



ARCH CAPITAL MANAGEMENT CO. LTD

2022

SUSTAINABILITY REPORT

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About Arch Capital Management

ARCH Capital is an independently owned real estate private equity investment platform with a well-established track record investing in the opportunistic, value add, and core/core plus strategies across major markets in Asia Pacific. Its portfolio of assets is diversified across residential for sale and for lease, office, retail and mixed-use.

Our core strength is in identifying and unlocking values in properties through active and direct asset management within a fully integrated in-house team and local knowledge in each market that we operate in.



A PRI signatory since 2012.



Commits to be an EDGE Champion.



Aligns reduction targets with the NZOA.

Senior Management Statement

The Arch Management Team ensures the integrity of this report and confirms that all disclosures on performance and impact on key material topics are fairly presented.

The Arch Management Team was supported by ARCH Capital's business units and country leadership in providing high-level supervision to the internal teams responsible for the reporting process. Internal parties devoted significant efforts to ensure that the Arch Capital story is fairly presented in this report.

This report contains forward-looking statements which, by their nature, involve risk and uncertainty as they relate to future events and circumstances that may be beyond ARCH Capital's control.

We therefore advise readers to use caution when interpreting any forward-looking statements in this report.

This report was approved and finalized on July 7, 2023, and authorized for release on July 10, 2023.

Richard Yue
Founder and Chief Executive Officer



Photo: Sathorn Prime, Bangkok, Thailand

MESSAGES



Richard Yue
Founder and Chief Executive Officer

“

“This Sustainability Report documents our contribution in the efforts to address a truly global challenge – Sustainable Development. We are proud to be working with our investors and stakeholders to create a better and green future.”



Jonathan Umali
Chief Investment Officer and
Head of Sustainability

“

“Our commitment to ESG started more than a decade ago when ARCH Capital decided to be a signatory to the UN Principles for Responsible Investment (UNPRI). Now that our investment footprint and AUM have leaped in multiples, this commitment has grown in complexity and scale as this Sustainability Report demonstrates.”

To our fellow stakeholders,

Investment and asset management, particularly the environmental, social, and governance (ESG) aspects, are gaining more attention in our industry. We have observed a mounting demand from investors to implement a strategy hinging on the identification of sustainability-related risks such as changes in customer preference from the social perspective, and sea-level rise from the environmental perspective. This demand has intensified due to recent occurrences that have demonstrated how quickly ESG risks can escalate enough to leave an impact, on not only to businesses but also to our stakeholders and their interests.

It is becoming more crucial to adopt a proactive approach towards ESG risk management and include it within our holistic approach concerning the asset management decision-making processes. In this light, we took a closer look at our risk exposures based on our industry, locations, market outlook, and other global phenomenon.

The economic fallout from the global pandemic has been extensive and is evident across several industries, including the investment and property sectors. To cope with these unforeseen circumstances, industry players have been compelled to reexamine existing activities, evaluate decision-making processes, integrate sustainability into practices, and conceive novel solutions needed for surmounting unprecedented challenges.

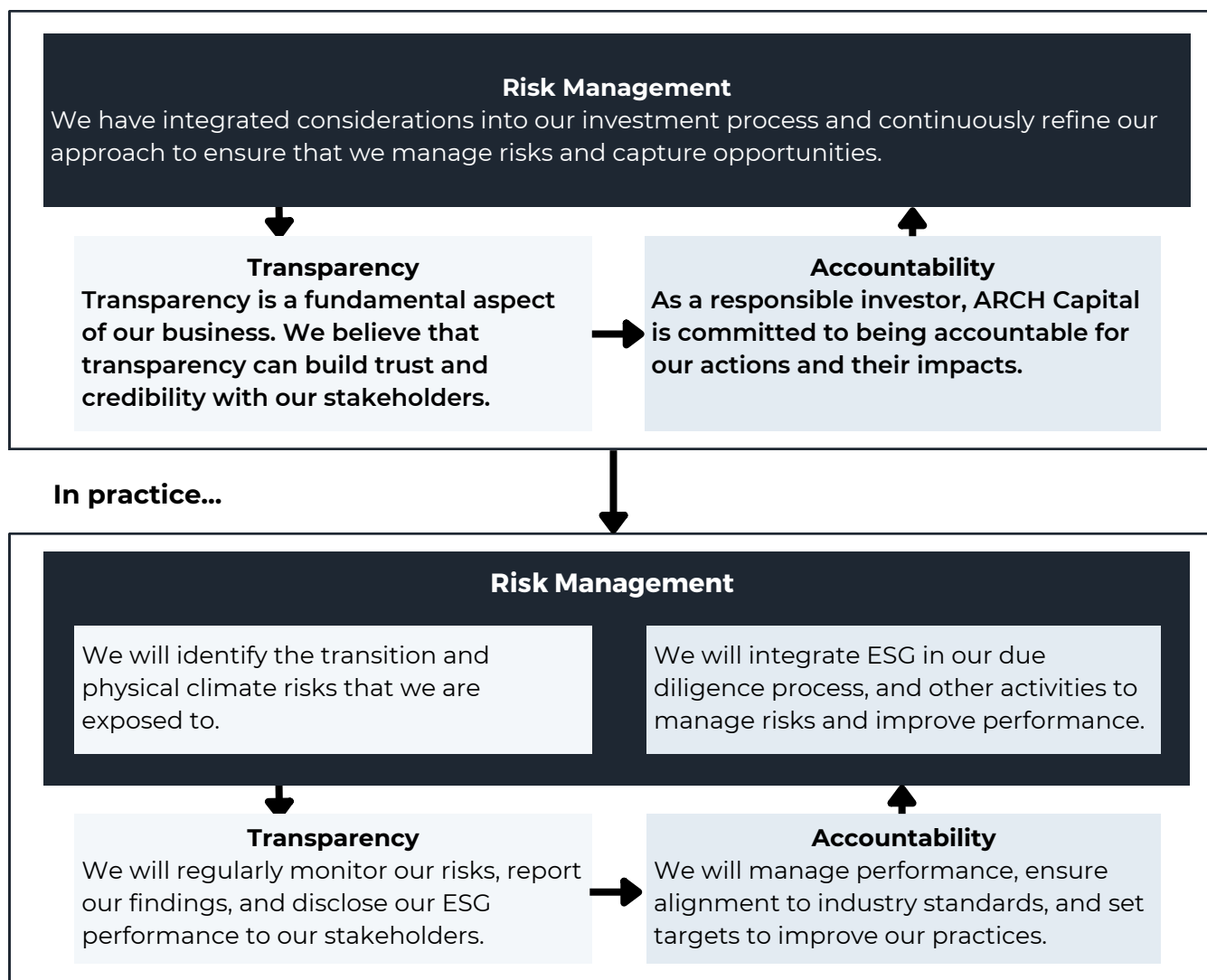
For example, in light of recent global developments due to COVID-19, we have seen an increase in economic insecurity resulting from job losses. According to findings published in the 2023 Global Risk Landscape Report from World Economic Forum; a large contributing factor is the looming cost of living crisis over the next few years which will adversely affect many people's ability to access basic necessities like housing, food, and healthcare services. To cater to the market's needs, there is an urgent demand for innovative measures by experts with solutions geared towards delivering quality nontraditional but affordable housing options.

Furthermore, physical climate risks have gained significant importance in recent times. This was highlighted during COP27 held in Sharm El Sheikh, Egypt, where delegates emphasized the need for urgent action on climate change. Unfortunately, the real estate industry has not been moving swiftly enough to prevent or mitigate potential damages resulting from hazards and threats such as extreme weather events, rising sea levels, or supply chain disruptions. As a sector, we must acknowledge the gravity of considering potential impacts on portfolio companies and take necessary steps towards mitigating such risks as they may lead to irreversible damage with severe financial implications.

ARCH Capital's 2022 Sustainability Report is a commitment to transparency and accountability to mitigate and manage these risks.

We have been working tirelessly to develop new strategies and approaches to adapt and navigate these challenging times. From exploring new technologies to rethinking traditional business models, our organization continue to pursue innovation.

We strongly believe that sustainability is a key driver for long-term value creation. We recognize the significant impact our business can have on the environment, society, and the economy. Therefore, we have prepared this report to be transparent and accountable on our sustainability performance, and to communicate our commitment to managing risks and creating value for our stakeholders.



We are committed to continue our sustainability reporting journey as we move forward. We will improve our performance, set ambitious targets, and engage with our investors and stakeholders.

This Sustainability Report is a testament to our commitment to transparency, accountability, and risk management to protect the interests of our investors and stakeholders. We hope this report will help us build stronger relationships with various parties and inspire our investors and partners to continue our journey together towards a more sustainable future.

Thank you for your continued support.

Sincerely,

Richard Yue
Founder and Chief Executive Officer

Jonathan Umali
Chief Investment Officer and
Head of Sustainability

ABOUT THE REPORT

ARCH Capital Management Co. Limited (“ARCH Capital”) is pleased to present the 2022 Sustainability Report (the “Report”), summarizing our commitment to sustainable management practices. Through the Report, we aim to provide a thorough update on our sustainable operations and showcase our continued dedication to positively impacting the environment and society.

Reporting Standards

The report has been prepared with reference to GRI standards 2021, which are regarded as the best approach for disclosing information about various economic, environmental, and social effects on a public scale across the world.

Moreover, we also reported indicators following the requirements of the EU Sustainable Finance Disclosure Regulation (SFDR), GRESB, Task Force on Climate-Related Financial Disclosures (TCFD), and UN Principles for Responsible Investment (UN PRI).

Contact and Feedback

Your feedback is critical for us to continuously improve our reporting and sustainability practices. Please share any comments or suggestions regarding our ESG performance and the Report.

MARIAM HAZEL PUGOY

Regional Manager for Climate, Sustainability, and ESG Investing
mpugoy@archcapital.net

OUR ESG TASKFORCE

Our sustainability team is dedicated to responsible investing, asset management, and achieving sustainable investment objectives. Together, we strive to ensure consistency and quality in our approach.

Roles and Responsibilities

The **Chief Executive Officer** defines the overall sustainability strategy of the organization. He communicates the value of ESG and plays a key role in ensuring that the organization is committed to achieving its sustainable investment objectives.

The **Chief Investment Officer and Head of Sustainability** oversees sustainability efforts across the portfolio and guides the ESG Committee in developing and implementing sustainable investment standards and processes at each investment and at the portfolio level.

The **Chief Operating Officer** oversees sustainability by setting investment standards, ensuring compliance, and handling ESG reporting to communicate sustainability efforts to stakeholders.

The **Regional Manager for Climate, Sustainability, and ESG Investing** oversees the development and implementation of sustainable investment standards and processes at the project level, which include integrating sustainability considerations into investment and asset management decision-making processes, managing ESG-related risks, and ensuring that projects meet the organization's sustainability goals.

Overall, the team is enabled by our **ESG Committee**, consisting of investment and asset management professionals from various countries. This committee is responsible for developing and implementing sustainable investment standards and processes at the project level, as well as determining the viability of green building certifications.

Arch Capital ESG Taskforce Structure

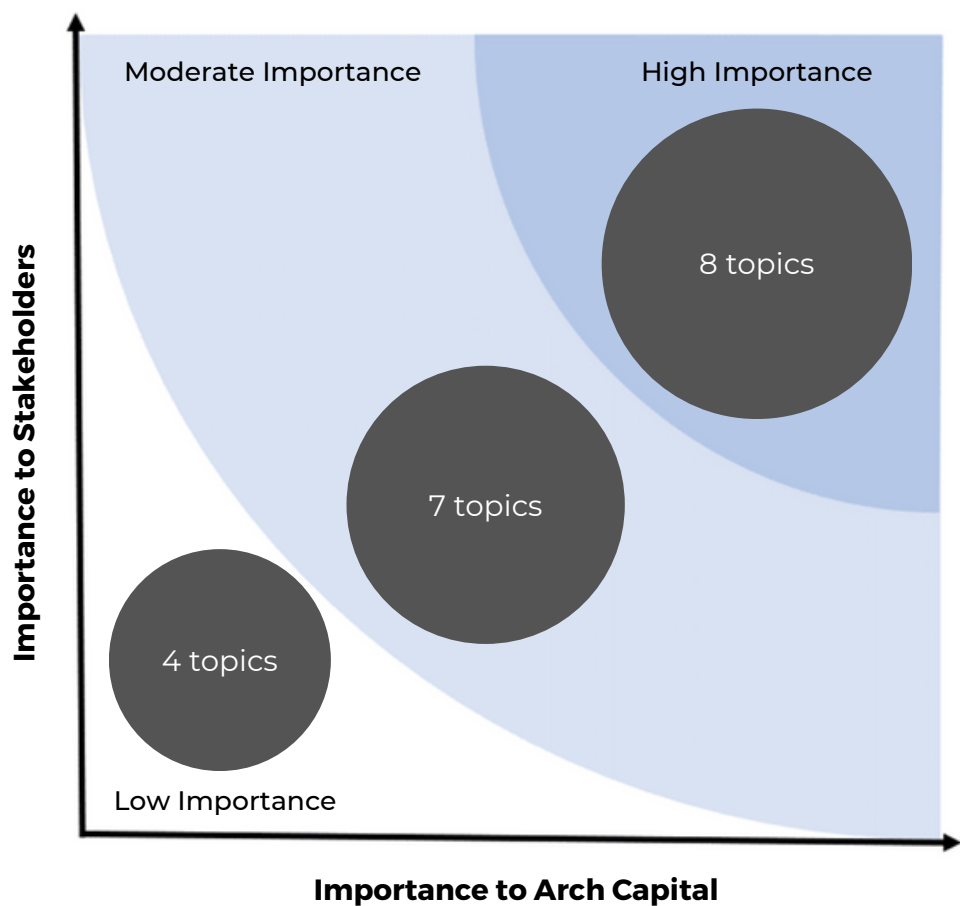


OUR GEOGRAPHIC FOOTPRINT



MATERIALITY MATRIX

Our materiality matrix is based on a thorough review of our assets, competitors, megatrends, as well as commitments to sustainable development agenda. We prioritized the topics that matter most for us to continue delivering value, whether financial or intangible benefits to society.



High Importance

- 1. Energy management
- 2. Water Management
- 3. Tenant safety and quality
- 4. Tenant data privacy
- 5. Corporate governance
- 6. Business ethics and integrity
- 7. Compliance
- 8. Emission reduction

Moderate Importance

- 1. Economic performance
- 2. Responsible investment
- 3. Waste management
- 4. Green building
- 5. Stakeholder engagement
- 6. Supply chain management
- 7. Community engagement

Low Importance

- 1. Biodiversity
- 2. Green securities
- 3. Market presence
- 4. Indirect economic impacts

Environmental Social Economic and Governance

STAKEHOLDER ENGAGEMENT

Arch Capital believes in building strong relationships with our stakeholders. We recognize the importance of understanding their needs and aspirations so we can serve them better and create long-term value. To achieve this, we initiate regular formal and informal engagements with them. Through these engagements, we can gather insights into their evolving needs and use this information to inform our business decisions and practices.

Our Stakeholders	What's important to them	Our Engagement Efforts	Our 2023 commitments
Our employees	<ul style="list-style-type: none"> Well-being and safety Career development Adequate employment benefits 	<ul style="list-style-type: none"> Townhall meetings Performance and needs assessments Employee training 	<ul style="list-style-type: none"> Provide more ESG training for reporting and strategy Provide an IFC Edge training for green certifications
Our tenants and customers	<ul style="list-style-type: none"> Quality products Safe experience Reliable feedback mechanisms 	<ul style="list-style-type: none"> Tenant satisfaction survey Tenant visits Community events and activities 	<ul style="list-style-type: none"> Conduct ESG-related community events and activities
Our investors	<ul style="list-style-type: none"> Financial performance Transparency on ESG risks and opportunities 	<ul style="list-style-type: none"> Corporate website Announcements, circulars and reports Meetings and conference calls 	<ul style="list-style-type: none"> An average of 22% carbon reduction by 2025 based on 2021 baseline.* Net zero target alignment with Net Zero Owner Alliance.*
Our business partners	<ul style="list-style-type: none"> Fair and transparent dealings Transparency on ESG issues and challenges Financial standing 	<ul style="list-style-type: none"> Ongoing direct engagement Site inspection and assessment Supplier performance evaluation 	<ul style="list-style-type: none"> ESG-focused in the due diligence and operating processes at the project-level.
Regulatory authorities	<ul style="list-style-type: none"> Corporate governance Compliance with relevant environmental and social laws 	<ul style="list-style-type: none"> Regular document submission Regular communication Forums, seminars, and conferences 	<ul style="list-style-type: none"> Include ESG in the reporting and disclosures.

*Our carbon reduction and net-zero target is for selected core and core+ portfolio.



Photo: Parkland-Charan Pinklao, Bangkok, Thailand

THE ARCHWAY: SUSTAINABILITY FRAMEWORK



Capped by Good Governance

Institutionalized approach to sustainability.

Designed with ESG Principles



Integrating ESG
in Due Diligence
Processes



Sustainable Design
and Construction
Practices



Risk-Driven
Asset
Management

Built on Solid Foundations



ESG-Focused
Capability
Building



Embedding ESG
Issues in Policies
and Protocols



Technology-
Driven Asset
Optimization

Our company places a strong emphasis on ensuring that all our business activities are conducted with good governance. We adhere to ethical and legal standards and we are transparent in our decision-making processes. We prioritize the well-being of our stakeholders and make every effort to build trust and maintain integrity in all our relationships.

In addition, we regularly review and assess our governance practices to ensure that we are operating at the highest level of accountability. Our practices are designed with ESG principles in mind. This includes conducting ESG due diligence during acquisitions and partnerships, integrating ESG principles into the design, construction, development, and operating phases, and promoting resource efficiency in asset management.

Finally, we continue to strengthen our foundation, comprising of people, processes, policies, and technology. We are committed to operate efficiently and effectively with integrity, transparency, and accountability.

OUR IMPACTS

We aim to minimize our impact on the environment and contribute positively to society. We believe that it is our responsibility to operate in a way that promotes the long-term well-being of our environment and the communities we serve. We have taken steps to ensure transparency and accountability in our sustainability performance.

In this section, we will cover environmental, social, and governance indicators based on the Global Reporting Initiative (GRI), European Union Sustainable Finance Disclosure Regulation (EU SFDR), and Task Force on Climate-related Financial Disclosures (TCFD). By reporting on these indicators, we aim to provide a comprehensive view of our sustainability performance and the steps we have taken to achieve our goals.

To ensure data quality, completeness, and integrity of our 2022 Sustainability Report, we have partnered with **Measurabl**.



Measurabl provides sustainability data management solutions for real estate portfolios. They offer a platform that helps organizations to measure, manage, and monitor their ESG performance.

Currently, this tool is being used to manage US\$2 trillion in asset value, 15 billion square feet, in 92 countries.

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Photo: One Oasis, Macau SAR



OUR PERFORMANCE

Environment

Energy

62.57MM
kWh

Usage

60.71
kWh/m²

Usage Intensity

Water

8.24k
m³

Usage

7.99
m³/m²

Usage Intensity

GHG

32.67k
MTCO₂e

Usage

0.03
MTCO₂e/m²

Usage Intensity

We are currently doing a gap analysis to significantly reduce our energy consumption and GHG emissions.

Aligned with the Net Zero Asset Owner Alliance, we are targeting to reduce our GHG emissions by an average of 22% by 2025 based on 2021 baseline, through various energy efficiency measures. *

Social

Gender

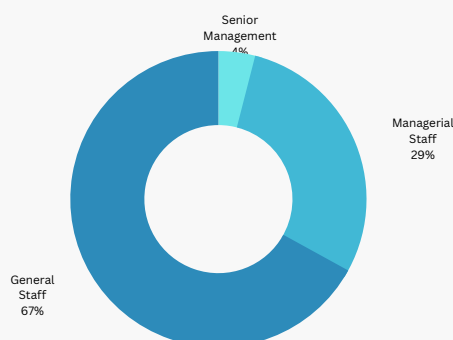
57% Male employees

43% Female employees

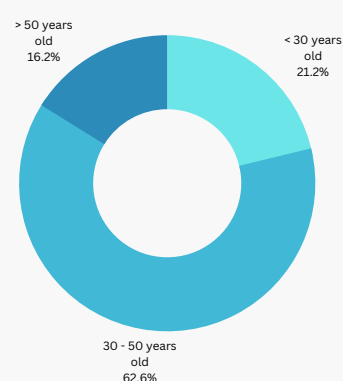
We are proud to report that as of 2022, 43% of our workforce are women and 33% of them are holding managerial positions.

Our Human Resource Head regularly monitors our organization's diversity.

Breakdown by Rank



Breakdown by Age



*Our carbon reduction and net-zero target is for selected core and core+ portfolio.

All environmental data disclosed in this Sustainability Report have been externally checked by Measurabl.

OUR CERTIFIED BUILDINGS

Yew Tee Point, Singapore



Anson House, Singapore



Lucima, Cebu, Philippines



Taimall, New Taipei City, Taiwan



The Chelsea, Hong Kong SAR



One Riverbend, New Taipei City, Taiwan



Cebu Exchange, Philippines



Selected ongoing certifications:

Co-living, Philippines. WELL Health and Safety Standards.

Cold storage facility, Philippines. IFC Edge Certification.

Data center, Philippines. IFC Edge Certification.

Logistics center, Taiwan. LEED Certification.

Retail development, Taiwan. LEED Certification.

IFC EDGE COMMITMENT

ARCH Capital Management Ltd. is partnering with the International Finance Corporation (IFC), a member of the World Bank Group, to accelerate the adoption of green building practices through the promotion of voluntary green building certification programs based on the EDGE (“Excellence in Design for Greater Efficiencies”) software, standard, and certification system. ARCH Capital and IFC are establishing a framework for greater collaboration in pursuit of their shared aspirations to move the real estate investment industry onto a lower-carbon, more resource-efficient path.

Thus, ARCH Capital has committed to achieving two (2) IFC EDGE certifications within the first year following this announcement. This is expected to account for 40% of ARCH Capital's projects under development in Southeast Asia. Additionally, the company has committed to increasing the number of its green buildings in the coming years, aiming to have an EDGE certification for 200,000 m2 of its building portfolio by 2026.

IFC has provided ARCH Capital with introductory training on the principles and applications of the EDGE program. ARCH Capital will promote sustainable design practices, and with IFC, jointly present the benefits of using the EDGE system at mutually agreed conferences, seminars, and other events, and through papers, articles, and research.

As an IFC EDGE Champion, ARCH Capital is committed to promoting sustainable and inclusive business practices within the real estate investment industry. We understand the importance of adopting responsible practices that prioritize people and the planet, and we are committed to continuously improving our environmental, social, and governance (ESG) performance.

ARCH Capital will integrate sustainable practices into investment decisions, engage with stakeholders to identify areas for improvement, and diligently report progress.



CLIMATE RISK MANAGEMENT

Our Risk Management Process



Our risk management process is based on the globally accepted framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Our risks are identified based on location, property type, and the UN climate change agenda. The risks were assessed against several criteria including regulatory requirements, investor expectations, and market landscape.

After prioritizing these risks based on their severity and likelihood, we developed a risk management plan to protect our assets against the risks that we are already exposed to.

Finally, we identified risk controls to be used to monitor our risk exposure in the coming years. These controls will be reviewed and reassessed annually.

Risk Appetite

We will not be investing in any entity that is exposed to, associated with, and/or involved in any of the following:

- Extraction, storage, production, or transport of fossil fuels;
- Child and forced/compulsory labor;
- Any illegal activities;
- Any activities that do not support our environmental and social commitments;
- Any activities negatively affecting biodiversity;
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons).

CLIMATE RISK MANAGEMENT

Our Transition Risks

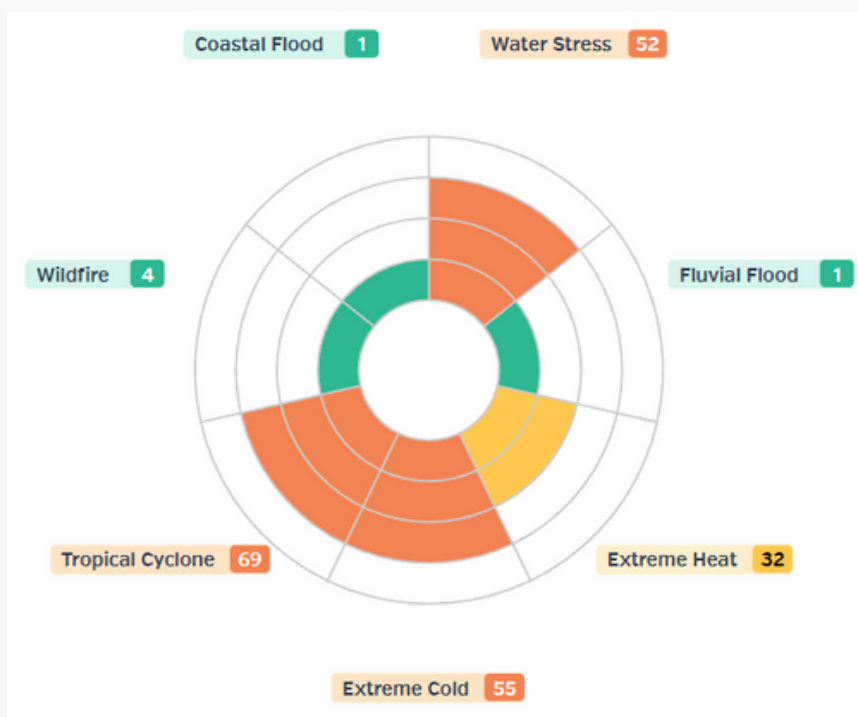
Risks	Risk Exposure
Policy and Legal Risk	<ul style="list-style-type: none"> Increasing price of GHG emissions Enhancing emission-reporting obligations Mandates on regulation of existing products and services
Technology Risk	<ul style="list-style-type: none"> Substitution of existing products and services with lower emissions Cost to transition to lower emissions technology
Market Risk	<ul style="list-style-type: none"> Changing customer behavior Increased cost of raw materials

Our Physical Risks*

With the help of Measurabl, we conducted a physical climate risk assessment for some of our assets. This assessment helped us to identify potential risks and vulnerabilities that our assets may face in the coming years and the severity of our exposure. Based on the assessment, we are moderately exposed to water stress, tropical cyclone, and extreme cold.

Our next step is to develop a comprehensive plan to reduce our risk exposure. This plan will involve identifying and implementing strategies to protect our assets from environmental hazards and climate risks.

We will use this assessment to identify opportunities for efficiency and resilience in our operations.



*Our physical climate risk assessment is conducted on selected core and core+ assets in Hong Kong, Taiwan, and Singapore.

GOVERNANCE

Environmental Policies

Policy	Management Approach
Climate/climate change adaptation	Our policy encourages alignment of carbon reduction targets with the Carbon Risk Real Estate Monitor and the Net Zero Asset Owner Alliance.
Energy consumption	Our policy and protocols encourage implementation of energy efficiency measures across our portfolio to reduce consumption.
GHG emissions	Our policy sets an average target of 22% carbon reduction by 2025 based on the 2021 data.
Biodiversity and habitat	Our policy mandates compliance with environmental laws, including protection of biodiversity and natural habitat.
Indoor environmental quality	Our policy mandates compliance with environmental laws, including meeting regulatory standards for indoor environmental quality.
Material sourcing and sustainable procurement	Our policy requires strict compliance with environmental laws which includes sourcing our materials from legal and ethical vendors.
Renewable energy	Our policy strongly encourages the research and development, procurement, investment, and/or use of renewable energy for energy-intensive assets.
Resilience to catastrophe/disaster	Our policy encompasses strict identification, prioritization, mitigation, and monitoring of environmental hazards and physical risks that our assets are exposed to.
Pollution control	Our policy sets strict compliance with environmental laws which includes monitoring and management of all environmental impact, including pollution.
Waste management	Our policy mandates strict compliance with country-specific waste management laws.
Water consumption	Our policy and protocols encourage an implementation of water efficiency measures across our portfolio to reduce consumption.

GOVERNANCE

Social Policies

Policy	Management Approach
Child labor	We have a zero-tolerance policy on child labor across our portfolio.
Community development	Our policy and protocols encourage support to our nearby communities through job creation, social activities, and other indirect support to the local economy.
Customer satisfaction	Our policy and protocol encourage regular monitoring of customer satisfaction.
Employee engagement	Our policy provides clear and adequate employee engagement efforts, that include career development, equitable wage, and regular needs assessments.
Forced or compulsory labor	We have a zero-tolerance policy on forced or compulsory labor across our portfolio.
Health and safety	Our policy mandates the monitoring of injury rates, lost day rates, and fatality rates in our projects.
Human rights	We have a zero-tolerance policy against any violations on the rights inherent to all human beings, whatever their nationality, place of residence, gender, national or ethnic origin, color, religion, language or any other status.
Diversity, equity, and inclusion	As required under our Code of Conduct, we shall not discriminate or apply inconsistent standards in the determination of staff performance/development, opportunities and promotion based on gender, race, religious beliefs, nationality or sexual orientation.
Labor standards and working conditions	Our policy mandates strict compliance with country-specific labor standards and working conditions.
Stakeholder relations	Our policy provides for a grievance sharing and a resolution approach for our stakeholders that is accessible, anonymous, legitimate and safe, and improvement-based.

GOVERNANCE

Corporate Governance Policies

Policy	Management Approach
Bribery and corruption	Our policy strictly commits to upholding the highest standards of ethical conduct and to take swift action to investigate and address any instances of bribery or corruption.
Cybersecurity	Our comprehensive policy in place outlines protocols on data protection, access controls, and incident response. Our policy is designed to safeguard both our own data and the data of our customers and stakeholders.
Fiduciary duty	Our policy strictly outlines a clear set of protocols to protect our clients' and investors' investments and interests. This policy also takes into account the potential impact of ESG factors on the long-term performance of our investments and making decisions accordingly.
Fraud	We have a zero-tolerance policy on fraud. This policy covers all forms of fraud, including but not limited to misrepresentation, falsification of documents, and theft. We take all reports of fraud seriously and investigate them thoroughly.

These policies on environmental, social, and governance are strictly enforced in our organization.

In case of breaches, an incident report must be raised to the Chief Compliance Officer. Any risk exposure that may directly affect the investors and other stakeholders will be addressed internally and reported in the risk management section of the next sustainability report.



ARCH CAPITAL

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Sustainability Inquiries

Inquiries regarding Arch Capital's sustainability programs or this Sustainability Report may be addressed to: mpugoy@archcapital.net

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Photo: One Oasis, Macau SAR

