



Arch Capital Group Ltd.
SUSTAINABILITY REPORT

2022 Highlights



ESG at Arch



OUR ESG PRIORITIES

Environmental, Social and Governance (ESG) considerations are integral to our business operations and daily decisions. We take a measured approach to ESG as we strive to drive our purpose — Enable Possibility — across all areas of our business.

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.

Our ESG framework maps across **five key impact areas** that support and drive our ESG initiative. By organizing our strategy under these pillars, we seek to encompass Arch's collaborative ESG successes and sustainability progress across our operations.

We believe in the value of transparency around our sustainability initiatives, and we are committed to sharing our progress across our three sustainability reports: Sustainability, Sustainable Accounting Standards Board (SASB) and Task Force for Climate-related Financial Disclosures (TCFD). This summary report highlights our ESG successes and sustainability progress during 2022.

We incorporated sustainability-driven thinking into core areas of our company, reaffirming the importance of sustainability to our operations. Our ESG priorities are defined below. We are committed to strengthening across each dimension and will continue to evaluate these priorities based on emerging trends and stakeholder feedback.

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 Risks & Opportunities	Responsible Investing		Data Privacy & Security
Sustainable Real Estate	Supply Chain Value		Systemic Risk Management

OUR ESG FRAMEWORK





1. OUR BUSINESS

Enterprise Risk Management Strategy

Our Enterprise Risk Management team formally identifies and integrates ESG performance, including climate change and climate-related risks, into our Risk Register and extends that analysis to specific climate-related business risk evaluations in line with the recommendations of TCFD. See our **TCFD Report**, which discusses climate risks and opportunities applicable to our business across the short-, medium-, and long-term.

- Risk management responsibilities are delegated across our organization through a “Three Lines of Defense” approach to risk governance. **See the detailed table below.**
- Our Board of Directors and its committees are responsible for governing the organization and overseeing its activities and the performance of executive management in implementing corporate strategies. See the workflow of our Board’s oversight of key sustainability risks on the respective committees’ expertise on page 7 of our **Sustainability Report**.
- Specific areas of research and focus in 2022 included U.S. hurricane, U.K. flood, Japan wind and European windstorm. In addition, our natural catastrophe modeling teams performed a comprehensive climate change study.

Evaluating Environmental Exposures

Thermal Coal Policy. We take a proactive approach to reducing risks and integrating environmental concerns into our underwriting of thermal coal business accounts. Our **Thermal Coal Policy**, applicable to our global insurance operations, is designed to evaluate risk and trigger escalations, as necessary. In 2022, our U.K. insurance operations adopted sector-specific guidelines regarding arctic energy exploration and production and oil sands mining. The chart shows the outcome of our 2022 escalated submissions.

Financing the Climate Transition

We are taking steps to address the climate challenge and help insureds adapt and build resilience. Through our specialty insurance products and solutions, we:

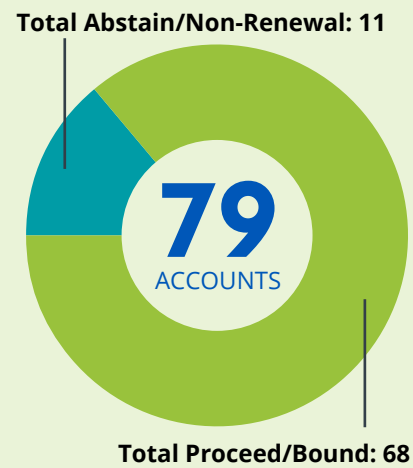
- Focus on opportunities in the renewable energy industry, notably solar, wind, battery/energy storage, biomass and hydro.
- Incentivize our customers to practice responsible environmental behaviors through programs in our Commercial Property, Retail Energy and Onshore Energy groups.
- Offer health and safety support to our customers through our comprehensive Risk Control service platform.

2022 Submissions

Since implementation of our Thermal Coal Policy, we have decreased our underwriting of thermal coal accounts for various reasons including:

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

2022 Total Escalations



This chart represents our 2022 worldwide escalations, including global coal escalations (one from our U.S. underwriting group) and nine referrals from our U.K. business related to oil sands and arctic energy exploration and drilling (all proceeded/bound). Our U.S. underwriting groups phased out of the majority of coal accounts at the end of 2021.

Access to Finance and Social Equity Products

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 on page 7 of our **Sustainability Report**.

- Through our mortgage insurance (MI) products, we enable families to purchase homes and accumulate wealth. In 2022, 211,000 families in the U.S. were able to afford a home with Arch MI, of which approximately 25% were low-income buyers¹.
- Our sovereign credit and political risk underwriting programs help the governments of developing countries gain financing. We facilitate these opportunities by insuring the lenders against the risk of a sovereign default. We have cultivated relationships with top-tier multilateral organizations to support projects that deliver improved economic and social growth that align with Arch’s values.
- Through our agency with the London Lloyd’s market, effective March 2022, we participate in an initiative to help relieve the humanitarian crisis in Yemen.
- Our subsidiary, McNeil & Company, Inc., has insured firefighters and emergency responders through our insurance programs and we also host a risk management webinar series. We offer over 500 courses on an E-learning platform with over 115,000 users from 5,000 organizations.

¹ Loans where the qualifying income was less than 80% of the area median income in their census tract; includes both purchase and refinance.

BOARD OF DIRECTORS

Accountable for Organizational Oversight

MANAGEMENT

Takes actions (including managing risk) to achieve our strategic goals.

1 FIRST LINE: 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 SECOND LINE: These roles are responsible for oversight and challenge of the front line. They develop and implement risk management processes policies and procedures.

3 THIRD LINE: Their role is to independently assess and report on the work of the management lines of defense.

KEY CONTROLS

- Underwriting guidelines.
- Business segment reviews.
- Peer reviews and quality control.
- Pricing models.
- Reinsurance purchases.
- Natural catastrophe modeling and assessment.
- Predictive analytics.
- Investment guidelines.
- Customer vetting.
- IT Access Controls and cybersecurity.

- Risk Management Board Reporting.
- Aggregate exposure measurement and monitoring.
- Risk Assessments and Control Mapping.
- Own Risk and Solvency Assessment.
- Capital modeling and forecasting.
- Operational Risk Committee.
- Regulatory issues reporting.
- Third-party service provider approval and monitoring.

- Board Underwriting Oversight Committee.
- Board Audit Committee.
- Board Finance, Investment and Risk Committee.
- Board Nominating and Governance Committee.
- Board annual approval of risk appetite, policies and assessment.
- Compensation plan.
- Internal Audit Enterprise Reviews.

2. OUR OPERATIONS

Data Protection and Cybersecurity Strategy

We prioritize the management of cybersecurity risk and the protection of information across our enterprise at several levels, including board oversight, executive commitment and employee awareness and training.

- Cyber incidents, natural disasters and other business outages are escalated to our Crisis Incident Management Team (CIMT). Each quarter, the CIMT exercises its communication plan to ensure that all members of the team can be alerted quickly in the event of an actual crisis.

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.

- 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).
- All employees are required to complete mandatory compliance training that includes our Code, privacy and information security awareness, anti-harassment, sanctions awareness, records management and social media.

Responsible Sourcing

Arch strives to engage with suppliers that adhere to our values, ethics and ESG standards.

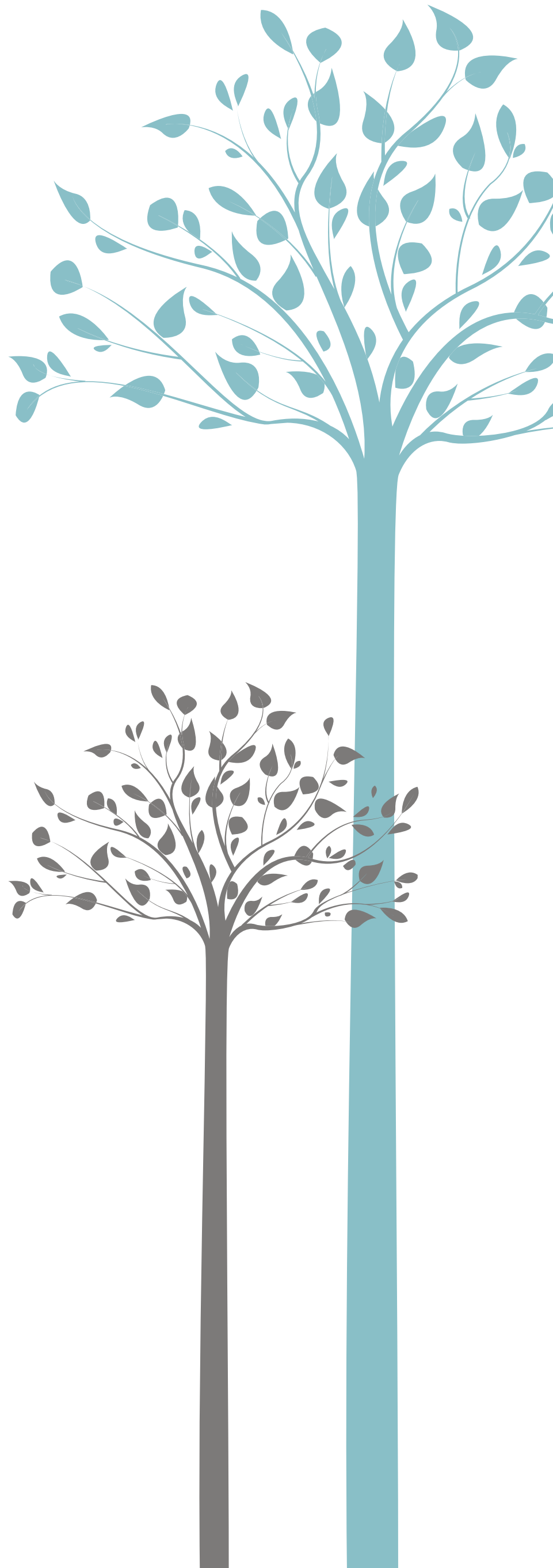
- Our **Supplier Code of Conduct** was acknowledged by 133 vendors in 2022.
- At the end of 2022, we launched a new sustainability performance assessment platform to assess our suppliers across four pillars: environment, labor and human rights, ethics and sustainable procurement.
- At the end of 2022, we introduced our **Supplier Diversity Program**, outlining our commitment to generate inclusive opportunities in our vendor selection process for diverse suppliers.

Environmental Impact

Arch continues to identify opportunities to reduce the environmental impact of our global operations. We recognize the importance of doing our part to decrease greenhouse gas (GHG) emissions associated with our business. We are taking strategic steps to achieve our goals to reduce or negate our impact on the environment while engaging our employees to raise awareness and encourage sustainable actions and thinking.

We measure our carbon footprint and emissions annually, as reported in our **TCFD Report**. We have set the following targets:

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





3. OUR INVESTING

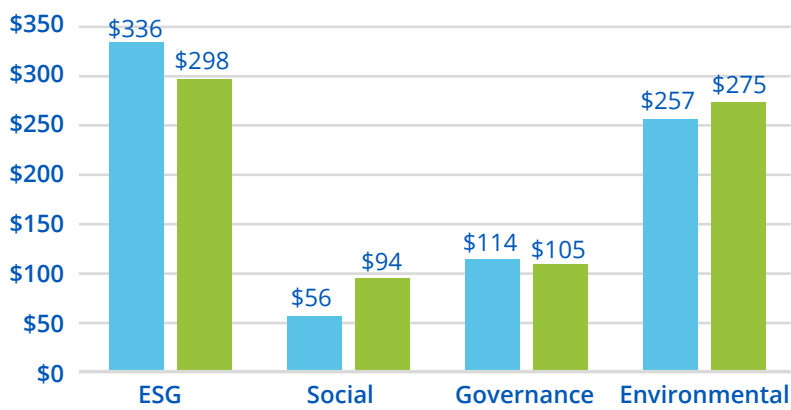
Responsible Investing

Our **Responsible Investing (RI) Policy**, adopted in early 2022, provides a framework for governance, investment strategy, engagement, reporting and communications. In developing the RI Policy, we considered the six principles set forth by the United Nations Principles of Responsible Investment (UN PRI). The RI Policy reflects our approach to sustainable value creation by considering ESG factors, including climate change, in the investment process for all asset classes under our management.

We integrate ESG factors into investment analysis and decision-making. Through our fundamental analysis, we incorporate investee companies' ESG risk ratings, which include factors such as corporate governance, climate risk exposure, carbon reduction and workforce policies. We aim to deliver total return and income for Arch while realizing added benefits when investing to create a positive benefit for society.

- As of Dec. 31, 2022, we had \$138 million invested in green bonds issued to fund green projects, activities that promote climate change mitigation or adaptation, or other environmental sustainability purposes.
- Responsible investments currently total approximately 3% of our total assets under management (AUM).

Responsible Investing (\$M)



■ 2021* Total investment: \$763 million, which is approximately 3% of AUM.

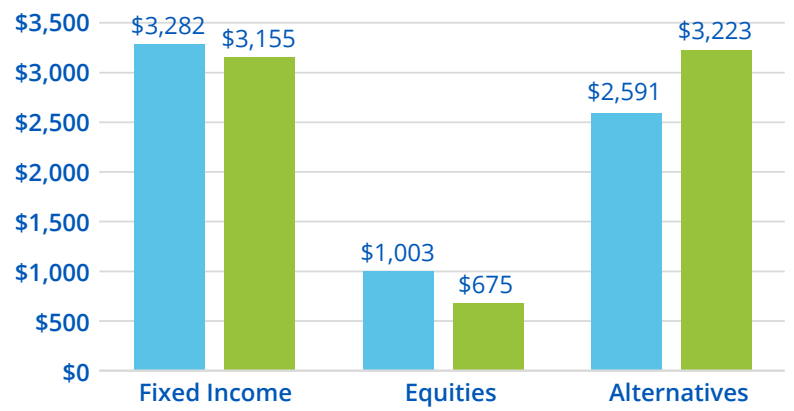
■ 2022 Total investment: \$772 million, which is approximately 3% of AUM.

* Reflects the correct amount due to a data error in the 2021 Sustainability Report.

Assets with UN PRI

Our assets managed by UN PRI signatories remained stable year over year (i.e., 2021 and 2022) representing 25% of AUM and 79% of the total externally managed assets, approximately \$8.9 billion.

Investments with managers that are UN PRI Signatories (\$M)



■ 2021* Total investment: \$6.9 billion, which is approximately 25% of AUM.

■ 2022 Total investment: \$7.1 billion, which is approximately 25% of AUM.



4. OUR PEOPLE

Accelerating Diversity and Inclusion (D&I)

Arch focuses on developing market-leading solutions that allow us to attract, develop, promote, reward and retain the best talent. Our mission is to create a workforce that reflects the diverse populations of our customers and the communities where our people live and work. In 2022, we made strides toward achieving our long-term D&I vision, and we have expanded our internal programs and practices to enrich the employee experience of inclusion and belonging.

- As we continue to focus on initiatives that create change, we share, for the first time, demographic data for our global operations. See page 20 of the [Sustainability Report](#).
- More than 23% of our global employees participate in one or more of our six employee networks (ENs), which are employee-led groups that help build relationships, amplify the voices of diverse populations and advocate for positive change within our company. The groups host educational and networking events, professional development opportunities, focus groups, volunteer outreaches and other events that cultivate inclusion and encourage all voices and perspectives. The strong and visible ally participation in all of our ENs is a testament to their success.
- More than 600 leaders have completed an advanced Fostering Inclusive Leadership course that equips participants with practical ways to model inclusivity in their day-to-day interactions to maximize the contributions of all employees.
- We launched a global mentorship program to provide a forum where employees can learn and grow professionally via relationships with other colleagues.
- A total of 855 employees have completed a course on creating a culture of workplace inclusion, designed to explore the impact of in-group and out-group dynamics, understand the benefits of inclusion, and learn powerful shifts that bridge groups to foster a greater sense of belonging.

Career Development

Attracting, developing, promoting, rewarding and retaining top talent is a company-wide priority. Through meaningful investments in career development, diverse recruitment practices and providing tools to help our employees to succeed, we foster a workplace where everyone can thrive.

- Our internship programs provide highly motivated students with meaningful work experience and exposure to industry career opportunities. In the U.S., U.K. and Bermuda, we hosted more than 70 interns in various functions throughout our operations in 2022.
- In 2022, we introduced Arch's Senior Leadership Team to our six Executive Accelerators, behaviors that drive success for our business and our people. Approximately 140 executives took an assessment that provided insight into areas of strength and weakness to help them become more effective leaders.

Employee Health and Well-being

We are committed to ensuring that our people have access to comprehensive benefits to safeguard their mental, physical and financial health. We took several actions in 2022 to expand our benefit coverages to be more inclusive and to meet our employees' needs.

- We enhanced our medical coverage for our U.S.-based employees to include travel and lodging costs to obtain mental health services, infertility treatments, specialty cancer treatments, abortion services and gender-affirming services.
- To ease the impact on those most affected by inflation, in 2022 we announced that effective in 2023, Arch will have a new, salary-based premium structure for medical plans for U.S.-based employees to help keep health care costs equitable and affordable. It is anticipated that more than 65% of employees will see a reduction in medical premiums for the same plan and coverage tier.
- We contributed \$67 million to worldwide retirement saving plans on behalf of eligible employees.
- Arch recognizes the impact of the current economy on our employees. To help ease the financial pressure, in addition to looking at the external compensation market, we are reevaluating our merit increase guidelines to take into account geography and job level in the organization to allow for greater salary increases for employees most impacted by inflationary pressures.





5. OUR COMMUNITIES

We strive to make a difference by investing in areas where we live and work. We demonstrate our ongoing commitment to building stronger, more resilient communities through our philanthropic and volunteer efforts.

- Donated **\$5.6 million** to charitable organizations across the globe, including \$2.4 million through our matching gift program.
- Our employees used 12,000 hours of our volunteer time off program to give back to their local communities.
- The Arch Group Foundation became operational in 2022 and awarded over **\$450,000** to nine nonprofits.

Matching Gift Program



\$2.4M

matched by Arch
(includes both 1:1 and periods of 2:1 matching).

\$2.1M

donated by our employees
in 2022.

1:1 match

for up to \$25,000 of an employee's donations to eligible organizations.

Volunteer Time Off Program



12,000

hours of paid time
used by employees to
volunteer in 2022.

Arch offers employees
2 days
per calendar year as paid
volunteer time off.

1,400+

charitable organizations
supported by employee donations.

IMPORTANT LEGAL INFORMATION

The inclusion of information contained in this report should not be construed as a characterization regarding the materiality or financial impact of that information. For a discussion of information that is material to Arch, please see our 2022 Annual Report on Form 10-K for the fiscal year ended Dec. 31, 2022, filed with the SEC on Feb. 24, 2023 (2022 Annual Report). Moreover, this report may use certain terms, that others may refer to as “material,” to reflect the issues or priorities of the company, its subsidiaries and its stakeholders. Used in this context, however, these terms are distinct from, and should not be confused with, the terms “material” and “materiality” as defined by or construed in accordance with securities, or other, laws or as used in the context of financial statements and reporting.

This report may include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA), which reflect our current views with respect to future events, risks and uncertainties. All statements other than statements of historical fact included in or incorporated by reference in this report are forward-looking statements. Forward-looking statements, for purposes of the PSLRA or otherwise, can generally be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe” or “continue” and similar statements of a future or forward-looking nature or their negative or variations or similar terminology. Actual events and results may differ materially from those expressed or implied in these statements. Important factors that could cause actual events or results to differ materially from those indicated in such statements include, among other things, those factors discussed in Item 1A, pages 57-77 of our 2022 Annual Report, and our quarterly reports on Form 10-Q filed with the SEC. These forward-looking statements speak only as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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