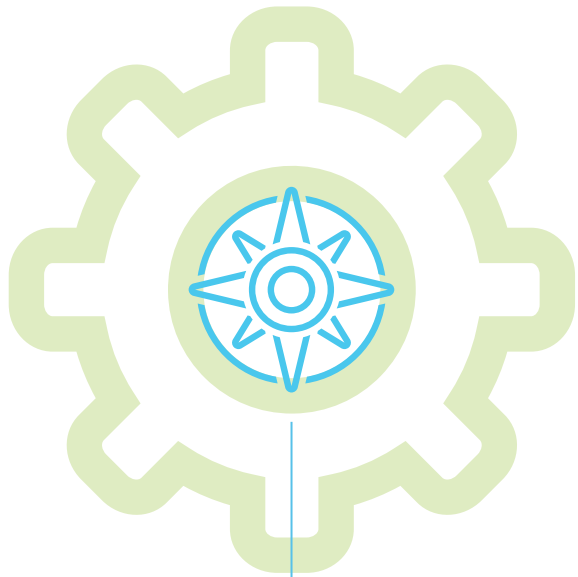
**IMPACT Leadership Development Program.** IMPACT is a nomination-based, cohort-driven program in our Insurance group designed to build critical capabilities for experienced leaders by utilizing world-class content, facilitated by leading experts and contextualized for applicability to our industry. We deliver this program in

In 2020, 35 of our business leaders completed the IMPACT program, and an additional 72 IMPACT alumni participated in inclusive leadership training as part of IMPACT+.

collaboration with Harvard Business Publishing Corporate Learning. After successful completion of the program, IMPACT alumni embark on the next phase: IMPACT+. IMPACT+ is designed to give leaders a set of resources and tools to help support them and sustain their learning as they apply new skills and approaches.

**Arch Experience.** In 2020, leaders in our Insurance group launched a behavior-based development program to integrate Arch’s core values into everyday decision-making and interactions with colleagues and customers. The **Arch Experience** was designed to create a systematic method of delivering an exceptional employee and customer experience. Employees meet weekly with their respective cohorts to discuss a specific core value and how it can be applied to enhance the internal and external customer experience. In 2020, our focus was to “Introduce the Arch Experience,” and in 2021, our focus will be to “Embrace the Arch Experience” as we continue to incorporate our core values into our overall strategy and brand.

**Arch Masters of Excellence.** Our Mortgage group delivers a formal internal certification program designed to increase employees’ business acumen through knowledge of the mortgage and mortgage insurance industries. The curriculum includes foundational and specialized courses, including courses offered through Mortgage Bankers Association Education.



Our Values define how we engage with employees, customers and all stakeholders. Ultimately they shape our behaviors and our company culture.

**Learning to Lead the Arch Way.** The Mortgage group also offers a robust leadership development training program called Learning to Lead the Arch Way, created to help managers at the AVP level and below become leaders in the industry. The program consists of two curriculums — **Manager Essentials** and **Lead for Success** — that work in tandem to set managers up for success.

**Succession Planning.** In 2020, we built upon the work completed the prior year to enhance talent management and succession planning practices at Arch. We started with executive roles across our business segments and services teams and will continue expanding and deepening our practices in 2021. Data from these processes will help us further tailor our leadership development activities to ensure we have a strong and diverse talent pipeline for key senior roles.

# 2. OUR OPERATIONS

We support our employees, stakeholders and customers by embedding sustainability and responsible, ethical practices in our operations. By actively managing ESG risks and ingraining compliance, transparency, data protection and resilience across all areas of our company, we are well positioned to protect our people and the customers who entrust us with their personal information and business.



Enterprise Risk Management



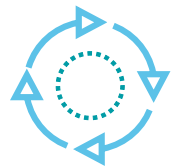
Ethics and Code of Business Conduct



Business Continuity



Privacy and Data Security



Responsible Supply Chain



Operational Sustainability

## 2020 Highlights

**Formally integrated climate change**  
into our Global Risk Management

**100% employees and directors certified compliance**  
with our Code of Business Conduct

**Successfully implemented global emergency pandemic response plan**

**Robust training for all employees on data security**

**Formalized a Supplier Code of Conduct**

**Calculated our global carbon emissions**

## 2021 Priorities

- Further integrate climate change and ESG risks into global enterprise risk management.
- Enhance Code of Business Conduct training to include ESG considerations.
- Continue to seek to improve our security posture.
- Research and purchase offsets for operational emissions.
- Continue to drive operational sustainability practices.



Strategy

We are an international group with myriad operations, customers and exposures all over the world. Our strategy is to develop a profitable and diversified portfolio of insurance and reinsurance business in market segments where our company has underwriting expertise. We take the risks of climate change seriously, and we believe that considering and incorporating climate risks into our business strategy drives long-term profitability.

Recognizing the businesswide impact, risk management responsibilities are delegated across key individuals and functions at Arch. We employ a “Three Lines of Defense” structure to our risk governance. As part of the second line of defense, our risk management group monitors our 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.

Our integrated approach to risk management and its relationship with other Arch functions, including ESG, results in the risk policies and inputs to our risk register, which is part of a regular review process. The risk register is where all risks — including climate — are defined and analyzed, both qualitatively and quantitatively, for probability and potential impact on our company.

For our property and casualty lines, we evaluate climate risk alongside all other relevant perils and examine the impact of climate factors in the near and long terms. We use several strategies to mitigate these risks, including catastrophe modeling, having a diversified portfolio and risk-sharing through reinsurance.

For catastrophe modeling, we use various methods, some proprietary and some applying 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, including those from natural catastrophes such as hurricanes, earthquakes, typhoons and wildfires. The team keeps our management informed of peak high risk zones and insurance policies with exposure to risk for a substantial loss from a catastrophic event.

Governance

Our Board of Directors (Board), 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, including climate-related risks. On a quarterly basis, our Board reviews information from senior management, as well as our Chief Risk Officer (CRO), on material risks, including



those related to natural catastrophes such as climate risk, data privacy and cyber security, reputation, underwriting, investments, capital management, liquidity, financial reporting, legal and regulatory and compliance. Our CRO, who is responsible for implementing our enterprise risk management framework, reports directly to our Chief Financial Officer (CFO) and communicates with 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.

Integrating Climate Change Risk

Our Enterprise Risk Management (ERM) team formally identified and integrated ESG performance into its risk register and identified controls to address the risk. In addition, through the process of preparing a report in line with the recommendations of TCFD, the team is incorporating climate change and climate-related risks into categories in our risk register and identifying the components and controls to respond.

See our TCFD Report on our website >>

# ETHICS AND CODE OF BUSINESS CONDUCT

Our success for more than 20 years is anchored by our culture of ethics and compliance. Strong policies, including our Code of Business Conduct (Code), are at the core of this culture and play a pivotal role in setting expectations and providing guidance for our employees, managers and senior leaders. We reinforce our commitment to these standards through our annual companywide written certification and by making other resources available, like our 24-hour ethics hotline.

## Code of Business Conduct and Supporting Policies

Our Code applies to everyone — from our Board, including outside directors, to our senior leadership team, to our entry-level employees. It covers key areas including honest and fair dealing, anti-bribery and corruption, potential conflicts of interest, gifts, safety, harassment and discrimination prevention, antitrust and competition, document retention and numerous other topics central to our reputation and priorities. We also have a series of related policy statements, including a policy on 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). The Code and the Policy Statements set forth standards for making decisions consistent with our regulatory and ethical frameworks and govern the way we conduct business (Compliance Program).

[View our Code and Policy Statements >>](#)

## 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 or 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 questionable conduct by calling our dedicated compliance hotline number.

## At a Glance

100%

Mandatory Training

100% of worldwide employees and directors certify that they have received and understand the **Code and the Policy Statements** and agree to comply.

Mandatory compliance training for **all employees worldwide** includes Privacy and Information Security Awareness, Anti-Harassment, Sanctions Awareness and Records Management, and Social Media.



All of our activities must be managed in full compliance with the Code and all applicable legal and regulatory anti-bribery and corruption obligations, including the U.S. Foreign Corrupt Practices Act, The U.K. Bribery Act and the Ireland Criminal Justice (Corruption Offenses) Act of 2018.

## Governance Practices

Overall responsibility for the functioning of Arch's Compliance Program has been assigned to our CFO who, by appointment by our Board, functions as our Director of Compliance. Reporting to the Director of Compliance are 13 Group Compliance Officers representing each of our operating groups. These Group Compliance Officers and all managers are expected to demonstrate strong ethical conduct, help their teams understand our Compliance Program and encourage employees to come forward and report questionable conduct. As stated in our Code, this is every employee's responsibility and obligation.

Our Code and Policy Statements are reviewed and updated regularly to recognize and remain current with changing laws, regulations and industry best practices. Because we operate in many jurisdictions, we periodically (at least annually) conduct comprehensive reviews across these jurisdictions to ensure new developments are considered and incorporated as appropriate. Any changes are approved by both the Audit Committee and the Board and then approved by our operating units.



# ETHICS AND CODE OF BUSINESS CONDUCT

## Oversight of Our Compliance Program

Our Board’s Audit Committee oversees the implementation and effectiveness of the Compliance Program. The Compliance Director is responsible for overall monitoring, auditing and evaluation of the Compliance Program. The Audit Committee periodically meets (at least annually) with the Compliance Director and in-house auditors to ensure compliance.

Together with our general counsel (GC), the Compliance Director reports to and meets with the Audit Committee at least annually to provide reports, including reports from the Group Compliance Officers, on the implementation and effectiveness of the Compliance Program and its administration, training, monitoring and auditing. The Compliance Director also periodically advises the Audit Committee of any deficiencies in the Compliance Program and recommends improvements as necessary.



## The Compliance Hotline and Monitoring Calls

Employees with questions or concerns are encouraged to consult with their Group Compliance Officers or to take advantage of our “Compliance Hotline.” The Compliance Program is crucial to building an environment in which all employees are fully cognizant of the standards of conduct they must meet and are confident they can ask questions or report violations or suspected violations without fear of retribution. The Compliance Hotline numbers are published in our Code and reinforced through memos that accompany updates to the Code that are distributed to all employees. The phone numbers are also readily available on our company intranet site.

Calls to the Compliance Hotline are answered by a live operator and callers can be anonymous. The Compliance Hotline is monitored by the Compliance Director, the GC and the deputy GC, who receive email notification of any reported matter(s). When notified, the Compliance Director determines whether the allegations are sufficiently serious to require that the Audit Committee be notified immediately and, if so, advises the Audit Committee of the problem and the steps being taken to address the matter. Matters are promptly referred to the appropriate Group Compliance Officer for evaluation. So long as reports are made in good faith, the evaluation procedures emphasize we will protect employees from negative consequences resulting from fulfilling their reporting obligations and protect their identities. The Audit Committee is provided with a quarterly report regarding the Compliance Program. Our GC monitors the investigations and keeps the Audit Committee informed.

### AREAS ADDRESSED BY OUR CODE AND POLICY STATEMENTS

- Phone numbers to call anonymously to ask a question or raise a concern.
- Commitment to deal honestly, ethically and fairly with customers, suppliers, competitors and other employees.
- Discrimination- and harassment-free workspace and treating all people equally.
- Potential conflicts of interest.
- Entertainment and gifts.
- Protection of proprietary and confidential information and privacy.
- Keeping accurate business records and reporting.
- Communications.
- Political contributions and activities.
- Following global antitrust and competition laws.
- Trading our securities and avoiding insider trading.
- Abiding by anti-bribery and corruption laws.
- Obeying copyright laws.
- Healthy and safe work environment.
- Observing laws that prohibit transactions with designated countries, entities and people.
- Programs to combat attempts to facilitate money laundering.

Oversight

Our business resiliency strategy is overseen by our Chief Operations Officer (COO) who reports to our CEO. 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. In addition, the company’s Privacy and Security Committee (described in the “Privacy and Data Protection” 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 of interest to our Board members.

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.
- **Annual evaluations** to practice and exercise the effectiveness of our policies and procedures.

Pandemic Response

Arch’s Corporate Pandemic Plan

In initial response to the emerging global pandemic in 2020, Arch’s Business Resiliency Program Management Office — under the direction of our COO — developed Arch’s Corporate Infectious Disease and Pandemic Response Plan. This plan was approved by the Group Privacy and Security Committee in February 2020, and invoked companywide shortly thereafter.

Pandemic Readiness Reviews and Transitioning to Working from Home

In early March, 2020, our COO and Chief Information Officer (CIO) met with leaders from our worldwide operations to discuss pandemic response and ensure each operation invoked its plan and appointed a coordinator. We then began work to ensure all employees had the correct equipment and IT infrastructure to work remotely. These actions allowed our worldwide workforce to successfully adapt to accomplishing their responsibilities from remote locations.

Pandemic Response Command

Arch’s Pandemic Response Command (PRC) was formed to manage the enterprise response to COVID-19 in line with applicable laws and regulations. The committee worked directly with Arch companies’ and locations’ incident response teams to facilitate preparedness and response strategies worldwide and to minimize adverse pandemic affects on an ongoing basis.

The PRC is made up of the COO, CRO, CHRO and other key senior management representing the legal, investments, compliance, operations, IT, facilities and communications functions.

The PRC has five vertical working groups that address the objectives of the Arch Corporate Pandemic Plan:

1. **Business Enablement and Continuity** – COO.
2. **People and Policy** – CHRO.
3. **Economic Scenarios** – CRO.
4. **Engagement** – Senior Communications Executive.
5. **Facilities** – Senior Facilities Executive.

Each of these group leads met regularly with representatives from our operations, with the support of external experts, to inform the Arch response and help the PRC better understand the pandemic and its impact. External experts participating in Arch’s PRC in 2020 included:

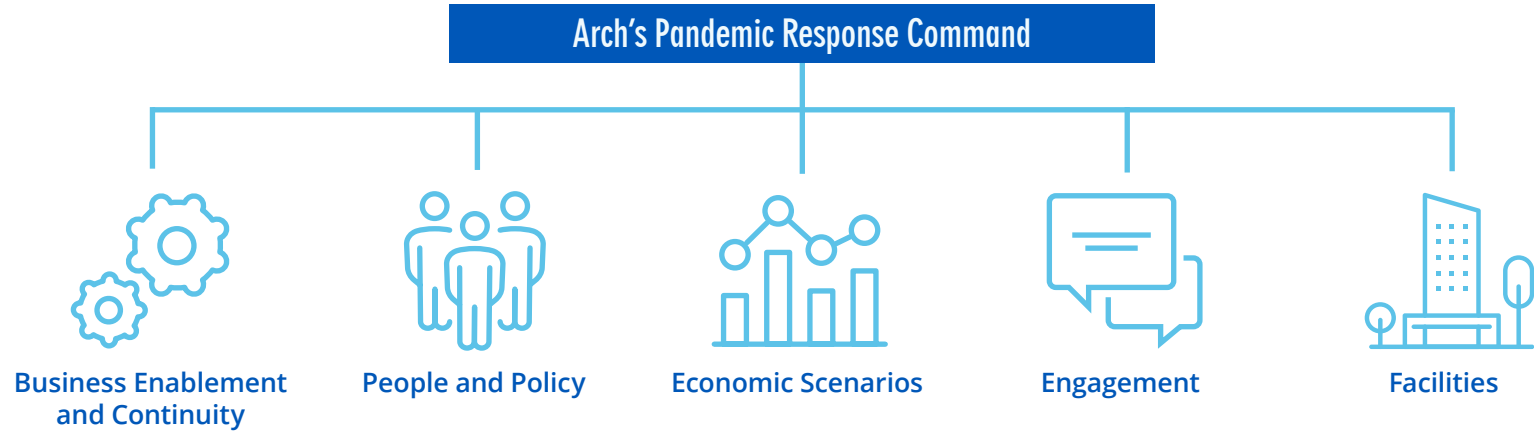
- Infectious disease medical doctor.
- Professor of epidemiology and public health.
- Crisis management and response consultant.

Limited Reentry and Considering a New Business as Usual

As we consider employee reentry to our global offices, the PRC team has been meeting regularly to develop a framework for business leaders to use when determining how to reopen offices in a safe and realistic manner. Ultimately, local business leadership, with input from any necessary corporate resources, has the authority to make decisions on reopening offices on a case-by-case basis. We are surveying employees to assess timing and capacity of any office reentry.

The COVID-19 pandemic introduced an unprecedented set of challenging circumstances to our business operations throughout 2020. The quick rollout of our business continuity programming and a collective, well-planned and ongoing response were critical to our ultimate success in reacting to these circumstances and continuing to operate without disruption and serve our customers to the highest degree amidst the pandemic.

–Chris Hovey,  
Chief Operations Officer





# PRIVACY AND DATA PROTECTION

We live in a sophisticated digital age when 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 continually look for ways to improve and adapt to new threats.

## 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 multi-factor authentication, firewalls and detection and response systems. We bolster this technology by following industry best practices regarding hardening our applications and infrastructure.

We participate in industry information sharing networks such as “Financial Services Information Sharing and Analysis Center” to understand threats affecting our peers across both insurance and the larger financial sector. We leverage information to conduct threat hunting across our enterprise against those indicators shared publicly or privately.

## Privacy and Security Policies

Our privacy and security policies govern all business lines and subsidiaries. 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. We monitor and adhere to the various privacy and security regulations across the regions where we do business.

## Training

Our employees receive annual training on data security best practices, equating to thousands of training hours. Employee training includes, for both current employees and new hires: privacy and information security, Records and Information Management, the EU’s General Data Protection Regulation (for all EU, U.K. and designated employees) and social media. Additionally, we conduct regular phishing tests and publish email communications and intranet posts regarding key security topics and group training sessions on specific security topics as needed. 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. Our infrastructure team undergoes annual SSAE 18 SOC 2 exercises to ensure alignment with expected controls. We conduct self-assessments of our internal controls (aligned with ISO 27001, NIST and NYDFS controls) to evaluate the integrity of our security posture. We look to continually improve our security posture.

## Third-Party Relationships

We have a process for managing the cyber security risks of third-party service providers and meeting regulatory requirements. As part of our supplier management program, there are threshold requirements for engaging with third parties that are designed to identify and

mitigate risks associated with their use. Before a third party provides any services, our centralized vendor management group performs a risk/rating assessment if the entity may have access to and process our data. Reassessments occur regularly, with frequency determined based on a risk assessment and rating process. A comprehensive questionnaire is the foundation for the assessment and addresses aspects of the vendor’s data security controls and policies, including business continuity. Our Group Policy and Security Committee has overall responsibility for this policy.

## Privacy and Security Committee

We have 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. One or more members of the Privacy and Security Committee report to the COO, CIO and GC. The COO provides updates on the information security and business continuity programs and policies, as needed, to executive management and the FI&R Committee. The FI&R Committee reviews and discusses with the Board the strategies, processes and controls pertaining to the management of our information technology operations, including cyber risks and information security.



# RESPONSIBLE SUPPLY CHAIN

In the interest of working with suppliers that adhere to the same ethical standards as Arch, we launched in 2020 a Supplier Code of Conduct (Supplier Code) that sets forth our expectations for suppliers providing goods or services. We are committed to engaging with contractors, consultants, suppliers and vendors with the highest level of integrity to support our long-term growth and add value to our company.

Our suppliers include professional services providers, software and SaaS (Software as a Service) providers and hardware and equipment suppliers (Suppliers).

Our Supplier Code is available on our website and asks Suppliers to:

- Review our company Code of Business Conduct and adhere to its principles/values.
- Comply with all applicable laws in the services they provide.
- Report violations if they see any.
- Comply with the standards set forth in our Human Rights Policy.
- Incorporate principles of supplier diversity when making their own contracting decisions.
- Comply with environmental laws and minimize negative environmental impact from operations.

[View our Supplier Code >>](#)

[View our Human Rights Policy >>](#)

## Supplier Monitoring and Engagement

As part of our Supplier Code, we reserve the right to monitor, audit and investigate each Supplier's processes to ensure they are in line with our policy. Upon request, Suppliers understand that they must be able to provide proof of compliance.

During 2021, we plan to evaluate and engage with some of our largest suppliers to get a better understanding of their policies around sustainability. Through this process we can assess their compliance with our Supplier Code and discuss our ongoing relationship from a strategic perspective. We'll use the information obtained to guide and inform our ongoing relationship.

## New Technology Solution

To further inform us and to help us build a responsible supply chain program, we engaged a technology solutions provider to apply its market intelligence around our current and prospective Suppliers' sustainability practices. Their tool includes ratings by third-party sustainability rating agencies. Our expectation is that through this software we're able to better assess our current Suppliers' sustainability practices and add sustainable practices more formally to our selection process for future suppliers.





Arch’s grassroots environmental sustainability committee, Blue Goes Green, worked with our global facilities team in 2020 to continue to identify innovative ways to reduce our corporate emissions and drive greater energy efficiency across our operations.

The Global Facilities Team

Here are some of the sustainability efforts driven by our Global Facilities’ Team:

- Prioritizing LEED® properties when negotiating new leases and renewals.
- Upgrading and changing all lights to LED, including exit signs in properties.
- Installing light timers and sensors to ensure lights are on only when in use.
- Purchasing Energy Star® appliances.
- Working with architects to create energy-efficient floor designs, including open office configurations to reduce overall square footage needs.
- Installing live walls in certain locations to deliver indoor pollution reduction assistance and therapeutic benefits.
- Employing third-party vendors to properly reuse, recycle and dispose of obsolete IT equipment, build-out/construction materials, furniture and carpet.
- Purchasing office desks and chairs made from recycled products.
- Seeking vendors for office finishes including fabric/surfaces/flooring/walls — that offer green initiatives and options like low VOC paint.



**55.4 tons** of office construction waste that did NOT go to landfill – program started in Q4.



Live wall installation in Greensboro, North Carolina

- Installing sustainable coffee machines at offices to eliminate single-use coffee machines and single-use pods.
- Offering recycling options for offices that use single-use coffee packets or pods.
- Establishing a process for reporting leaky faucets, windows and doors.

Insights from Working from Home

The global pandemic introduced an entirely new set of operational circumstances to our business, impacting our workplace norms and — in turn — our environmental impacts as a company.



**24% of offices** in LEEDs Buildings or equivalent.

Our employee commuting and working behavior looked very different in 2020, as we transitioned fully to a work-from-home model. As discussed earlier in “Business Continuity,” we accomplished this transition with minimal business interruption. The shift has given us a great deal of operational efficiency data that reveals key learnings for our sustainability committee and executive leadership team. Most notably, we have learned firsthand that we can operate effectively within a working model that generates significantly less carbon emissions than business-as-usual pre-pandemic.

We’ve prioritized operational efficiencies in our facilities for years. We’re excited about our new office build-outs that maximize space with open floor plans and collaborative workspaces. We’ve added energy-efficient fixtures and partnered with vendors who prioritize sustainability and repurposing to reduce waste. We’ve introduced green walls and relaxation spaces to support our focus on employee well-being.

–Tabitha Lee,  
Senior Vice President, Global Facilities

[Learn more about our Business Continuity >>](#)

2020 Initiatives

As we look forward and strategize to better integrate sustainability in our operations, here are a few of our 2020 highlights:

- We are excited to share our first year of **greenhouse gas emissions reporting** and an overview of our approach to not only measuring our footprint, but also aligning on a go-forward strategy to reduce and offset our carbon emissions. This data covers FY19 — as our intent with our first year of reporting is to establish a reasonable baseline data set that best reflects our average emissions output over time. Our 2020 data was highly skewed due to the pandemic, and we feel it would not be an appropriate benchmark year.
- Our **Blue Goes Green** committee continued work on several initiatives to improve awareness of more sustainable practices and environmental topics:
  - For our office pantries, we took steps to remove single-use plastics including nearly all water bottles, plastic cutlery and single-use paper products, including paper plates and cups, across worldwide operations.
  - We sourced and distributed sustainable reusable pantry supplies, including reusable water bottles, water dispensers in new workspaces, reusable cutlery sets and reusable coffee cups, which will be provided when we return to our offices.
  - We introduced environmentally friendly cleaning supplies for our offices.

- Looking ahead, the Blue Goes Green committee will primarily focus on reducing our greenhouse gas emissions and achieving improved operational efficiency year-over-year. These goals will require ongoing collaboration with Arch’s Global Facilities Group.



Improving Efficiency – 2021 Priorities

Over half of Arch’s carbon emissions come from the fuel used to power our corporate air travel. Maximizing travel efficiency will become a corporate priority moving forward. We are considering a variety of interventions, including adjusting corporate travel policies and working with our travel vendors to drive change.

Beyond corporate travel, monitoring and reducing our office electricity and natural gas consumption levels are another priority for the Blue Goes Green committee. While we are an office-based company that primarily leases our building space, we still see strong value and responsibility in acknowledging and understanding our Scope 1 and Scope 2 emissions and improving everywhere we can.

“ While reducing our company’s carbon footprint is a very important step in fighting climate change, it is unfortunately not possible to operate in today’s society without being responsible for some form of greenhouse gas emissions. I’m thrilled Arch is taking the step to research and then buy carbon offsets for those emissions that cannot be reduced. Buying offsets, or carbon units, financially assists projects that actively remove more greenhouse gases from the atmosphere than they emit. Examples of such projects are REDD+ forestry protection and deforestation projects, renewable energy projects, community projects such as providing energy-efficient stoves and clean water to communities, and waste-to-energy projects. Some of these projects have an additional social benefit that makes them a perfect fit for our company.

–Nadia De Lange,  
Pricing Actuary  
Chairperson, Blue Goes Green

”

Greenhouse Gas Emissions and Methodology

2019	
Scope 1 Emissions (Metric Tons CO2e)*	1,008
Scope 2 Emissions (Metric Tons CO2e)*	5,775
Scope 3 Emissions (Metric Tons CO2e)**	8,876
Worldwide Square Footage	1,074,514

\* Our methodology for calculating Scope 1 and Scope 2 Greenhouse Gas emissions involved applying national energy consumption averages and emissions factors to our offices based on square footage. Scope 1 2019 estimated emissions covers only natural gas consumption. Scope 2 2019 estimated data covers only electricity consumption.

\*\* Our methodology for calculating Scope 3 emissions involved aggregating exact data from our third-party travel expense system with approximate data from internal sources. The methodology also incorporated a national (U.K.) conversion factor. Scope 3 2019 estimated emissions covers business flight travel. We do not currently report on other potential major Scope 3 contributors such as commuting, other forms of transport such as rail, rental or car fleet usage, etc.

While our reporting covers only a portion of our emissions, we believe that conducting this analysis is an important initial step toward implementing changes in our behaviors and considering meaningful, certified carbon offset projects or carbon credits to reduce or avoid emittances.



# 3. OUR BUSINESS

**Sustainable Insurance Solutions** — Across our three business segments — property casualty insurance, property casualty reinsurance and mortgage insurance and reinsurance — we look for areas of opportunity to manage environmental, economic and social risks and opportunities in the interest of our insureds. As a global (re)insurer, understanding ESG exposures allows us to reduce risks and take advantage of opportunities in our underwriting for the benefit of our shareholders, customers and other stakeholders. By focusing on environmental issues through an integration approach aligned with our corporate values, we are able to reduce such risk exposures and support our core business strategy.

## 2020 Highlights

### Increased focus on environmental integration

into our insurance underwriting strategy

### Introduced new platforms to increase awareness

around key issues impacting the mortgage industry and U.S. housing

### Offered additional resources to firefighters

and emergency responders throughout the U.S. to support safe communities

## 2021 Priorities

- Drive deeper integration of environmental considerations into our underwriting strategy.
- Continue to offer specialty insurance products and solutions to build more resilient communities.
- Continue to offer creative solutions to support community heroes as they continue to navigate the pandemic's challenges.



Underwriting: Our Thermal Coal Policy



Sustainable Insurance Solutions

# UNDERWRITING: OUR THERMAL COAL POLICY

In early 2021, we implemented sector-specific guidelines that outline our approach to integrating environmental considerations into underwriting thermal coal business accounts.

Recognizing that certain sensitive transactions have heightened environmental risks, including thermal coal mining and thermal coal powered plants, we adopted a policy that identifies and manages our approach. Our policy:

- Applies to our global insurance business.
- Encompasses both existing and new thermal coal mines and coal-fired power plants (together, “Thermal Coal”).
- Excludes insureds that are indirectly involved in the extraction, transportation or infrastructure of Thermal Coal.

## Thermal Coal Policy Guidelines

We are committed to screening Thermal Coal submissions to determine if they are high risk. We define high risk Thermal Coal insureds as those deriving 30% or more of their revenues from thermal coal power production. If an underwriting submission is identified as being high risk, the underwriter will flag the submission and either a) decline the transaction based on our defined risk threshold, or b) refer the transaction to the appropriate escalation committee.

## Evaluation and Governance

Once screened, if necessary, a flagged submission will be referred to an Environmental Risk Oversight Committee (EROC) for additional review. The flagged Thermal Coal submission is further assessed to determine its commitment, capacity and track record on social and environmentally responsible business practices. The assessment may also be informed by additional risk criteria.

The EROC meets quarterly to review prior transactions and will report to the ESG Steering Committee. This evaluation process allows us to avoid blanket exclusions while we mitigate potential ESG exposures associated with higher risk transactions.

## Assessment Results Monitored

We will track the outcomes arising from our assessments based on these guidelines. This information will help us evaluate the effectiveness of our process and whether our criteria are appropriate. External reporting regarding the annual screening process will be published in future annual Sustainability Reports.

[View our Thermal Coal Policy >>](#)





Insurance supports the innovations that allow the global economy to prosper. We are in the business of building resilience, protecting people and businesses and managing risk. We offer a range of specialized insurance products and customer-oriented solutions that have a positive social, economic and environmental impact. Many of these products help to build safer, stronger and more inclusive communities.

Enabling Access to Housing and Mortgage Programs

Through our Mortgage Insurance (MI) products, we enable more families to purchase homes and accumulate wealth. The down payment on a mortgage can be a significant hurdle to owning a home, particularly for lower-income families. MI enhances the ability to obtain a loan by enabling borrowers to qualify for loans with low down payments, and, as the Joint Center for Housing Studies at Harvard University found, “there continues to be strong support for the association between owning a home and accumulating wealth.”<sup>1</sup>

There continues to be strong support for the association between owning a home and accumulating wealth.

Our MI business gives lenders the confidence and flexibility to approve mortgage loans with only a modest down payment, expanding opportunities for homebuyers, which in turn strengthens communities and promotes a healthy economy. Despite the severe pandemic-induced economic downturn, 2020 was a record year for mortgage loan originations — for both new home purchases and mortgage refinancing, according to HousingWire.<sup>2</sup> 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. In 2020, we helped over 397,000 buyers in the U.S. afford a home.

Mortgage Insurance Community Heroes Program — Helping Health Care Heroes in 2020

Strong communities depend on a healthy mix of residents with a wide range of skills, including what we have come to call “essential workers,” such as teachers, police, firefighters, active and former military personnel and paramedics. These community heroes often can’t afford to buy homes where they work. Through this innovative mortgage insurance program, 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.

In October 2020, we expanded this program to incorporate broader borrower eligibility criteria targeting medical care workers. We are proud of this addition to the existing program and the ability to positively impact a group of our most important community heroes. Borrowers are eligible if they are employed at:

- Hospitals.
- Physicians’ offices and medical practices.
- Inpatient and outpatient care centers and clinics.
- Assisted living facilities.
- Skilled nursing facilities.
- Home health agencies.



Mortgage Relief during the Pandemic

Millions of homeowners have faced difficulties keeping up with their mortgage payments during the COVID-19 pandemic.<sup>3</sup> In March 2020, the federal government offered homeowners protections and relief under the Coronavirus Aid, Relief, and Economic Security (CARES) Act; COVID-19 hardship mortgage forbearance and a temporary halt to foreclosures. Such protections were initially offered for mortgages insured by Fannie Mae and Freddie Mac, HUD (U.S. Department of Housing and Urban Development)/FHA (U.S. Federal Housing Administration), VA (Veteran Affairs) or USDA (U.S. Department of Agriculture). Some states also offered relief options. In light of the unprecedented times for homeowners and lenders, we affirmed our support for such forbearance and loss-mitigation programs initiated by Fannie Mae and Freddie Mac, designed to help families get back on their feet.

<sup>1</sup> Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, “Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?),” Joint Center for Housing Studies, Harvard University, Sept. 2013.  
<sup>2</sup> “Rate lock data suggests \$4 trillion in 2020 mortgage origination volume,” Housing Wire, Nov. 2, 2020.  
<sup>3</sup> Consumer Financial Protection Bureau

SUSTAINABLE INSURANCE SOLUTIONS

First-Time Homebuyer Initiatives

When it comes to buying a home, millions of people depend on mortgage insurance each year, including private MI, FHA and VA. It’s an important factor in making home purchases possible for first-time homebuyers, low- to moderate-income borrowers and minority and immigrant borrowers.

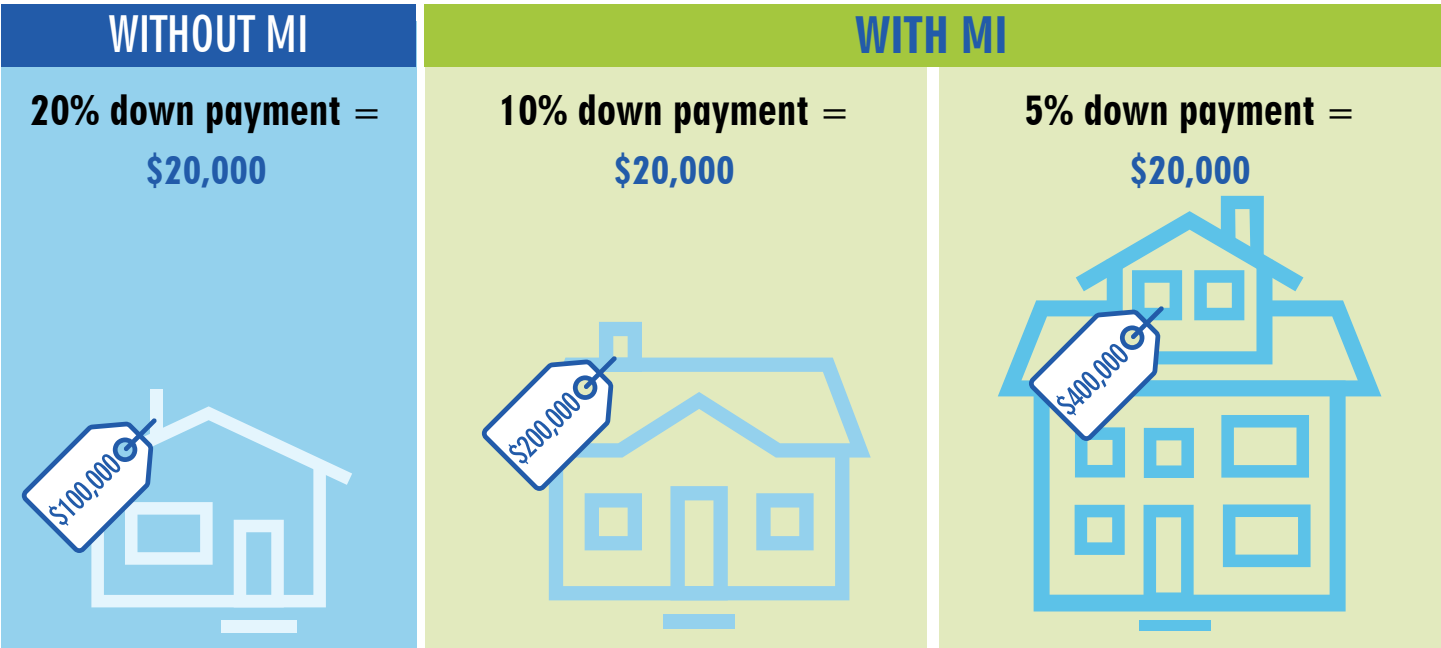
Without the option of mortgage insurance, most borrowers would need to make a 20% down payment to purchase a home. Our residential MI solutions provide lenders and borrowers with the flexibility to facilitate the purchase of a home with smaller down payments.

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 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.

Prospective buyers not only have the challenging task of saving toward this goal, but also must deal with potentially rising home prices. 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.

BORROWER BUYING POWER



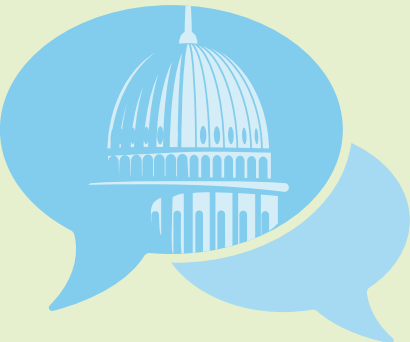
If a borrower’s income can support a larger loan amount, a \$20,000 down payment with mortgage insurance increases buying power.

There used to be an old-time clothing store in the Washington, D.C. suburbs that employed the slogan, ‘An educated consumer is our best customer.’ I like to think that an educated mortgage industry employee is the best resource we have to persuade policymakers to enact laws that will be good for homeownership and good for our businesses. Capital Commentary and PolicyCast are two tools to help us reach that goal while, at the same time, demonstrating Arch’s reputation as a thought leader.

–Kirk Willison, Vice President, Government and Industry Relations

Creating an Informed Mortgage Industry Workforce

In 2020, our mortgage group undertook two new ventures to expand awareness of issues critical to the mortgage insurance business and the state of U.S. housing. Kirk Willison, Vice President for Government and Industry Relations, introduced the Capital Commentary newsletter and the PolicyCast video podcast to provide education around critical policy issues shaping the future of housing in America. Both the newsletter and the video podcast are replete with analysis of the challenges facing policymakers and industry practitioners to not only grow sustainable homeownership but to reduce the risk of losses to the government and investors. Among other important topics, Willison has focused on the challenges faced by many minority borrowers when trying to establish a credit score, the dearth of affordable housing and the national effort to address racial inequity in homeownership.



What started as resources to inform our employees quickly became sources of information to be shared with thousands of clients and colleagues within the industry. The newsletters and podcasts are now distributed to more than 2,000 industry professionals.

View Arch MI’s PolicyCast & Newsletters >>



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 14 years to save a 20% down payment. In these 14 years, this homebuyer has the potential to accumulate housing-related wealth of over \$80,000.

First-Time Apartment Rentals Program

Our surety group operates a lease rental bond program that issues bonds to provide rent payment protection for apartment leases. When the first-time renters program

285% increase in number of bonds issued in 2020 compared to 2019; 4,300 individuals or families benefiting since inception of program.

began in 2019, we issued bonds predominantly in New York City. In 2020, we expanded our impact by issuing bonds nationwide. The expansion and the flexibility to issue both short- and full-term bonds allowed us to issue over 4,300 bonds since program inception and over 3,400 in 2020, which is a 285% increase over 2019.

With the protections afforded by these bonds, students, first-time renters, new entrants into the job market and other underserved segments of the community can lease apartments that they may not otherwise be able to rent. This program helps these individuals and families obtain

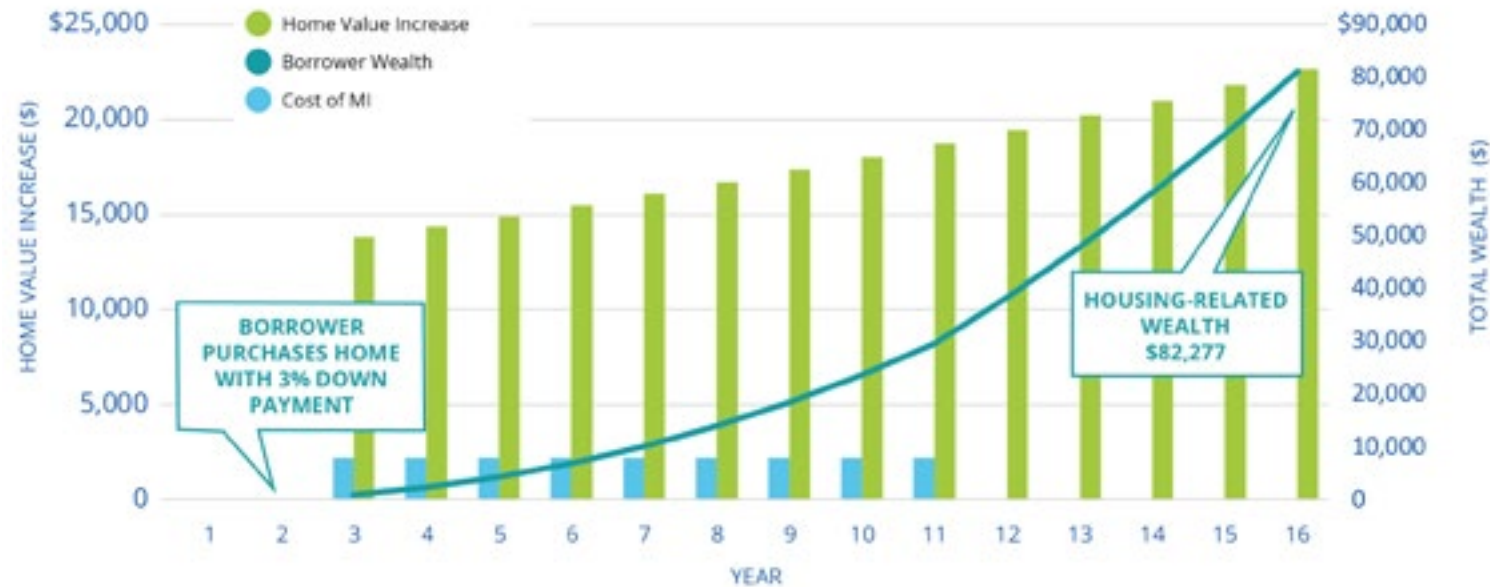
needed and appropriate housing in neighborhoods with better opportunities and/or safer environments while building their personal credit history. We are committed to assisting the communities we serve by offering creative solutions to support their housing needs while also improving leasing opportunities for tenants.

Fair Housing and Equal Credit Opportunity Acts

In our mortgage business, we promote the expansion of viable homeownership opportunities through the use of fair and reasonable underwriting requirements. 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. 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.

How does mortgage insurance help build wealth?



Assumptions and Sources: Median-priced house cost \$346,800 [FRED]; House price growth rate 3.89% [FHFA]; Median annual income \$68,703 [FRED]; Income growth rate 3.27% [FRED]; Annual savings rate 9.00% [FRED]; Average monthly rent \$1,405 [CBS News]; Annual inflation 1.86% [BLS]; 30-year mortgage interest rate 4.01% [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).

## Enabling Growth and Stability in Emerging Markets

### Sovereign Credit and Political Risk Underwriting Programs

COVID-19's ruthless sweep across the globe has highlighted significant inequalities in governments' abilities to react to both the health emergency and economic fallout. Developing countries have been acutely exposed by COVID-19 emergency measures and economic lockdowns, particularly those dependent on trade in services, such as tourism, as well as those whose export earnings fluctuate with world commodity prices. Governments are turning to multilateral support, now more than ever, to assist with mitigating these issues.

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 and during 2020, we were onboarded by the Multilateral Investment Guarantee Agency (MIGA), a branch of the World Bank. MIGA provides guarantees to a broad range of projects in developing member countries and helps investors obtain access to funding sources with improved financial terms. By supporting our multilateral clients like MIGA, ATI and Afreximbank, we are able to bridge the financing requirements to help our insureds fulfill their mandates, as well as assisting these developing countries to better manage the seismic shifts triggered by the pandemic. As an insurer, the investment is mutually beneficial as we are able to position ourselves behind these institutions and share the "preferred creditor status" in the territories we cover.



### ATI — MoF Ghana

Support for a variety of healthcare projects across Ghana, including the construction of a trauma hospital in Anyinam, the development of a 100-bed hospital in the Obuasi District and the retooling of the Accident & Emergency Department for the Enyiresi Government Hospital.

### Commercial Lender — Turk Eximbank (IBRD)

Underwrote the financing of a World Bank guaranteed facility that lends to Turkish exporters and entrepreneurs abroad. A specific focus of the facility is to prioritize companies with greater female representation in their teams and at C-suite level.



### Commercial Lender — Cocobod

Assisted the Ghana Cocoa Board in meeting its financing needs to support the local 2020–2021 cocoa crop. Critically, the start of this cocoa season saw the introduction of the "living income differential," which enforces an increase in the farm gate price and supports the price received by cocoa farmers, with a long-term aim to reduce farmer poverty in Ghana.

### Commercial Lender — Montenegro (IBRD)

Refinancing and repayment of public debt in the Republic of Montenegro eases the government's near-term debt service obligations. This allows greater focus on more urgent responsibilities, such as increasing spending on public health measures in response to the COVID-19 crisis as well as providing assistance to key initiatives in the tourism sector that have been negatively impacted by the pandemic.





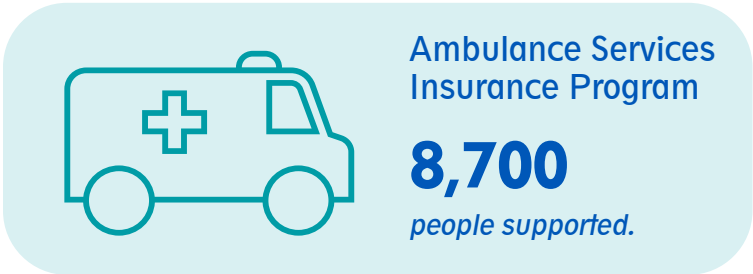
Supporting and Protecting Our Community Heroes — Fire and Emergency Services Insurance Programs at McNeil

Through Arch’s subsidiary McNeil & Company, Inc. (McNeil), we create specialized insurance programs that build on more than 25 years of success insuring providers of fire and emergency services. We work hard to support firefighters and emergency responders with the very best service, primarily through our leading ambulance and emergency services insurance programs, as well as our risk management webinar series.

- More than 150,000 **Ambulance and Emergency Workers and Volunteers** supported by our programs.
- **All firefighters in the U.S.** have access to our webinars.

Ambulance Services Insurance Program (ASIP)

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

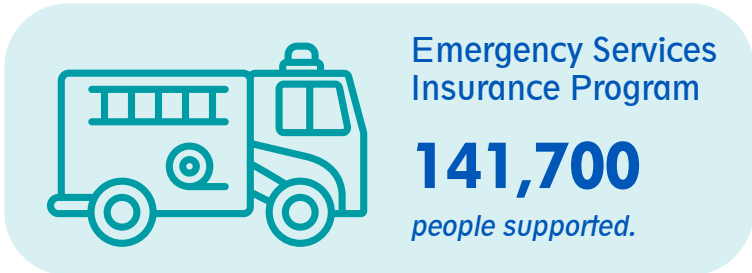


COVID-19 presented major challenges to fire and EMS providers. Not only were they faced with new response needs in their communities, they also were forced to halt regular training sessions due to exposure concerns. We immediately saw the need and scheduled a host of webinars to offer to all first responders completely free of charge. Due to the demand and feedback from participants, we will continue to offer this service to these community heroes for years to come.

–David Denniston,  
Director of Risk Management at McNeil & Company

Emergency Services Insurance Program (ESIP)

ESIP provides customized and proactive insurance solutions to emergency services organizations including volunteer fire departments, rescue squads, fire districts, career and combination fire departments, and fire/EMS related associations.



Risk Management Webinar Series

To provide ongoing support to our insureds, including emergency services organizations, our team at McNeil offers regular webinars on various topics to promote safety and reduce costs. When the COVID-19 pandemic hit, we added a significant number of webinars designed to help emergency responders better serve their communities during the crisis and even made the webinars available to non-clients to help keep communities safe and resilient. In 2020, we offered more than 90 webinars on a range of topics, including “Protecting Yourself and the Community from COVID-19,” “Responding to Special Needs Populations” and “Behavioral Health Concerns During a Pandemic.” Through our webinar series, we reached participants in 45 states, with more than 9,000 unique viewers from over 1,000 organizations.

Our webinar series reached participants in 45 states with more than 9,000 unique viewers from over 1,000 organizations.

Supporting Animal Well-Being through 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. Our products and services support organizations that care for strays and abandoned animals, assist in the prevention of cruelty toward animals and serve as “matchmakers” through their adoption services.



AnimalKeepers

Our program is called “AnimalKeepers,” and offers organizations specialized coverage for the unique needs of their staff, volunteers and the animals they care for, including outdoor animal pens and cages and medical claim coverage for workers related to animal care.

To protect these valued workers, we provide risk management measures including assessments and training for employees and volunteers. Specialized solutions include custom e-learning courses available 24/7, a service to conduct background checks for both employees and volunteers as well as checks for the potential adopters of the animals and a customized incident report to document a wide variety of potential incidents and risks within the organization.

## 4. OUR INVESTING

We are responsible for investing and managing the assets of our affiliates around the world. Through our investment management activities we preserve and protect over \$25 billion in assets (at December 31, 2020).

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. As careful stewards of the capital entrusted to us, we manage the portfolio conservatively, securing our reserves and ensuring an ongoing ability to pay claims when due.

We believe the incorporation of material, nonfinancial factors into investment selection and risk management has the potential to enhance long-term investment returns.

### 2020 Highlights

#### Formalized ESG investment considerations

in our investment strategy

#### Expanded our Chief Investment Services Officer's role

to include ESG oversight

#### Engaged with external ESG data managers

to understand our relative scoring and ESG exposures across our portfolio

#### Developed and launched a comprehensive report

to bring additional focus to ESG ratings for specific asset classes

### 2021 Priorities

- Drive an understanding of exposure to key ESG factors across our investment portfolio.
- Expand data points for external/alternative managers via bespoke ESG survey.
- Develop TCFD metrics and scenarios reporting.
- Conduct GAP assessment for leading responsible investing principles.
- Promote responsible investing and supporting ESG disclosures.
- Launch an investments ESG Steering Committee.
- Support investor and regulator disclosure requests.



## Our ESG Aware Statement and Approach

We consider ESG factors with respect to both our internally managed assets and those managed 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 performance of the entities in which we invest. Our ESG Aware Statement (Statement), approved by our Board and formalized in 2019, reflects our approach to sustainable value creation. The Statement requires that we consider ESG factors in the investment process, to the extent relevant.

Our ESG risk management process involves robust pre-investment due diligence for externally managed assets — managed by our investment teams and approved by our Investment Committee. The Investment Committee is made up of senior members of our investment team, our Chief Executive Officer and Chief Financial Officer. Active engagement with external managers post-investment is another central tenet of our approach.

For internally managed assets, ESG themes guide investment selection, reducing ESG risk in the portfolio. Our exposure to coal and fossil fuels is *de minimis* and we systematically seek to reduce exposure to companies with poor ESG scores and opportunistically seek to add renewables or positive ESG assets to the portfolio through all asset classes.

In 2020, we developed and launched a comprehensive investments ESG report. This process enabled us to address low-scoring holdings in the portfolio and to bring additional focus to ESG ratings for specific asset classes. The overall ESG rating of the portfolio remained unchanged over 2020 at “A,” however the fourth quarter saw significant improvement in allocations to “AA Leaders” and “CCC Laggards.”

To further drive ESG integration in our investment strategy, we expanded Liz Porter’s position as Chief Investment Services Officer to include ESG oversight; she is now our Chief Investment Services and ESG Officer. This expansion of responsibilities and dedication to ESG integration is critical to ensuring that ESG issues get the proper focus throughout our portfolio. In her role as ESG Officer, Porter is responsible for driving our responsible investment program, reporting and disclosures.

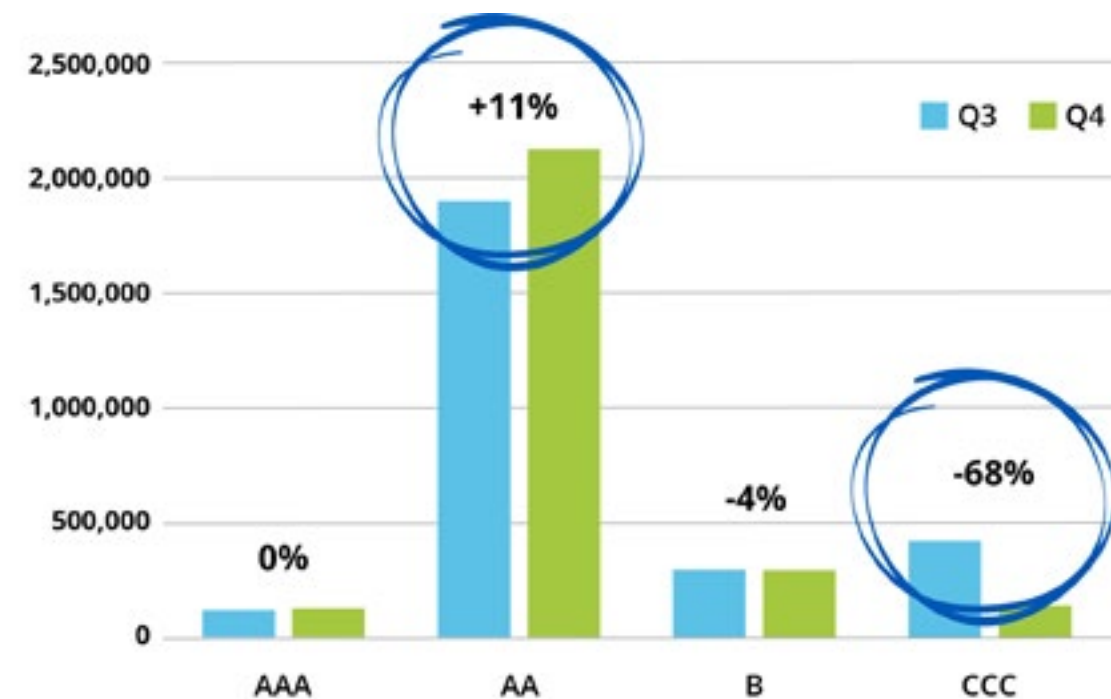


At Arch, we believe that responsible investing and performance are not contrary ideas, and we make every effort to allocate capital to companies committed to positive and measurable social and environmental outcomes.

—Liz Porter,  
Chief Investment Services and ESG Officer



### 2020 CHANGE IN LEADERS & LAGGARDS Q/Q



Source: Arch Capital Group Ltd.

## TCFD Reporting

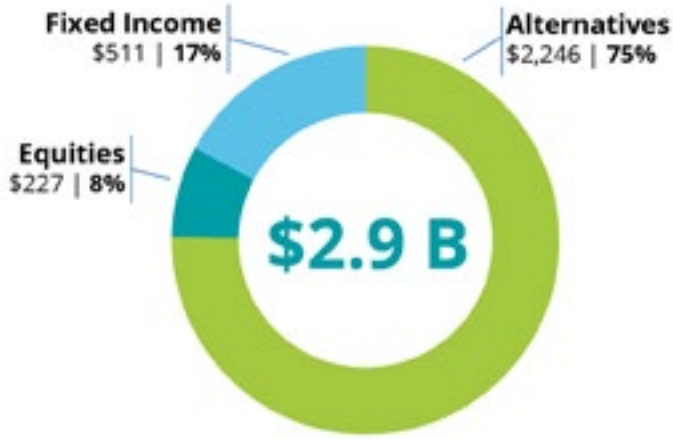
In an effort to understand and access the financial impacts of climate change on our investment portfolio, we plan to publish our first report designed to align with the framework set forth by TCFD. This undertaking touches every part of our business from governance to business strategy to enterprise risk management.

[See our TCFD Report. Visit our website>>](#)

Impact Investments

The chart below highlights several investment managers that have been leaders in the sustainable investing movement and several investments that are targeted to either Environmental or Social positive change. Additionally, we invest nearly \$3 billion with 15 managers that are signatories to the United Nations Principles of Responsible Investment (UNPRI).

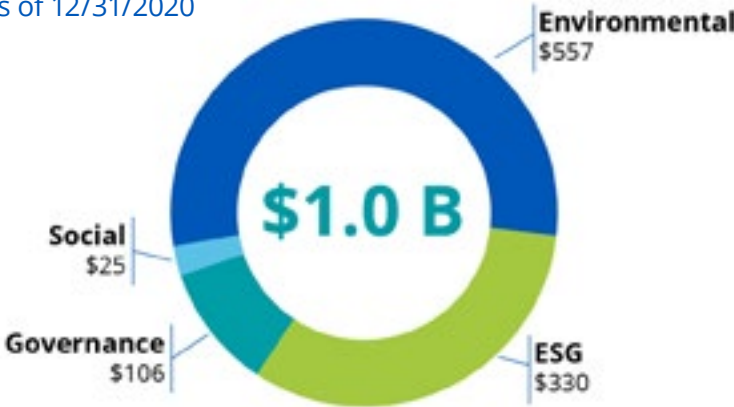
INVESTMENTS WITH MANAGERS THAT ARE UNPRI SIGNATORIES (\$M) as of 12/31/2020



Source: Arch Capital Group Ltd.

We have made a number of investments over the years that reflect our consideration of ESG factors in both internal and externally managed investments. Impact investments provide the opportunity to selectively add exposure to renewable energy or socially focused funds.

INVESTMENTS WITH AN ESG FOCUS (\$M) as of 12/31/2020



Source: Arch Capital Group Ltd.

INVESTMENTS WITH AN ENVIRONMENTAL AND/OR SOCIAL FOCUS

Here is a sampling of our impact investments:



ADM Cibus Fund

\$67 million | Vintage: 2017

ADM Capital Europe’s Cibus Fund focuses on investing in leading European and Oceania producers, processors and distributors of high-value foods and food production technology companies. The fund aims to address the imbalance between supply and demand, especially in developing economies, for high-quality foods and produce them sustainably.



Ichigo Japan Fund

\$106 million | Vintage: 2014

Ichigo Asset Management specializes in Japanese equity value investing, targeting high quality businesses trading at discounted valuations which have the potential to generate high and durable returns on capital over time. Ichigo cares deeply about the success of the companies it invests in and believes good corporate governance lies at the heart of strong company performance. It seeks a new model for Japanese corporate governance that includes active, committed, and responsible shareholders.

Ichigo is a long-term investor that works with corporate management and boards on positive change agendas to grow value for all stakeholders. This active engagement strategy is important in Japan, as the country undergoes a long-term agenda of transforming corporate culture toward optimizing capital structures and releasing trapped value on companies’ balance sheets.



BlackRock Impact Opportunities Fund

\$25 million | Vintage: 2021

The fund aims to accelerate positive economic outcomes for undercapitalized racial and ethnic groups by providing capital to businesses/projects owned and operated by minorities or businesses/projects driving change in undercapitalized communities in the United States. The fund’s objective is to help fundamentally change the way capital flows to undercapitalized communities.



BlackRock Global Renewable Power Fund II

\$75 million | Vintage: 2016

Power Fund III

\$75 million | Vintage: 2020

The fund seeks to invest in a diversified portfolio of renewable power generation projects. It targets development, construction and operating assets – primarily in wind and solar in North America, Europe and Asia Pacific. The fund may also invest in climate infrastructure assets that support renewable power, including energy storage, distribution and electrified transport. The fund’s objective is to deliver a combination of financial and impact returns that are aligned to the UN Sustainable Development Goals.



\$2.9 billion with UNPRI asset managers.



# 5. OUR COMMUNITIES

Striving to make a difference by investing in our communities is one of Arch's core values, and it is woven into the fabric of our culture. While the COVID-19 pandemic continues to cause hardship, it also underscores our commitment to building stronger, more resilient communities.

At Arch, we aim to build stronger communities by donating our time and resources at both the corporate and employee level.

- We make targeted investments in causes that align with our broader corporate vision and values through trusted charitable organizations.
- We amplify the generosity of our employees through a robust matching gift program.
- We encourage volunteer activities by compensating employees for their time when they volunteer with charitable organizations during working hours (volunteer time off).



Corporate Giving



Employee Giving and Volunteering

## 2020 Highlights

**\$6.3 million in overall charitable giving**

includes matching gifts and all charitable giving

**\$3.4 million in matching funds**

for employee donations to qualified organizations

**\$1 million donated**

and enhanced matching funds for groups providing COVID-19 relief

**\$400,000+ donated**

to organizations fighting for racial equality and social justice

**Matching Gift and Volunteer Time Off**

programs expanded to all employees worldwide

**1,100+ charities received donations**

## 2021 Priorities

- Enhance our corporate giving strategy to strengthen our partnerships with charitable organizations.
- Promote safe volunteer activities that drive employee engagement and support our charity partners.
- Continue to drive engagement with organizations that champion diversity, equity, inclusion and social justice through giving and volunteering.

CORPORATE GIVING

Our approach to corporate giving is to invest in causes that align with our broader corporate vision and values. We support trusted charities that champion inclusive, well-funded health, housing and education systems, which we believe are critical to long-term community growth and resilience.

Health

Our vision of a healthier society helped shape our response to the COVID-19 pandemic, guiding us to address critical health care needs on a global scale while supporting local relief efforts in the communities where our people live and work. Our contributions throughout the world to organizations large and small helped provide critical supplies to health workers, give families the ability to meet their basic needs and support health care institutions as they responded to overwhelming need in vulnerable populations.

Corks and Cards for a Cause

We also involve our customers in our corporate giving. When the annual Risk and Insurance Management Society, or “RIMS,” conference was canceled, we shifted the funds earmarked for our “Corks for a Cause” customer event to donations to charities in Denver, Colorado, where the conference was to be held. Customers were invited to decide the recipients and more than 300 votes were cast, ultimately selecting four nonprofits impacting children, food scarcity, mental health and the homeless.



The giving extended to the holidays, when Arch sent cards inviting customers to help select nonprofits to receive an Arch donation in lieu of customer gifts. Customers were enthusiastic and nearly 1,800 voted, directing Arch to give more than \$20,000 to charities including Feeding America in the U.S. and the Red Cross in Canada.

Housing

Aside from the intrinsic value our mortgage insurance business provides to the housing market, we partner with key charities to connect individuals and families with safe, permanent housing solutions. We partner with Community Housing Solutions, which provides home repairs to low-income homeowners in Guilford County, North Carolina, where our Mortgage group is headquartered. Additionally, we support the MBA Opens Doors Foundation’s home grant program, which provides mortgage and rent assistance to parents caring for a critically ill or injured child.



**\$50,000**  
Community Housing Solutions.  
**\$150,000**  
MBA Opens Doors Foundation.

Education



Our donation to Guilford Education Alliance provided **hundreds of laptops** to students who were faced with learning remotely due to the pandemic, but lacked equipment.

We support initiatives that combat inequity by creating pathways to education, career readiness and success for all. At the university level, our support helps prepare students for the workforce. Our partnership with the Maurice R. Greenberg School of Risk Management, Insurance and Actuarial Science at St. John’s University includes annual donations and participation by our CEO as a member of the school’s Board of Overseers.



Supporting Communities in the Wake of COVID-19

Our commitment to build stronger communities became even more of a priority for Arch employees and leaders as COVID-19 spread across the globe. Early in the pandemic, Arch committed \$1 million to organizations focused on food insecurity, health issues in high-risk communities and providing front-line responders with protective equipment and essential medical items related to COVID-19. Funds supported charities in locations with a large employee population and groups with a global impact.



**\$1 Million**  
donated to organizations providing relief in the wake of COVID-19.

In addition to our corporate giving, Arch amplified employee donations by offering an enhanced match rate of 2:1 for a period of time. This bolstered our employees’ support of organizations that mattered most to them.

**2:1 enhanced match to support employee giving to organizations impacted by COVID-19.**



Scholarships

Arch has established a number of scholarship programs to invest in the next generation of innovative insurance professionals.



James Asamoah Memorial Scholarship – Partners with St. Benedict’s Preparatory School

- St. Benedict’s Preparatory School, serving students from low-income backgrounds.

An endowment scholarship in memory of James Asamoah, a long-time Arch employee lost to COVID-19 in 2020. Starting in 2019, Asamoah and other Arch employees had visited schools serving predominantly minority students, including St. Benedict’s, to expose them to careers in the insurance industry.



Words cannot describe how much it means to me that Arch has established a scholarship at St. Benedict’s Prep honoring James Asamoah’s life and passion for education. I would describe James as a gentle giant. He didn’t say much, but when he spoke you listened because you knew he was sincere and on point. I miss James, and I am so proud of my employer for commemorating James’s life with a scholarship. For me, this solidifies the fact that our company cares about its employees.

–Delroy Morgan, AVP, Specialty Programs, and Chair of the Black Professionals and Allies Employee Network  
*Colleague who visited local schools with Asamoah*



Arch Insurance Scholars Program – Partners with the Spencer Foundation

- \$50,000/4-year commitment.
- Two students a year for the next four years.
- Creates internship opportunities at Arch Insurance.

The Arch Insurance scholarship is aimed at building a more diverse talent pipeline with a focus on tapping top undergraduates from diverse backgrounds who are pursuing careers in actuarial science, insurance, business or risk management.



Arch MI Scholars Program – Partners with North Carolina A&T State University

- \$60,000/5-year commitment.
- Creates internship and fellowship opportunities at Arch MI.

The Arch MI scholarship program provides financial support and on-the-job experience for high-achieving students at NC A&T, the nation’s largest historically Black university.



Actuarial Scholarship Program – Partners with Casualty Actuaries of Greater New York

- 2020 was the second year of our three-year sponsorship commitment.
- U.S. and Canadian citizens demonstrating academic excellence and a dedication to the actuarial profession.

Designed to encourage student interest in the property and casualty industry and attainment of the Casualty Actuarial Society designations.



Commitment to Social Justice

Arch’s commitment to investing in our communities through the areas of health, housing and education is aligned with our goal of building more diverse, inclusive and equitable communities.

In response to the killing of George Floyd in the summer of 2020 and the movement to call attention to racial justice that followed, Arch publicly supported efforts to end race-based violence and affirmed our belief that Black lives matter.

To put action behind our words, Arch pledged \$250,000 to organizations that fight for diversity, inclusion and equity in the U.S. and across the world. The following recipients were selected by our employees through a companywide survey. They include nonprofits that offer scholarships for students to attend historically Black colleges and universities (HBCUs), fight for racial equality through legal and policy advocacy, and work to end human rights abuses and injustice.

- Amnesty International.
- Equal Justice Initiative.
- NAACP Legal Defense and Educational Fund.
- Thurgood Marshall College Fund.
- United Negro College Fund.

Arch gave an additional \$150,000 to organizations championing diversity, equity and inclusion.



Photos by Keira Lindgren, Arch Capital Services

Arch pledged \$250,000 to organizations that fight for social justice and racial equality.



The generous gift from Arch Capital helps us to provide critical financial support to HBCUs and the students who attend them. HBCUs produce 50% of Black lawyers and doctors, 80% of Black judges and are the top producer of STEM graduates who go on to earn PhDs. Financial support from partners like Arch Capital is essential to advancing our mission of promoting educational excellence through scholarships and leadership development.

–Dr. Harry L. Williams, President & CEO of The Thurgood Marshall College Fund



United Negro College Fund (UNCF)

- Arch donated over \$50,000 to UNCF in 2020.
- Hosted a webinar for Arch employees to learn more about UNCF’s mission and vision.
- Participated in the first-ever UNCF National Walk for Education to raise funds to support HBCUs.

Arch donations helped to fund UNCF programs and scholarships benefiting their 37 member HBCUs and hundreds of students across the U.S.

We plan to continue partnering with organizations like UNCF to create a brighter, more equitable future for all.





# EMPLOYEE GIVING AND VOLUNTEERING

Our employees are committed to making a difference in their communities by giving their time and resources to causes they care about. Arch amplifies their impact through a number of programs designed to encourage charitable giving and volunteering.

## Amplifying the Generosity of Our Employees

### Arch Matching Gift Program

Arch offers a generous matching gift program for all full-time employees, matching employee donations to eligible charities 1:1 up to \$25,000 each year.

### Volunteer Time Off (VTO)

We compensate employees for up to two days of their time when they volunteer with charities during working hours.

### Good Works

We partner with Your Cause® to power our Good Works platform that enables our people to donate to charitable organizations, request matching gifts, track their volunteer hours and host virtual fundraisers for organizations they care about. This platform provides access for our global employees to support causes that matter to them and their colleagues.

### Going Global

In 2020 we rolled out our Matching Gift Program and VTO policy to all employees globally, along with access to our Good Works platform.



## Giving at a Glance

11 countries	Charities in 11 countries and 522 cities around the globe received <b>matching funds</b> .
700+	<b>Employees donated</b> and requested matching funds.
\$3.4 million	<b>Matching funds paid</b> by Arch to eligible charities.
1,000+	<b>Volunteer hours logged</b> by employees.

Creative Volunteer Activities in 2020

Volunteer activities have always been a significant part of our employee experience, driving engagement through serving those in need. Some in-person volunteer activities with Arch employees took place before the shutdown. While the majority of these traditional volunteer activities were put on hold during 2020 due to the pandemic, employees found creative ways to give back.

Creativity at a Glance

\$15,000

\$15,000 donation to Rise Against Hunger; Arch and our employees, helped provide much-needed meals and medical supplies to the West African country of Sierra Leone.

400 meals

400 meals to front-line health workers in local communities using our Mortgage Sales team members’ monthly client meals stipend.

Transcribing

Transcribing historical texts through the Smithsonian Institution so the texts are accessible and searchable via the internet.

Responder

National Health Service Volunteer Responder in the United Kingdom supporting the community by responding to requests for help via phone app.

Prepared

Purchased and prepared meals for families in need through Caritas House in Austin, Texas, during Arch Legal team’s annual offsite meeting.

**Gauteng Together** launched during COVID-19 lockdowns to support people in Johannesburg, South Africa, who were already struggling and lost the only income they had to buy food every day. Arch employees raised nearly \$14,000. The infographic below shows how the funds have improved life for many people around Gauteng.





