



## 2021 ESG Highlights



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## ESG AT ARCH

Environmental, Social and Governance (ESG) considerations are integral to our business operations and daily decision-making. We take a measured, long-term approach to ESG as we strive to find solutions that drive our purpose — to “Enable Possibility.”

We work with our clients to provide services and insurance coverage that help them safeguard their future in a world where uncertainty touches every aspect of their lives.

Our business is built on long-term thinking and an established history of delivering reliable risk management expertise to our markets. ESG thinking and processes are embedded across **five core areas** of Arch as we engage with stakeholders and help them plan, build and grow into a sustainable future.

Through our three sustainability reports, we share our ESG strategy and efforts to integrate ESG risks and opportunities across key impact areas. This summary report highlights our ESG successes and sustainability progress during 2021.

### ESG Priorities Matrix

We undertook a high-level review of our sustainability priorities in 2021. While reaffirming the importance of the priority topics outlined in our first Sustainability Report in 2019, the exercise also led us to implement changes to simplify and reprioritize key ESG topics, as illustrated in this new **ESG priorities matrix**.

E	S		G
	<i>Social Capital</i>	<i>Human Capital</i>	
Carbon Emissions (Operations)	Access to Finance & Social Product Development	Employee Health & Safety	Business Ethics & Standards
Climate Risk & Climate Change Management	Community Relations/ Engagement	Diversity & Inclusion	Corporate Governance
Financing Environmental Impact	Privacy & Data Security		Systemic Risk Management
	Responsible Investment		
	Supply Chain Labor Standards		

## ESG INTEGRATION AND PRIORITIES ACROSS OUR BUSINESS





Read more about Our Business on pages 7-11 of our Sustainability Report.

# 1. OUR BUSINESS

## Climate Risk and Climate Change Management

Our Enterprise Risk Management team integrates ESG performance, including climate change, into our Risk Register and extends that analysis to specific climate-related business risk evaluations in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). [See our TCFD Report](#), where we discuss climate risks and opportunities applicable to our business across the short, medium and long term.

**Thermal Coal Policy.** We take a pragmatic underwriting approach to identify and assess climate risks in the thermal coal industry. Through our [Thermal Coal Policy](#), we screen coal accounts against defined ESG criteria and escalate accounts, as necessary. The chart on the right shows the outcome of our **2021 Escalated Thermal Coal Submissions**.

## Financing Environmental Impact

The insurance industry is positioned to play a role in the energy transition and to help insureds build resilience against the impacts of global climate change. For additional information, see our [Sustainability Report](#) and [SASB Report](#).

Through our specialty products and across our global insurance groups, we:

- Support, and are signatories to, an initiative that helps high carbon industries find insurance capacity when aligned with the Paris Agreement.
- Focus on opportunities in the renewable energy industry, notably solar, wind, battery/energy storage, biomass and hydro.
- Incentivize our customers to practice responsible environmental behaviors through programs in our Commercial Property and Retail Energy Groups.
- Offer health and safety support to our customers through our risk and loss control service platform.

## Access to Finance and Social Product Development

We offer a range of products and customer-oriented solutions that help to build safer, stronger and more inclusive communities. Additional information on socially responsible products [can be found here](#).

- Through our Mortgage Insurance (MI) products, we enable more families to purchase homes and accumulate wealth. In 2021, 341,000 families in the U.S. were able to afford a home with Arch MI, 28% of which were low-income buyers.

### 2021 ESCALATED THERMAL COAL SUBMISSIONS

Since implementation of our Thermal Coal Policy, and even earlier in some cases, we have decreased our thermal coal accounts for various reasons including:

- Submission had no climate-related transition plan.
- Insured was benefiting from deforestation.

### 2021 TOTAL ESCALATIONS



These escalations represent our 2021 worldwide coal escalations, excluding the U.S. Our U.S. underwriting groups phased out of the majority of coal accounts by the end of 2021.

## Systemic Risk Management/Corporate Governance

- Risk Management responsibilities are delegated across our organization through a “Three Lines of Defense” approach to risk governance. **See the table below for details.**
- Our Board and its committees regularly review and are responsible for our long-term business strategy and work with our management team to define our strategic objectives. See the workflow of our Board’s oversight of key sustainability risks based on the respective committees’ expertise in [our Sustainability Report](#).

## Three Lines of Defense

BOARD OF DIRECTORS Accountable for Organizational Oversight		
MANAGEMENT Takes actions (including managing risk) to achieve our strategic goals.		INDEPENDENT ASSURANCE
1 <b>FIRST LINE:</b> These are our people on the front lines — such as our underwriters, pricing actuaries and investment professionals.  They’re managing risk, complying with regulations and standards, and carrying out our risk control processes daily.	2 <b>SECOND LINE:</b> These roles are responsible for oversight and challenge of the front line.  They develop and implement risk management processes policies and procedures.	3 <b>THIRD LINE:</b> Their role is to independently assess and report on the work of the management lines of defense.
KEY CONTROLS		
<ul style="list-style-type: none"><li>■ Underwriting guidelines.</li><li>■ Business segment reviews.</li><li>■ Peer reviews and quality control.</li><li>■ Pricing models.</li><li>■ Reinsurance purchases.</li><li>■ Natural catastrophe modeling and assessment.</li><li>■ Predictive analytics.</li><li>■ Investment guidelines.</li><li>■ Customer vetting.</li><li>■ IT Access Controls and cybersecurity.</li></ul>	<ul style="list-style-type: none"><li>■ Risk Management Board Reporting.</li><li>■ Aggregate exposure measurement and monitoring.</li><li>■ Risk Assessments and Control Mapping.</li><li>■ Own Risk and Solvency Assessment.</li><li>■ Capital modeling and forecasting.</li><li>■ Operational Risk Committee.</li><li>■ Regulatory issues reporting.</li><li>■ Third-party service provider approval and monitoring.</li></ul>	<ul style="list-style-type: none"><li>■ Board Underwriting Oversight Committee.</li><li>■ Board Audit Committee.</li><li>■ Board Finance, Investment and Risk Committee.</li><li>■ Board Nominating and Governance Committee.</li><li>■ Board annual approval of risk appetite, policies and assessment.</li><li>■ Compensation plan.</li><li>■ Internal Audit Enterprise Reviews.</li></ul>







Read more about Our Operations on pages 12-16 of our Sustainability Report.

# 2. OUR OPERATIONS

## Business Ethics and Standards

Honesty, integrity and trustworthiness are core values that define our culture and drive our relationships with our customers, employees and business partners.

- **95%** of our employees believe Arch conducts business in an **ethical manner**.
- **100%** of our worldwide employees and directors are expected to certify that they have received, understand and will follow the policies and standards in our Code of Business Conduct (Code).
- Our mandatory compliance training for all worldwide employees includes our Code, Privacy and Information Security Awareness, Anti-Harassment, Sanctions Awareness, Records Management and Social Media.

## Privacy and Data Security

Our privacy and data security strategy is robust and includes strong governance and oversight, policies, ongoing training, vendor/risk management evaluations for our third-party relationships and regular self-evaluation with penetration testing and assessments.

- In 2021, our Crisis Incident Management Team, made up of business leaders, conducted an impactful and comprehensive cybersecurity incident response exercise.

## Supply Chain Labor Standards

We are committed to **working with suppliers** that adhere to the same ethical and ESG standards as Arch.

- Our Supplier Code of Conduct was acknowledged by **238** vendors in 2021, and we continue to hone and develop our proprietary approach to evaluating supplier ESG performance using third-party ESG performance data.

## Greenhouse Gas (GHG) Emissions

We measure our carbon footprint and emissions annually, as reported in our **TCFD Report**, accounting for our operational Scope 1 and Scope 2 GHG emissions, as well as relevant categories of Scope 3.

We are committing to:

- Reducing absolute Scope 1 and Scope 2 GHG emissions by 42% by 2030, from a 2020 base year.
- Achieving net zero operations by 2030 through the purchase of carbon removal offsets for our remaining Scope 1 and Scope 2 emissions.

Read more about Our Investing on pages 17-18 of our Sustainability Report.

# 3. OUR INVESTING

## Responsible Investing

- Arch adopted a formal **Responsible Investing (RI) Policy** in early 2022. Our RI Policy reflects our approach to sustainable value creation and requires that we consider ESG factors, including climate change, in the **investment process** for all asset classes under our management.

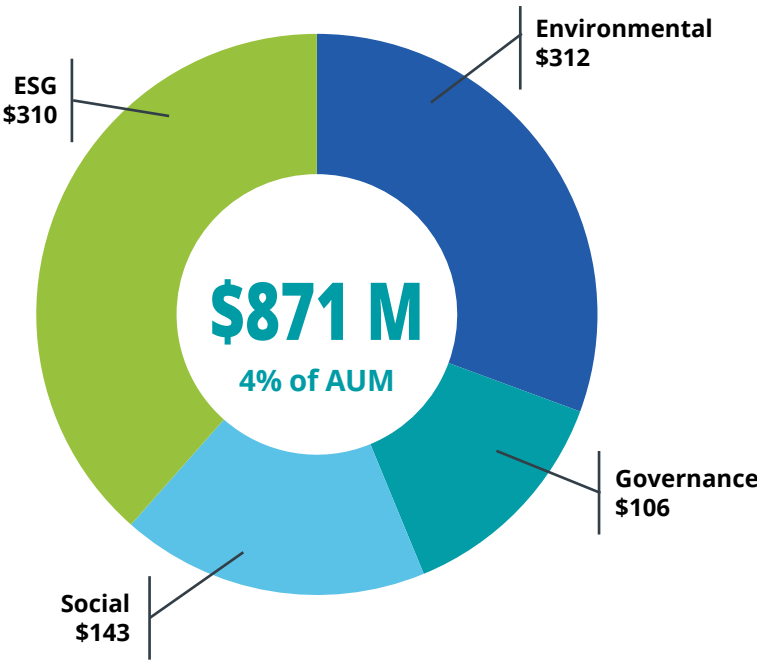
## Impact Investments

- We have invested **\$871 million** (4% of AUM) in investments with a **specific ESG mission**, including green bonds valued at approximately US\$30 million issued by the U.K. and German governments.

## Assets with UN PRI

- We have invested approximately **\$4 billion** (21% of AUM) **with managers that are UN PRI signatories**. This represents a 20% increase year-over-year from 2020 to 2021 and we continue to focus on reducing our exposure to carbon intensive industries in our portfolio.

Impact Investments (\$M)  
as of February 2, 2022



# 4. OUR PEOPLE

## Employee Health and Safety

Arch prioritizes access to comprehensive benefits to safeguard our employees’ mental, physical and financial health; addressing the challenges presented by the COVID-19 pandemic continues to be a top priority.

## Employee Satisfaction and Diversity and Inclusion (D&I)

- Our 2021 voluntary turnover rate was **9.8%**, in line with our pre-COVID historical rates of attrition and lower than the financial services industry average of 15%.
- We conducted our **biennial anonymous employee engagement survey** to measure many dimensions of employee satisfaction, including D&I. Outperforming industry norms in many categories, we saw an 89% favorable score in the D&I dimension.
- Arch formalized our corporate D&I strategy in 2020, and, in 2021, developed a roadmap to outline the key steps to meaningful progress. [Learn more here.](#)
  - In 2021, we launched **six global Employee Networks** (shown below) to provide opportunities for employees to connect with other people and allies, enabling our employees to align with our D&I strategy and objectives.
  - To date, **320 Arch leaders** have participated in a training program that equips leaders with practical ways to model inclusivity in their interactions.

### Arch Employee Networks

#### Activated in 2021



**Black Professionals & Allies** – hosted numerous career development and educational events, including a virtual panel on Juneteenth and a session on Black British History in honor of U.K. Black History Month. They also provided volunteer opportunities for members to mentor underserved students through Arch nonprofit partner the All Stars Project.



**LGBTQ+ & Allies** – coordinated several events and initiatives in 2021. They hosted a slate of events for Pride Month, including “Pride Bingo: Exploring LGBTQ+ Terminology” and a session on “Intersectionality and Allyship.” They also hosted several charity drives, with Arch matching employee donations during Pride Month to nonprofits championing LGBTQ+ causes in the communities where Arch employees live and work.



**Veterans & Allies** – this network launched in November of 2021, and coordinated a charitable giving campaign with Marine Toys for Tots Foundation in time for the holidays.



**Women & Allies** – focused on providing meaningful career development and networking opportunities. In 2021, they hosted events including a series of virtual sessions on International Women’s Day and throughout Women’s History Month.

#### Launching in 2022



**Able Not Labeled & Allies** – launched in January 2022, the Network has a three-pronged focus: neurodiversity, mental health and wellness, and physical abilities.



**Young Professionals & Allies** – seeks to advance the industry by providing young professionals with opportunities for development and networking.



Read more about Our Communities on pages 24-26 of our Sustainability Report.

# 5. OUR COMMUNITIES

We continue to invest in areas where we live and work and demonstrate our ongoing commitment to building stronger, more resilient communities through our philanthropic and volunteer efforts. In 2021 we:

- Donated **\$6.3 million** to charitable organizations.
- Formed the Arch Group Foundation.

## Giving for a Better Tomorrow

### Matching Gift Program

**\$1.7M**  
donated by employees  
at Arch in 2021.

**1:1 match**  
for up to **\$25k** of an employee's  
donations to eligible organizations.



**+1,400**  
charitable  
organizations  
impacted by employee  
donations.

### Volunteer Time Off Program



**14,153**  
hours of paid time  
used by employees to  
volunteer in 2021.



Arch offers  
employees  
**2 days**  
per calendar year as  
paid Volunteer Time Off

### Highlights of the 20th Anniversary Global Giveback Initiative

- More than 25 volunteer activities supported health-related causes.
- Volunteers supported more than 35 charities addressing food insecurity.
- Over 20 activities got employees outdoors to help our planet.
- 15 activities addressed housing issues.
- Over 20 activities helped improve access to quality education.