

Sustainability Report 2023

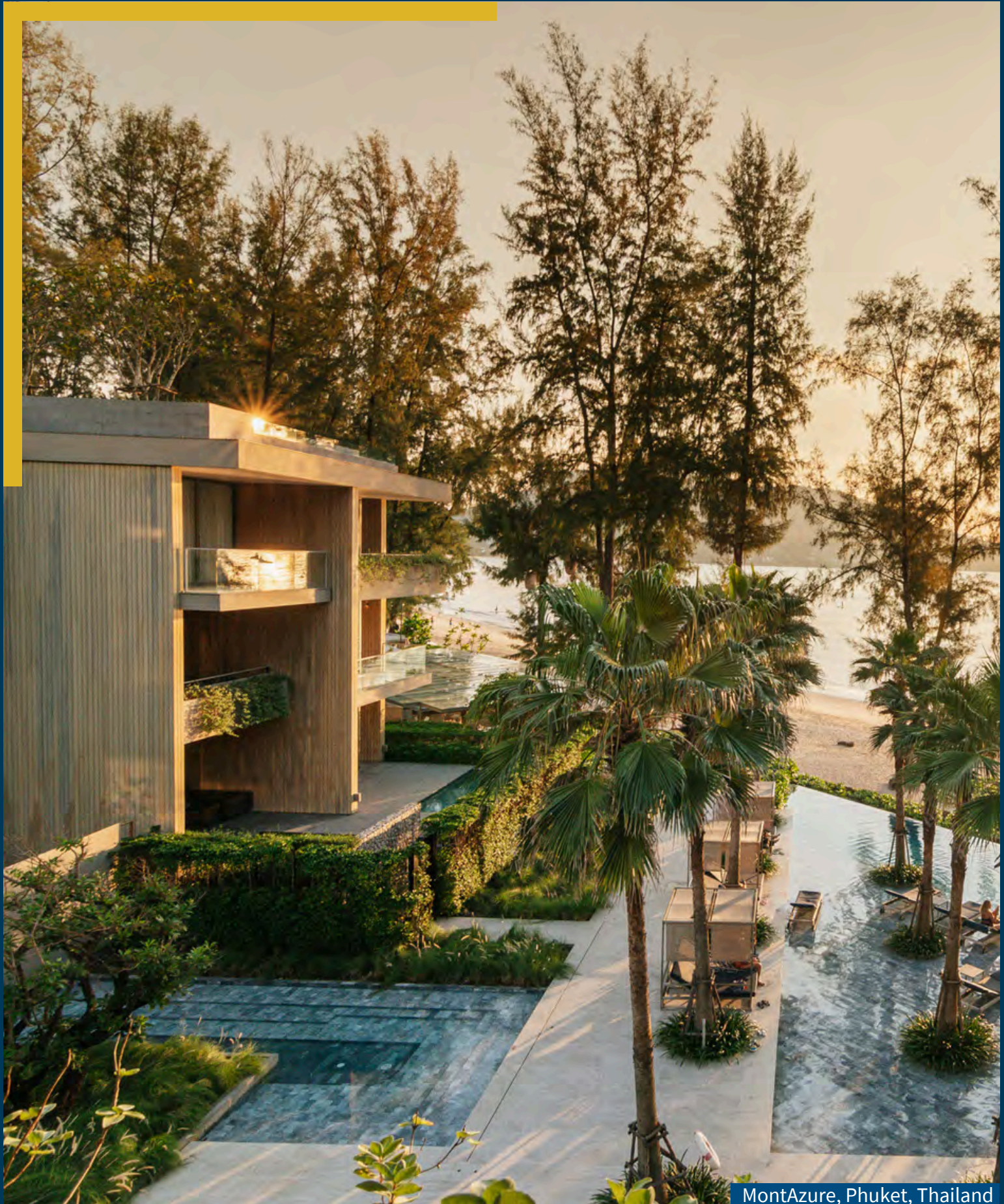


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About the Report

ARCH Capital Management Co. Limited (“ARCH Capital”) is pleased to present the 2023 Sustainability Report (the “Report”), summarizing our commitment to sustainable management practices and responsible investing. This Report serves as ARCH Capital’s effort to transparently report our material environmental, social, and governance (ESG) issues and performance metrics to our stakeholders. This Report covers the company’s non-financial performance from 1 January to 31 December 2023 across our active Funds.

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.

John Calvin Reyes

Regional Manager for Climate, Sustainability, and ESG Investing

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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 supervision to the 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.

Leonard Wei

Chief Operating Officer

Messages from the CEO and CIO

We have observed continuing regulatory and investment drivers of sustainability in the markets where we currently operate. At the local and national policy level, sustainability disclosures have shifted from a largely voluntary exercise into a major compliance element. On the other hand, lenders and investors have increased their degree of sophistication around environmental, social, and governance (ESG) due diligence, causing asset managers to develop more comprehensive methods of identifying and managing sustainability risks and opportunities. We welcome these developments as opportunities to achieve concrete ESG objectives as we manage our real estate portfolio.

Building on our long experience on sustainable management, we have taken strides towards improving the coverage of our ESG metrics across our operating assets. In this reporting year, we achieved a 100% data visibility on material ESG performance metrics across our landlord-controlled spaces. We believe in the importance of obtaining quality ESG performance data as a prerequisite to establishing credible sustainability commitments. Furthermore, this effort serves as our commitment to strengthen our transparency with our stakeholders, especially our investors and regulators. We will continue to work with our partners at asset-level to promote a robust approach to ESG management.

Richard Yue
Founder and Chief Executive Officer

We reaffirm our commitment to responsible decision-making around our investment approach as a signatory of the UN PRI. We continue to evaluate the effectiveness of our sustainability policies and programs with the aim of maturing in these aspects.

Throughout the reporting year, we have endeavored to operationalize the principles of responsible investing through Our Responsible Investment and Sustainability Management Policy (RISMaP). We continue to monitor ESG risks, which include physical and transition climate risks as part of our due diligence.

Beyond monitoring our environmental impacts and risks, we continue to explore for opportunities to further promote environmental and social objectives in our direct investments.

Through this Sustainability Report, we hope to clearly outline our management approach as well as our progress on key environmental and social objectives for the company. We look forward to engaging with our stakeholders towards addressing key sustainability challenges and driving positive change around the assets we manage.

Jonathan Umali
Chief Investment Officer and
Head of Sustainability

Our Geographic Footprint

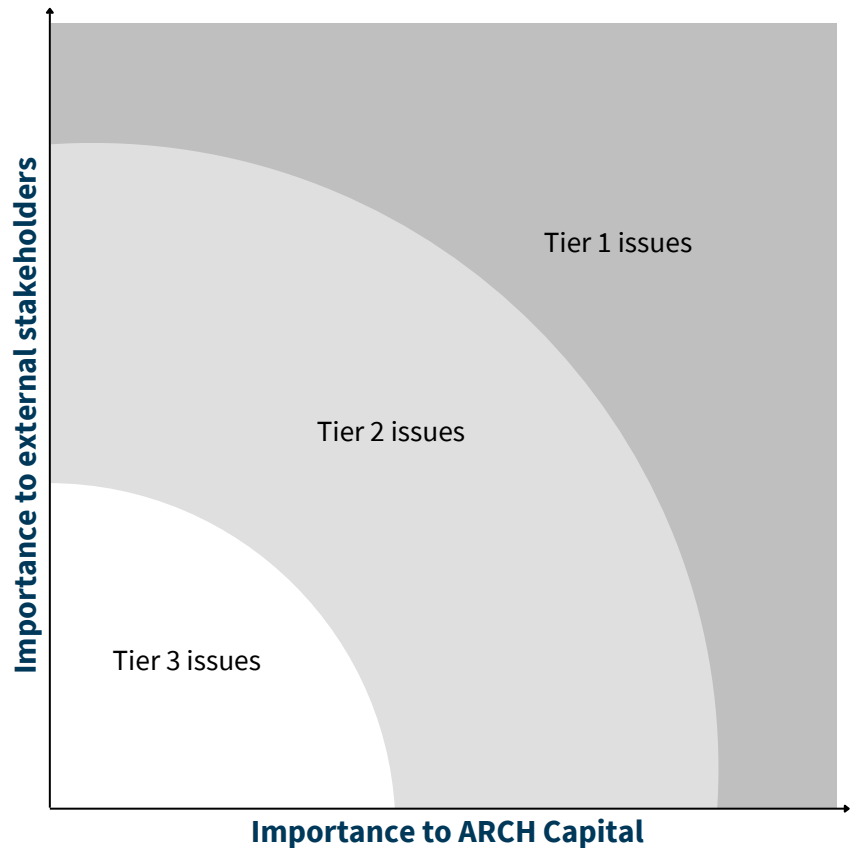


ARCH Capital is based in Hong Kong with offices and physical presence in all invested locations.

Materiality

In 2022, we conducted a materiality exercise to identify relevant ESG issues to ARCH Capital based on alignment with business objectives and stakeholder demand. We conducted a materiality refresh to assess these issues in relation to our impacts and exposure.

As a private-equity investment platform focused on real estate, we are guided by industry-specific ESG standards and frameworks to ensure that we are tackling relevant ESG issues for our company.



Tier 1 issues

- Energy management
- Tenant engagement
- Employee wellbeing
- Business ethics and integrity
- Green buildings
- Economic performance


Tier 2 issues

- Decarbonization
- Waste management
- Water management
- Supply chain management
- Responsible investment

Tier 3 issues

- Biodiversity
- Indirect economic impacts
- Cybersecurity
- Community engagement

Sustainability Framework



At ARCH Capital, we aim to implement a strategic approach to managing our identified material ESG issues. Following the results of our materiality exercise, we have identified areas of action around prioritized environment, social, and governance issues for the company.

This report introduces the company's strategic framework to outline our management approach to address sustainability issues most relevant to our business.



Sustainability Framework



Environment

ESG Issue	Areas of Action
Climate Change	<ul style="list-style-type: none">• GHG Emissions Inventory and monitoring• Climate resilience
Resource Efficiency	<ul style="list-style-type: none">• Energy use• Water consumption• Waste generation
Green Certifications	<ul style="list-style-type: none">• Adoption of Green certifications



Social

ESG Issue	Areas of Action
Employees	<ul style="list-style-type: none">• Training and development• Talent management• Diversity
Tenants	<ul style="list-style-type: none">• Tenant engagement• Green leases



Governance

ESG Issue	Areas of Action
Sustainability Governance	<ul style="list-style-type: none">• Management oversight• ESG taskforce
ESG Policies and Responsible Investing	<ul style="list-style-type: none">• Environment, social, and governance policies• Responsible Investment and Sustainability Management Policy



Environment

2023 ARCH Capital Sustainability Report

Environmental Management System

Our Environmental Management System defines our approach to achieving high performance in managing environmental impacts and risks across ARCH’s portfolio. Modeled after the ISO 14001 framework for Environmental Management Systems, we implement a Plan – Do – Check – Act cycle. This allows a process for continual improvement on environmental performance.

Phase 1: Plan

- Define material quantitative and qualitative environmental indicators
- Design data collection systems and processes
- Identify relevant personnel responsible for the implementation of the EMS
- Identify improvement goals

Phase 2: Do

- Engage identified personnel to streamline the EMS process for training
- Perform baseline data collection activities
- Execute environmental management programs

Phase 3: Check

- Regularly monitor environmental data through regular intervals of data collection
- Conduct gap analysis on data completeness, reliability, and accuracy

Phase 4: Act

- Management review
- Implement corrective actions for continual improvement

Climate Change

Climate change has been established as one of the most urgent issues to significantly impact various sectors and geographies. The real estate sector is responsible for approximately 40 percent of global greenhouse gas emissions. We foresee a heightened exposure to physical climate risks as well as more pronounced transition-related risks such as stricter building standards and compliance requirements moving forward. We recognize the need to integrate climate considerations into our investment management process as way to ensure portfolio resilience.

Climate Resilience

We integrate both physical and transition climate risks in our due diligence checklists as part of our Responsible Investment and Sustainability Management Policy (RISMaP) guidelines. This ensures that we are able to assess potential investments and identify the appropriate management measures. Additionally, we reference the CRREM pathway to flag potential carbon and stranding risks that may be associated with our managed assets.

We have an ongoing engagement with Measurabl, a third-party partner, to conduct a

physical climate risk assessment of select assets. Given the variable nature of climate patterns, this climate risk assessment incorporates different climate change scenarios (RCP 2.6, RCP 4.5, and RCP 8.5) to further understand our asset portfolio’s exposure against multiple possible outcomes. We consider the following physical climate risks: fluvial flood, extreme heat, extreme cold, water stress, tropical cyclone, coastal flood, and wildfires.

GHG Emissions

Referencing the Greenhouse Gas Protocol’s Corporate Standard, we calculated our greenhouse gas inventory covering standing investments across all the funds we managed in FY 2023. For this report, we are disclosing our scope 1, 2, and 3 emissions.

GHG Emission Scope	2023 GHG emissions (tCO2e)	2023 GHG intensity (tCO2e/sq.m)
Scope 1 emissions	104.18	0.0002
Scope 2 emissions	28,848.89	0.0556
Scope 3 emissions*	28,274.74	0.0739

*Scope 3 emissions are attributed to downstream emissions from tenant energy usage.

Resource Efficiency

Energy

Energy is considered to be one of the primary areas of impact in the real estate industry, largely due to the sector’s electricity-intensive nature. Electricity is also identified as the company’s primary contributor to GHG emissions. Thus, we recognize the importance of optimizing our energy use through proactively developing energy saving measures.

In 2023, we implemented a variety of energy saving measures across the portfolio, especially in spaces where we have operational control.

Energy Efficiency Measures

- Lighting Controls with Sensors / Smart Lighting
- Smart meters
- Efficient lighting
- CO2 based demand control ventilation
- Incorporation of energy reduction requirements on green leases

Energy Usage

We regularly monitor our energy usage across our portfolio and partner with our property managers for continued visibility on our energy impacts. In 2023, we consumed a total of 47,106 MWh in landlord controlled spaces and 35,013 MWh in tenant controlled spaces.

Energy Efficiency Case Study: Taiwan

Our 4 story logistics facility **Halo 捷立** in Taoyuan, Taiwan has set up various energy efficiency measures in 2023 to manage electricity consumption. These measures include LED lighting installation, HVAC energy efficiency, and rooftop solar power. In 2023, the project’s solar power accounted for an estimated 50% of the facility’s daytime requirement.



Halo 捷立, Taoyuan City, Taiwan

Resource Efficiency



Anson House, Singapore

Water and Waste Management

Water consumption and waste generation form an inherent part of our daily operations as we continue to serve our tenants and customers across our assets. We continue to monitor our impacts towards these issues by collecting annual performance metrics, especially in the spaces where we have operational control in.

Water Consumption

In 2023, ARCH Capital’s water consumption was sourced primarily from domestic use. Consolidated water consumption figures from landlord and tenant spaces amounted to 748,638.10 cubic meters.

Water Management

We have improved our data monitoring processes across our assets to inform our management approach to water use. For spaces where we control, we have implemented the following initiatives.

- Water efficient faucets
- Rainwater harvesting systems
- Wastewater treatment and recycling systems
- Smart meters for waters

Water Generation

In 2023, ARCH Capital recorded 4,700 tons of non-hazardous waste generated across our assets. We will continue to monitor our waste impacts and ensure compliance to proper waste management practices in accordance with relevant regulations.

Green Certification

YewTee Point, Singapore



Anson House, Singapore



Lucima, The Philippines



Cebu Exchange, The Philippines



One Oasis Clubhouse, Macau



Tokyo Multifamily, Japan



Taimall, Taiwan



One Riverbend, Taiwan



Selected Ongoing Certifications

As of publication date, we have ongoing certifications for the following:

- IFC EDGE: **2 assets**
- WELL Health and Safety: **7 assets**
- CASBEE A: **2 assets**
- LEED: **2 assets**
- BCA Platinum: **2 assets**

Social

2023 ARCH Capital Sustainability Report



Our Tenants



Our approach

We recognize that tenant engagement serves a strategic purpose in ensuring a healthy and sustainable business. Our tenants serve as our partners in scaling positive impact. We engage our tenants through various channels such as satisfaction surveys, engagement events, and feedback mechanisms.

Green Leases: Singapore

Our assets in Singapore incorporate green lease clauses into their tenant lease agreements. These clauses include mandatory green lease standards on information sharing and resource management. Furthermore, green fit-out recommendations are included in the tenant fit-out manuals to encourage sustainable design. We will seek to scale up this initiative to our different assets moving forward.



Yew Tee Point, Singapore

Our Employees

Employees

Our employees are an invaluable component of ARCH’s business and we are committed to ensuring that our human capital is well supported and taken care of.

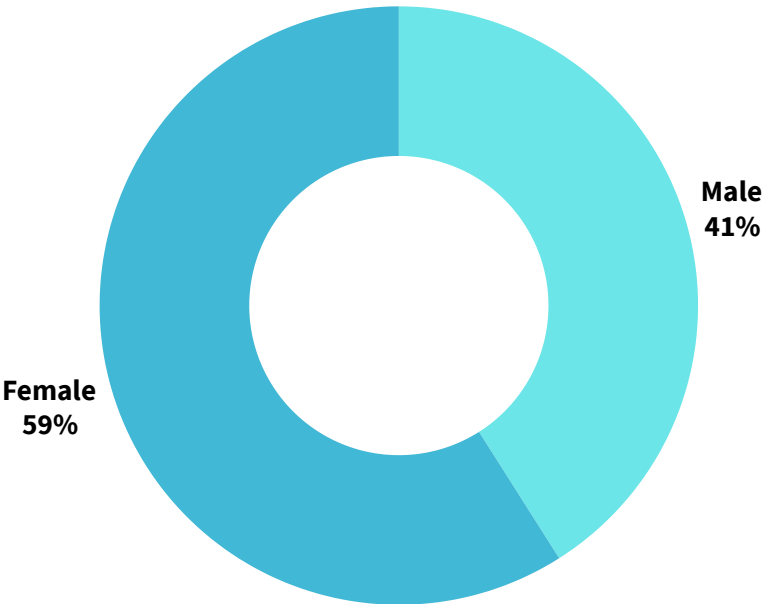
We continue to strive towards nurturing an environment that enables growth and development. We provide our employees with development opportunities through paid professional fees and trainings. When relevant, we send our employees to conferences and extracurricular programs for further growth.



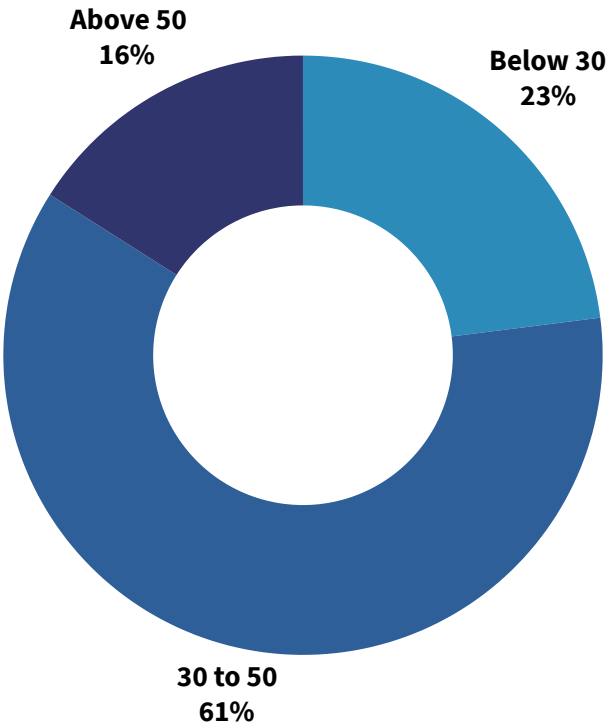
ARCH Workforce Profile

As of 2023, we are pleased to announce that 59% of our workforce comprises of women, with men accounting for 41%. This marks a notable 16% increase in female representation compared to our previous report. Our Human Resources Head diligently oversees the diversity within our organization.

Breakdown by Gender



Breakdown by Age



Governance

2023 ARCH Capital Sustainability Report



Sustainability Governance Structure

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.

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.



Anson House, Singapore

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.
Water Management	Our policy mandates strict compliance with country-specific waste management laws.
Water Consumption	Our policy and protocols encourage and implementation of water efficiency measures across our portfolio to reduce consumption.

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 are solution approach for our stakeholders that is accessible, anonymous, legitimate and safe, and improvement-based.

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.
Employee Engagement	Our policy provides clear and adequate employee engagement efforts, that include career development, equitable wage, and regular needs assessments.
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.



Taimall, Taoyuan City, Taiwan

Responsible Investment Approach

Responsible Investing and Sustainability Management Policy (RISMaP)

Our investment approach is guided by the UN Principles for Responsible Investment (UNPRI), which ARCH Capital has been a signatory of since 2012. Since then, we have embedded ESG considerations into the different stages of our investment lifecycle through the implementation of our Responsible Investment and Sustainability Management Policy (RISMaP). ARCH Capital endeavors to implement the RISMaP process at the very onset and throughout the life cycle of each investment.



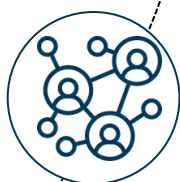
Pre-investment screening

This policy is underpinned by a pre-investment screening process which includes an assessment against a wide range of ESG impacts as well as the asset's exposure to ESG-related risks. This is undertaken through due diligence checklists that incorporate ESG issues into investment analysis and decision-making process.



Asset management

During the asset management phase, we seek to enhance the value of our investments by implementing strategic ESG programs (e.g. green building certifications, capacity training) that could also mitigate costs and liabilities. Furthermore, we seek to require appropriate ESG disclosures from each operating asset on relevant sustainability metrics.



Post-investment monitoring

Lastly, investments are subjected to post-investment questionnaires to monitor our ESG performance and inform our sustainability strategy. The findings from our RISMaP implementation enable ARCH Capital to further improve its sustainability management practice moving forward.



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