

## RESPONSIBLE INVESTING AT ARCH

As a long-term asset manager and owner, we believe integrating Environmental, Social and Governance (“ESG”) factors into investment analysis and decision-making contributes to improved investment returns and reduced risk over the long term and aligns with our policyholders’, shareholders’ and other stakeholders’ best interests. Through our active portfolio management, we review investee-companies’ standards for corporate governance including climate risk exposure, carbon reduction and transition plans. We aim to deliver total return and income for Arch while seeking to create a positive and sustainable impact on society. As a result, we have developed a Responsible Investing policy (“Policy”).

Within this Policy, we have developed and outlined three key areas:

1. Our Responsible Investing (“RI”) governance framework.
2. Our RI strategy, which is applicable to:
  - a. Internal asset management (approach to mitigating ESG risks and expanding ESG impact opportunities) and
  - b. External asset management (approach to engagement and monitoring of their ESG strategies).
3. Our approach to engagement, reporting and communications regarding our RI practices.

This Policy aligns with our overall corporate ESG strategy and sets forth high-level principles we require our asset managers to follow. This Policy has been drafted to take into consideration the principles adopted by the UNPRI.

### Governance

The Investment Group ESG Steering Committee was established to govern this Policy and oversee reporting, metrics and ESG-related initiatives. This committee represents all parts of the investment business to ensure a comprehensive Policy. Membership is regularly reviewed and feedback from internal Arch entities and external stakeholders is incorporated into regular discussions.

The Committee includes the Chief Investment Officer of Arch Investment Management, the CIO of Fixed Income and Equities, the CIO of Alternatives, key representatives from Portfolio Management, and the Arch Capital Group Ltd (“ACGL”) CRO and Chief ESG Officer. The Committee is chaired by our investment team’s COO and ESG Director. This Committee meets at least quarterly and reports to the ACGL ESG Steering Committee.

The Policy will be reviewed at least annually and updated as necessary to reflect business and market changes.

## **Our RI Strategy**

### *ESG Integration*

We actively work to incorporate ESG factors into our investment process. Arch's investment professionals employ both qualitative and quantitative analysis to identify company- or manager-specific risks and opportunities. Our investment professionals use various resources to stay informed of developments in ESG ratings and evaluation methodologies to understand potential implications of emerging ESG factors.

#### **Internally Managed Assets**

- We screen our investments for companies with poor ESG ratings, where ratings are available (MSCI CCC rated).
- We seek to add companies with better ESG ratings (MSCI A or above) to the portfolio through all sectors and asset classes.
- ESG factors and scores are considered when assessing new investment opportunities and new issues, where data is available.

#### **Externally Managed Assets**

- We capture ESG and TCFD-aligned metrics for new externally managed liquid and illiquid portfolios.
- We consider ESG standards when pursuing new strategies or products with our existing managers.
- New investment managers to the platform have ESG policy and practices reviewed as part of our pre-investment Operational Due Diligence process.
- ESG metrics and factors are included in investment memos and written recommendations made to the Investment Committee.
- We ask our external managers to consider ESG factors when voting on eligible shares.

#### **Impact Investments**

- We opportunistically seek ESG-positive "impact" investments within both our Alternative and our liquid market investments.
- Through these investments we aim to create positive and measurable impacts on society, and at the same time deliver competitive financial market returns.

**Monitoring Exposure to Climate Impact and Carbon-Intensive Industries**

- We understand that climate change necessitates that carbon-intensive industries be considered carefully.
- Carbon metrics are included in our investment decisions, where available.

**Employee Training**

- All AIM staff engages in periodic ESG training to maintain and grow their understanding of ESG risks and our RI policy and governance.

**Engagement, Reporting and Communications***Engagement*

- Our RI strategy is supported by our engagement strategy; we engage on an ongoing basis with our external asset managers regarding ESG integration into their investment decisions to facilitate healthy discussion about ESG and sustainability and to encourage adoption of strong RI practices.
- We require external managers to provide ESG reports and metrics on their funds and organizations at least annually.

*Reporting*

- Industry standard ESG factors are integrated into our portfolio management and risk systems for active, daily analysis.
- We produce ESG metrics and quarterly reporting on our RI program.
- We report regularly on the progress of our ESG-related goals and targets to executive management at Steering Committee meetings.

*Communications*

- Progress on our RI strategy and its implementation is communicated externally in our annual Sustainability Report.
- We communicate internally with AIM on a regular basis as meaningful changes and updates to this policy and our overall ESG program are made.
- We respond to all ESG related requests for information from investors and regulators on a timely basis.