ARGO GROUP

2021-2022 REPORT

ClimateWise Report

FOREWORD

Argo Group International Holdings, Ltd. (hereinafter “Argo Group” or the “Group”) remains committed to delivering its overall Sustainability Strategy, addressing each aspect of its ESG (environmental, social, and governance) agenda. We are proud to continue reporting at the Group level for the second year against the ClimateWise principles. As a founding member of ClimateWise, we have provided these disclosures since 2007 via our Lloyd’s operation, ArgoGlobal.

As an international specialty insurer, it is part of our responsibility to recognize and create awareness around the impact climate change has on our industry and acknowledge the urgency of the changing landscape to understand what role we need to play as good corporate citizens.

ClimateWise encourages all its members to disclose their specific response to the risks and opportunities of climate change to the financial markets. ClimateWise members are required to report annually on their individual actions, allowing members to benchmark progress against their peers.

Since May 2019, we have signaled our continued support of the Taskforce for Climate-related Financial Disclosures (“TCFD”).The ClimateWise Principles have been aligned with the TCFD Recommendations. Argo Group, therefore, considers this report to represent our annual TCFD disclosure.

In Q2 2022, the U.S. insurance commissioners endorsed the internationally-recognized TCFD climate risk disclosure standard for insurance companies. This TCFD-aligned disclosure will serve as our annual submission towards the National Association of Insurance Commissioners (“NAIC”) for the California Department of Insurance.

Alex Hindson
Chief Risk & Sustainability Officer
Argo Group
July 2022

PRINCIPLE 1:
Be accountable

PRINCIPLE 2:
Incorporate climate-related issues into our strategies and investments

PRINCIPLE 3:
Lead in the identification, understanding and management of climate risk

PRINCIPLE 4:
Reduce the environmental impact of our business

PRINCIPLE 5:
Inform public policy making

PRINCIPLE 6:
Support climate awareness amongst our customers/clients

PRINCIPLE 7:
Enhance reporting

In December 2018, the global insurance companies that constitute ClimateWise revised the ClimateWise Principles to align fully with the TCFD recommendations. The ClimateWise Principles are a reporting framework for the insurance industry through which ClimateWise members report and are benchmarked annually. Starting in 2019, all members reporting against the ClimateWise Principles will follow the TCFD recommendations.

LIST OF ABBREVIATIONS

Abbreviation	Meaning
AMA	Argo Managing Agency Ltd
AAL	Annual Average Loss
ABIR	Association of Bermuda Insurers and Reinsurers
AUM	Assets Under Management
BMA	Bermuda Monetary Authority
BPO	Business Process Operations
CDP	Carbon Disclosure Project
CFA	Chartered Financial Analysis
CRO	Chief Risk Officer
CR&SO	Chief Risk & Sustainability Officer
CSA	Corporate Sustainability Assessment
CUO	Chief Underwriting Officer
D&F	Direct and Facultative
D&O	Directors & Officers
ERRG	Emerging Risk Review Group
ESOS	Energy Savings Opportunity Scheme
ERM	Enterprise Risk Management
ESG	Environment, Social, and Governance
EIOPA	European Insurance and Occupational Pensions Authority
ERC	Executive Risk Committee
GHG	Greenhouse Gas Emissions
GRI	Global Reporting Initiative
GEMC	Group Exposure Management Committee
GSSA	Group Solvency Self-Assessment
ISS	Institutional Shareholder Services
IPCC	Intergovernmental Panel on Climate Change
IIRSM	International Institute of Risk & Safety Management
ILO	International Labor Organization
ISO	International Organization for Standardization
IPS	Investment Policy Statement
KPI	Key Performance Indicator
KRI	Key Risk Indicators
LMA	Lloyd's Market Association
NAIC	National Association of Insurance Commissioners
MTR	Medium-Term Rates
Nat Cat	Natural Catastrophe
NGFS	Network for the Greening of the Financial System
NAHU	North America Hurricane
NGO	Non-Government Organizations
NMR	Non-Modelled Risk
NY DFS	New York State Department of Financial Services
ORIC	Operational Risk Consortium Limited
ORSA	Own Risk and Solvency Assessment Model
PEARL	Premises Environmental & Remediation Liability
PRI	Principles for Principles for Responsible Investment
PSI	Principles for Sustainable Insurance

Abbreviation	Meaning
PML	Probable Maximum Loss
P&C	Property and Casualty
PRA	Prudential Regulatory Authority
REO	Real Estate Owned
RFP	Request for Proposal
RCC	Risk & Capital Committee
ROSF	Risk Officer Sustainability Forum
RCP	Representative Concentration Pathway
SME	Small and Medium-Sized Enterprises
SAA	Strategic Asset Allocation
SECR	Streamlined Energy and Carbon Reporting
SSTF	Stress & Scenario Testing Framework
SDG	Sustainable Development Goals
SASB	Sustainability Accounting Standards Board
SWG	Sustainability Working Group
TCFD	Task Force on Climate-Related Financial Disclosures

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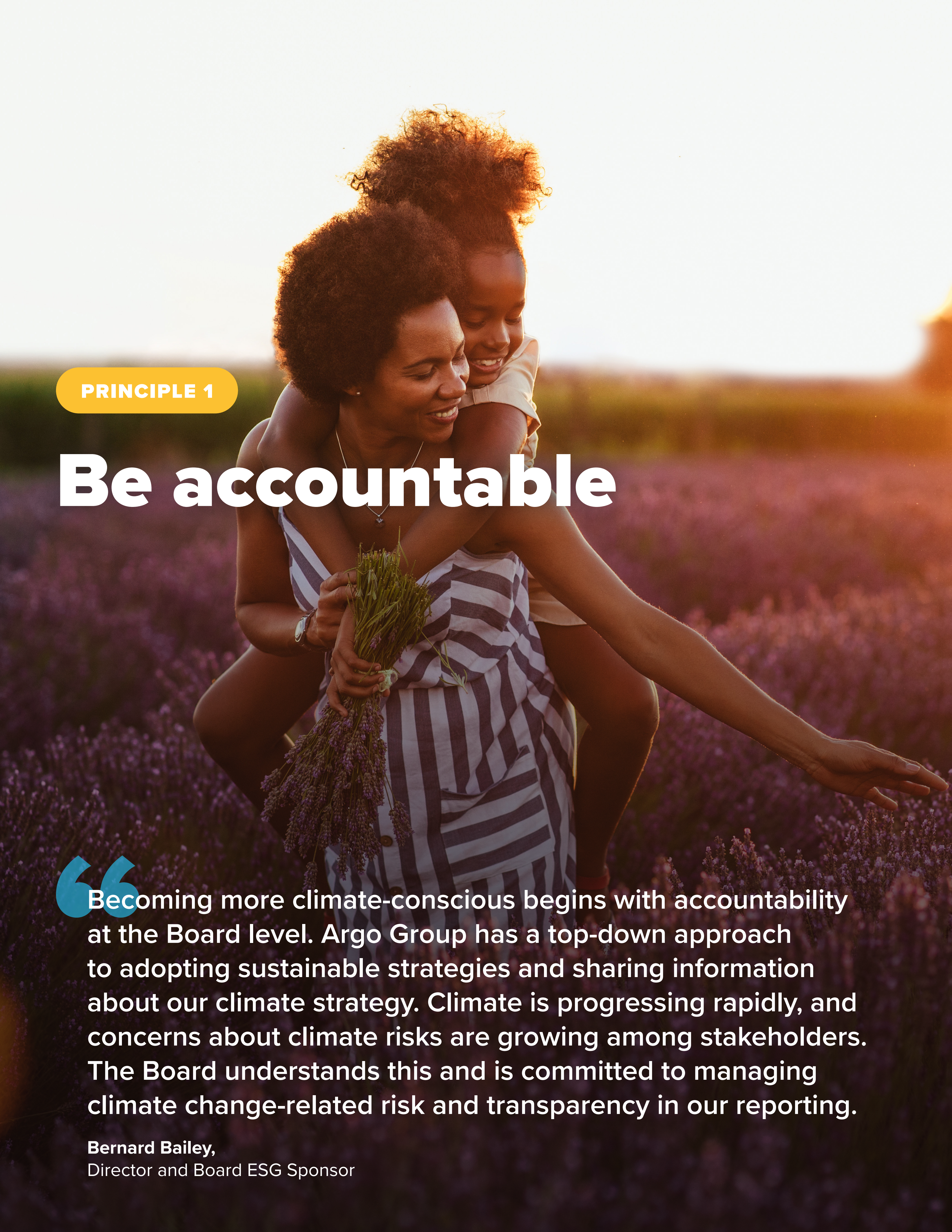

PRINCIPLE 1

Be accountable

"Becoming more climate-conscious begins with accountability at the Board level. Argo Group has a top-down approach to adopting sustainable strategies and sharing information about our climate strategy. Climate is progressing rapidly, and concerns about climate risks are growing among stakeholders. The Board understands this and is committed to managing climate change-related risk and transparency in our reporting.

Bernard Bailey,
Director and Board ESG Sponsor

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PRINCIPLE 1: Be accountable

PRINCIPLE 1.1

Ensure that the organization's board is working to incorporate the ClimateWise Principles into business strategy and has oversight of climate risks and opportunities.

Founding Member of ClimateWise

Our membership initially was through our Lloyd's operations, Argo Managing Agency Ltd ("AMA"). Since 2021, Argo Group is a part of a group-wide membership.

Argo Group's core business mission:

Support our approach to Sustainability and Resilience

Helping businesses stay in business

Figure 1 – Argo Group Mission Statement

Governance

Argo Group's Board of Directors oversees enterprise-wide risk management and actively monitors the effects of uncertainties on our business. The Argo Group Board-level Nominating and Corporate Governance Committee oversees (see reporting structure on Page 8) the totality of the Environment, Social, and Governance ("ESG") initiative as outlined in the annual ESG Report[1].

The Risk & Capital Committee ("RCC") receives periodic updates on material risks, including sustainability-related threats and opportunities. ESG indices remain a key risk on the strategic risk register during 2021-2022.

ESG Program – Sponsored at the Board level since 2019
ESG Executive Sponsor, Bernard C. Bailey, Ph.D., PE

We continue to map each element of our ESG program to the various Board committee charters to ensure that these governance arrangements are robustly documented. Climate risk management remains the responsibility of the RCC.

Oversight of Climate Risks & Opportunities	Evidence
Group RCC: Continues to receive formal climate risk papers from the Sustainability Working Group ("SWG") every quarter as a standing agenda item.	Board Risk & RCC papers
Investment Committee: Receive papers on risk management and ESG-related responsible investment factors on a quarterly basis.	Investment Committee papers Investment Policy Statement Responsible Investment Policy[2]

1. Argo Group 2022 ESG Report – https://esg.argolimited.com/wp-content/uploads/2022/03/ARGO_ESG-Report-2022_Final.pdf
2. Responsible Investment Policy – Responsible-Investment-Policy-2021_FINAL.pdf (argolimited.com)

Oversight of Climate Risks & Opportunities	Evidence
AMA RCC: Continues receiving formal update papers from the SWG every quarter as a standing agenda item. The RCC oversees implementing programs related to the Prudential Regulatory Authority ("PRA") Supervisory Statement 3/19 on climate risk management.	Board Risk & Capital Committee papers
Risk Appetite: The Group and AMA risk appetite statements have been updated to include overall appetite statements for climate change risk and the underlying exposures to physical risk, transition risk and liability risk. Both Group and AMA RCCs have approved specific risk tolerance measures related to investment exposures to transition risk along with physical and litigation tolerances. More details are provided under Principle 3.	Risk Management Framework and Risk Appetite statement documents
Quarterly ORSA Reporting: A quarterly Own Risk and Solvency Assessment Model ("ORSA") process, outlined in more detail below, looks at all risk categories but escalates the most material risk considerations, including climate risk where relevant. This includes a specific report from the SWG.	Board Risk & Capital Committee papers for Argo Group and AMA
Risk Registers: The Group and AMA maintain risk registers which have been enhanced to capture descriptions of climate change risk and the associated key controls. These risk registers outline management accountabilities of Risk Owners and Control Owners. Controls are enhanced to mitigate exposures where this is determined to be appropriate.	Risk registers
Emerging Risks: Studies of climate change risk are commissioned periodically and reported. The latest Emerging Risk Report was completed in March 2022 and reported to the Emerging Risk Review Group, which provides reports to the Enterprise Risk Management ("ERM") Steering Committee.	Emerging Risk Review Group papers ERM Steering Committee papers
Stress Testing: We conduct comprehensive stress tests, including climate change related scenarios. AMA has led the pilot approach for the Group in line with PRA supervisory requirements. Regular updates are provided to the AMA RCC and included in the Syndicate 1200 Annual ORSA report. These reports have been incorporated into the Group Solvency Self-Assessment ("GSSA"). More details are provided under Principle 3.	Argo Managing Agency Annual ORSA reports for Syndicate 1200 and Argo Group GSSA

Own Risk & Solvency Assessment Process

Argo Group has recognized the value of formalizing its risk and capital reporting and has established an ongoing ORSA process[3]. The process is based upon two cycles of reporting, quarterly and annual. The ORSA process is closely aligned to the business planning process and informs the risk and capital implications of this process as well as the potential implications for the organization's solvency. The ORSA process is the mechanism through which the internal model informs the business planning process.

Each quarter, a less comprehensive ORSA risk report is produced that provides status updates presented by the Chief Risk & Sustainability Officer ("CR&SO") to the RCC. Risk exposures are compared to risk tolerances, material breaches are presented, mitigation strategies are recommended, and material emerging risks are discussed in the context of the business plans. A similar regular ORSA process has been established for AMA, Argo Re, ArgoGlobal SE, ArgoGlobal Assicurazioni S.p.A. and Argo US.

3. Enterprise Risk Management at Argo – https://www.argolimited.com/enterprise-risk-management-at-argo/

This diagram illustrates key actions supporting the Own Risk and Solvency Assessment process:

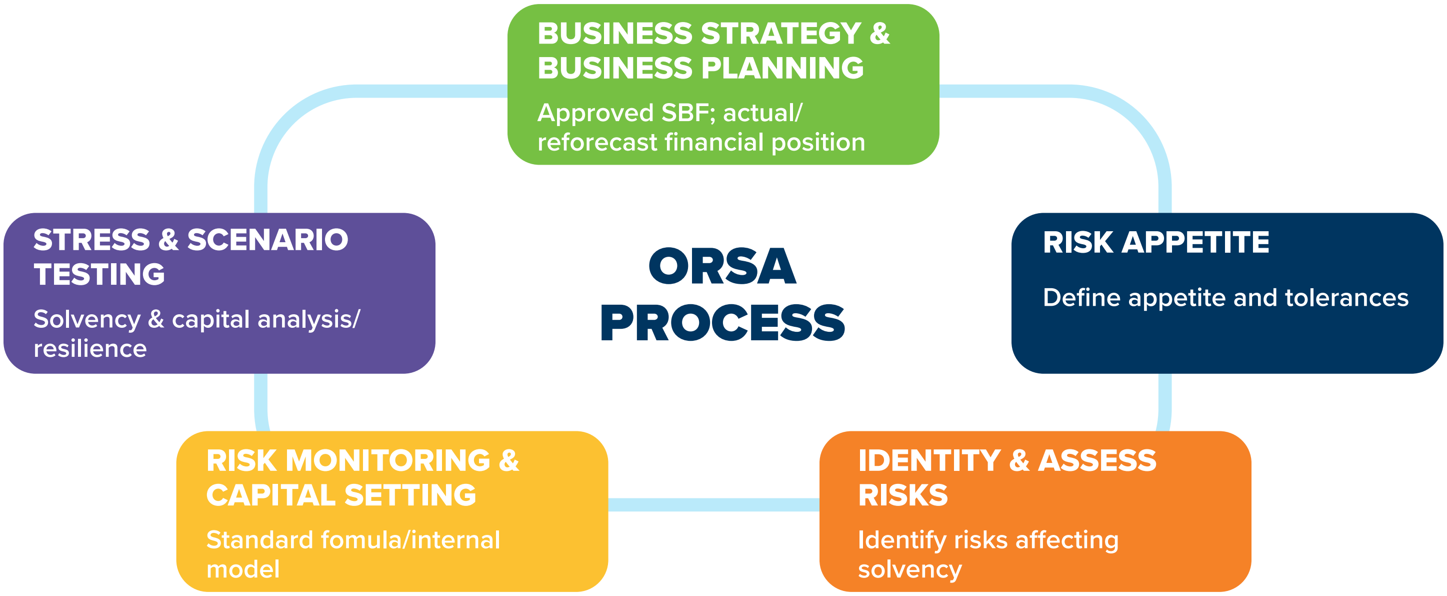

Figure 2 – ORSA Process

The ORSA governance process is outlined below:

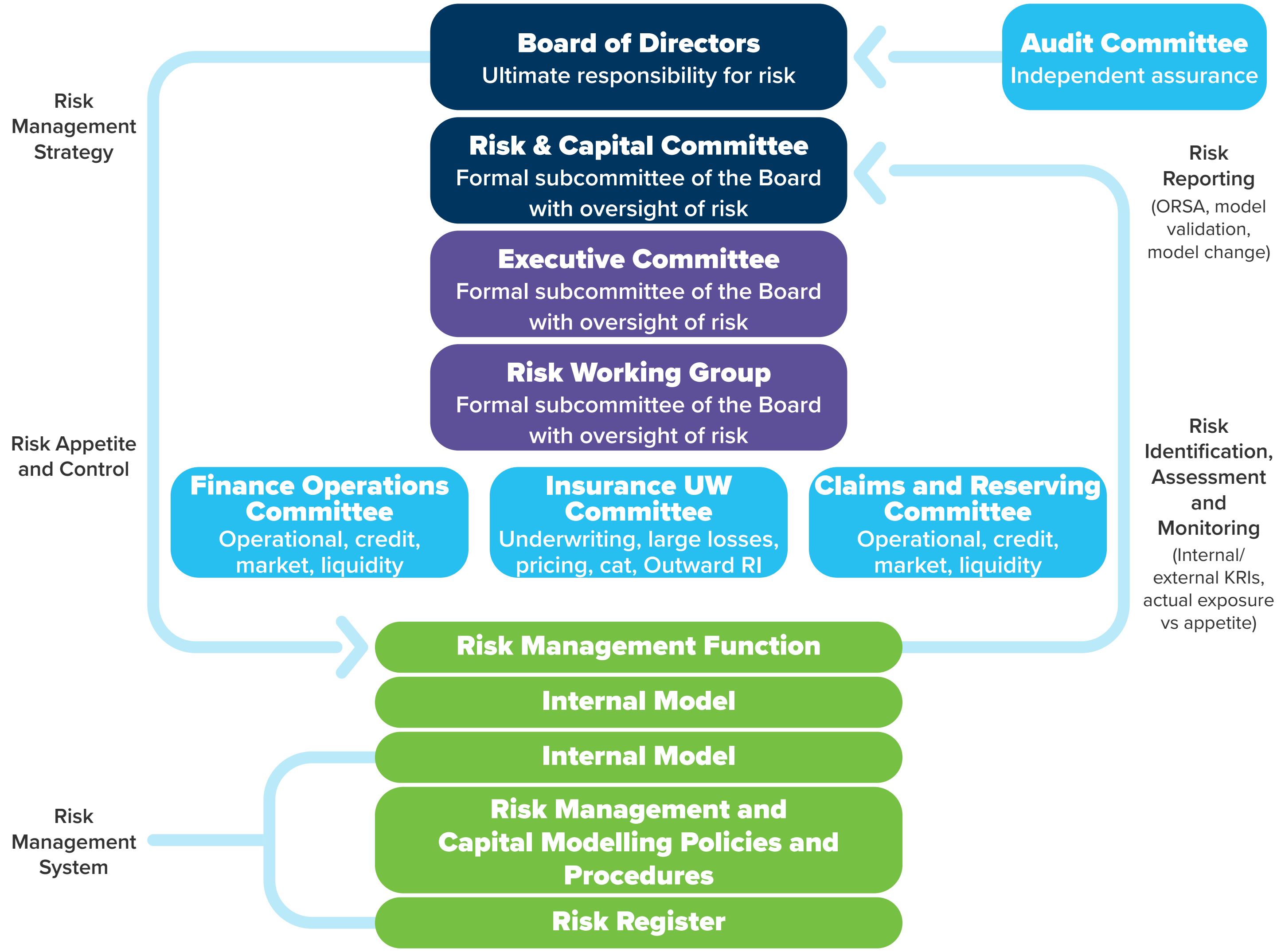

Figure 3 – ORSA Governance Process

The annual ORSA report includes:

- **2021 Risk Profile**
  - Plan versus Performance
  - Look Back over 2021 (including thematic reviews)
  - Operational Risk Event Summary
  - Emerging Risk Analysis
  - Climate Change
  - Risk Tolerance
  - Summary of Key Decisions made over 2021 and 2022 (to date) by Management to respond to Risks and Challenges
  - Risk Management Activity 2021-2022
- **2022 Business Plan and Risk Assessment**
  - Extracts from Business Plan
  - Planned Income Statement
  - 2022 & Multiyear Plans
  - Ukraine-Russia Crisis Response
  - Top-Down Risk & Opportunities Assessment versus Vision 2025
  - Look Forward to 2022
  - Risk Culture
- **ORSA Capital Assessment**
  - Capital Summary
  - Model Changes in 2021
  - Internal Model Solvency Capital Requirements versus Standard Formula
  - Model Completeness and Non-Modelled Risks
- **Multiyear Business Plan and Capital Requirements**
  - Multiyear Capital Requirements and Contingency Planning
  - Multiyear Strategic Plan
- **Summary of Stress Tests, Sensitivity Tests, and Qualitative Reverse Stress Tests**
  - Stress and Sensitivity Tests Summary
  - Qualitative Reverse Stress Tests Summary
  - Capital Contingency Plan

Board Engagement & Training

We have had two high-level training sessions for the AMA and Argo Group Boards on the business value of ESG and the risks around climate change. The Head of Sustainable Finance Group with Goldman Sachs gave an overview of ESG investing.

Dr. Bronwyn Claire, Senior Program Manager of ClimateWise gave two training sessions to our AMA and Argo Group Board members on global climate trends and the impact on regulations. Experienced subject experts speaking to our Board is another opportunity to put ESG at the heart of our strategy and as a tool to build risk resiliency.

Group Board and Committee Structure

The Board of Directors has the ultimate responsibility for overseeing and approving the Company's risk strategy, risk appetite and risk tolerance levels including climate change risks. The Board delegates certain risk management responsibilities to its committees[4] as outlined in their charters[5].

Climate change risk is overseen by the RCC, which receives regular quarterly reports from the CR&SO through the ongoing ORSA process, as outlined above.

4. Board Committees – Financial Condition Report – Argo-Group-Financial-Conditions-Report-2021-FINAL-23-05-2022.pdf (argolimited.com)
5. Committee Charters – https://www.argolimited.com/investors/governance/

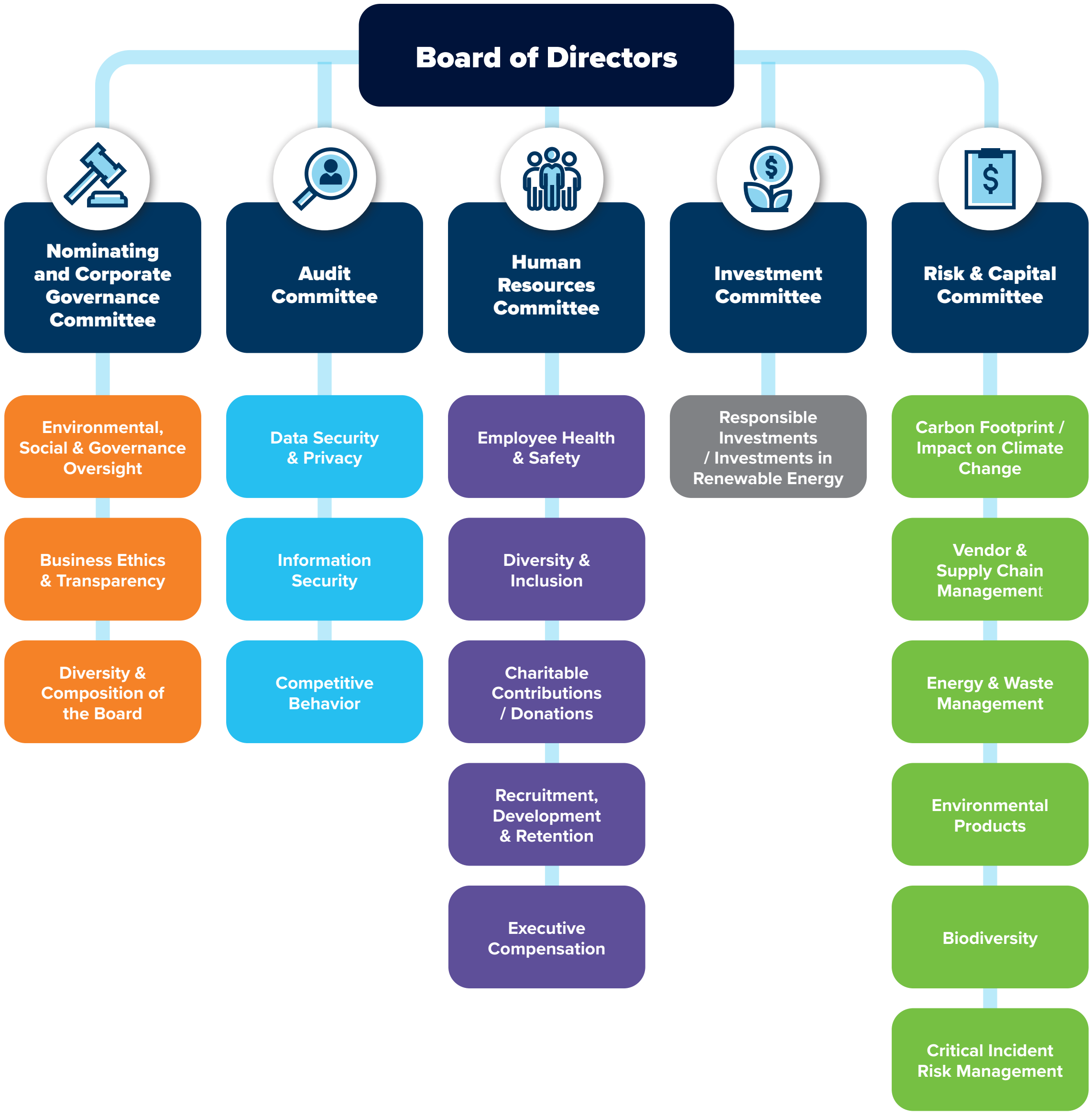

Figure 4 – Board and Committee Structure

Audit Committee: The Audit Committee assists the Company's Board in its oversight of the quality and integrity of the accounting, auditing and financial reporting processes of the Company. The Audit Committee receives management reports on internal audit, internal controls and actuarial matters on a regular basis.

Investment Committee: The Investment Committee assists the Company's Board in the oversight of the Company's key investment objectives, strategies and policies. The Investment Committee receives management reports on investment performance and investment risk on a regular basis.

Human Resources Committee: The Human Resources Committee's responsibilities include reviewing management's succession plans for the Company's Chief Executive Officer and other primary Executive Officers. The Human Resources Committee receives management reports on talent management activities on a regular basis.

Nominating and Corporate Governance Committee: is responsible for establishing the evaluation criteria and an evaluation process for the Board and each of its committees.

The purpose of the Nominating and Corporate Governance Committee to:
i. Identify, evaluate and recommend individuals qualified to become members of the Board.
ii. Recommend to the Board director nominees to stand for election at each annual meeting of shareholders of the Company or to fill vacancies on the Board.
iii. Develop and recommend to the Board a set of corporate governance guidelines applicable to the Company.
iv. Oversee the Company's environmental, social, and governance initiatives.
v. Recommend directors for appointments to one or more of the Board's standing committees.

The Committee is also charged with developing and recommending a set of corporate governance guidelines applicable to the Company and establishing evaluation criteria and an evaluation process applied by the Board and each Committee in its self-evaluation process.

Risk & Capital Committee: The RCC provides oversight of the Company's policies and procedures relating to compliance and risk management. It also oversees the adequacy of the Company's capital as measured against various regulatory and other requirements, considering all risks to which the Company is exposed.

Group Policies

The Board approves corporate policies for our organization. Our policies serve as the rules and guidelines on environmental and related matters for our various global offices. Several relevant policies are highlighted below.

Environmental Management Policy

The two key Environmental Management objectives are:
- To minimize the impact of Argo's business operations on the environment in terms of using the principles of reducing, reusing and recycling materials to mitigate as far as is reasonably practicable the depletion of natural resources.
- To focus on improving energy efficiency in the buildings we operate, using energy conservation best practices. Such measures reduce energy costs and support innovative technology solutions.

Environmental impact risk exposures are recognized as enterprise risk exposures within the Company's enterprise risk management framework, and appropriate controls are maintained to reduce this risk to acceptable levels. Failure to manage these environmental exposures is recognized as potentially creating a material reputational risk exposure.

Human Rights and Labor Policy

We are committed to treating everyone with dignity and respect and striving to promote human rights in accordance with the UN Guiding Principles on Business and Human Rights. We expect the third parties we work with to do the same. We recognize that businesses have the responsibility to respect human rights and the ability to contribute to positive human rights impacts. The Company is committed to complying with all local legal and regulatory requirements as they apply to human rights, including wage, benefit, safety and discrimination laws, and monitoring compliance with these requirements on an ongoing basis. The Company is committed to allowing for freedom of association and collective bargaining; providing a workplace free from discrimination and harassment, forced labor or child labor; and maintaining safe, healthy working conditions and the dignity of the individual.

Responsible Investment Policy and Fossil Fuel Policy

As part of our investment management process, we consistently scan for threats and opportunities associated with our investments, working closely with our investment managers. We seek to understand the ESG factors that could have a material impact on our investments and evolve our portfolio accordingly.

The Investment Committee of the Board of Directors approved a revised Investment Policy Statement in 2021, which incorporated a responsible investment commitment and a Fossil Fuel Statement. We also put in place a Stewardship and Engagement Statement that guides how we work with our investment manager partners.

Stewardship and Engagement Statement

We developed a formal Stewardship and Engagement Statement, which will recognize that, as asset owners, we are responsible for exercising our rights to protect and enhance long-term investment value to generate the best yield on our returns by supporting sustainable value creation in our investments.

Our statement outlines the Company's mandate toward our commitment to being active owners of our assets, to increase our holdings' long-term viability and value while reducing risks around ESG and aligning to our investment strategy.

Vendor Management Policy

Argo Group relies on products, systems and services provided by various vendors, including hardware and software vendors, marketing firms, technology and telecommunication services, support personnel and consultants. Management must ensure:

- Each vendor relationship supports the overall business requirements and strategic plans.
- The business or functional leader has sufficient expertise to oversee and manage the relationship.
- The business or functional leader has evaluated prospective vendors based on the procured service and products' scope and criticality.
- The risks associated with the use of the vendor are fully assessed and understood.
- The appropriate oversight program is in place to monitor contractual performance and risk mitigation activities.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved	Work is ongoing to map each element of our ESG program to the various Board committee charters to ensure that these governance arrangements are robustly documented. We anticipate all Board Committee charters to be updated and republished during 2021.	All Committee charters were updated in August 2021.
Not achieved	We anticipate, during this period, to expand on our existing United Nations Principles for Responsible Investment ("PRI") commitment by signing up to the United Nations' Principles for Sustainable Insurance ("PSI") as part of our overall ESG objectives.	PRI was put on hold in 2021 because the PRI reporting framework tool had incurred difficulties; we will revisit pending updates from PRI.

Anticipated Developments for 2022-2023:

- Creation of Climate Change Committee to examine and assess climate-related risks, reports and findings reported to the RCC.

PRINCIPLE 1.2

Describe management's (below board-level responsibility) role in assessing and managing climate-related issues.

Sustainability Working Group

The CR&SO is responsible for coordinating sustainability initiatives, including periodic internal reporting. The SWG[6], which meets every six weeks, is well attended by committee members and supports CR&SO by discussing climate change issues and coordinating the corporate activities associated with the Argo Group's sustainability plan.

The Sustainability Manager is responsible for external voluntary reporting, as well as researching and tracking the ESG indices with the rating agencies. The Sustainability Manager works with members of Argo Group to create and implement policies to address specific requirements.

Argo Group established the SWG in 2016 to oversee Argo's internal sustainability strategy, policies, ESG activities and related plans across the organization. The SWG organization's Argo Group's approach to sustainability includes building upon the following three pillars:

1. We have a responsibility as stewards of the environment.
2. We have a responsibility to advance our societal impact.
3. We have a responsibility to hold ourselves to high corporate governance standards that promote investor confidence.

Figure 5 – SWG Approach and Responsibilities

The SWG receives reports on various internal and external developments related to ESG matters, including climate change. The SWG receives a detailed threat and opportunity analysis of the major sustainability risks facing the organization every six months and escalates key issues to the ERM Steering Committee. The risk assessment considers both upside (opportunity) and downside (threat) risks that could impact Argo Group and measures the exposure in terms of the reputational impact to seven key stakeholder groups. Controls and action plans are documented, and the outcome is a sustainability risk heat map.

The SWG continues to expand its membership and maintain various internal communication tools such as Degreed, an e-learning information exchange, to enhance education on ESG matters. Creating these learning opportunities allows employees to broaden their understanding of developing issues regarding climate change and consider how they can implement initiatives in the specific areas they work in within the organization. More details are provided under Principle 4.

The SWG oversees our ESG disclosure reporting, including the Group's annual ESG report[7] and this ClimateWise report. It has also overseen the development and disclosure of greenhouse gas emission data. More information is provided under Principles 4 and 7.

6. Sustainability Working Group Charter – https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/05/Sustainability-Working-Group-Charter-v3.0.pdf
7. Argo Group 2022 ESG Report – Argo ESG Report (argolimited.com)

Executive Risk Committee

The CR&SO is accountable for sustainability within the Executive Committee and reports on progress against agreed ESG plans and programs every quarter. The Executive Committee agreed to a Key Performance Indicator ("KPI") dashboard, which is presented to the Executive Risk Committee, reporting on over 30 ESG-related metrics to track performance against objectives.

Some of the KPIs have been reported in our annual ESG report[8] along with greenhouse gas emission reduction targets, as described under Principle 4.2.

Risk Management Framework

Our risk management and internal controls framework[9] is designed to enable us to achieve an accurate and timely understanding of (1) the nature, caliber, and sensitivity of the material foreseeable risks to which we are exposed, (2) our ability to mitigate or avoid such risks and, (3) to the extent that an identified risk falls outside of our risk appetite, what course of action is necessary to address such risk that is consistent with our business plans and risk tolerances.

Key elements of our risk management framework

Our risk management framework consists of three lines of defense, beginning at the functional level.

1. Risk Owners within each business function are charged with identifying, assessing, measuring, monitoring, reporting and mitigating risks associated with the department's respective functions and responsibilities.

2. The CR&SO, who reports on risk management issues to the RCC of the Board, plays a key role within the second line of defense by coordinating, facilitating and overseeing the effectiveness and integrity of our risk management activities.

3. The Internal Audit Department provides the third line of defense by assessing the effectiveness of our risk management processes, practices and internal controls and providing timely feedback and assurance to the Board on the adherence to our risk management framework. The Head of Internal Audit reports to the Board's Audit Committee on internal control framework issues.

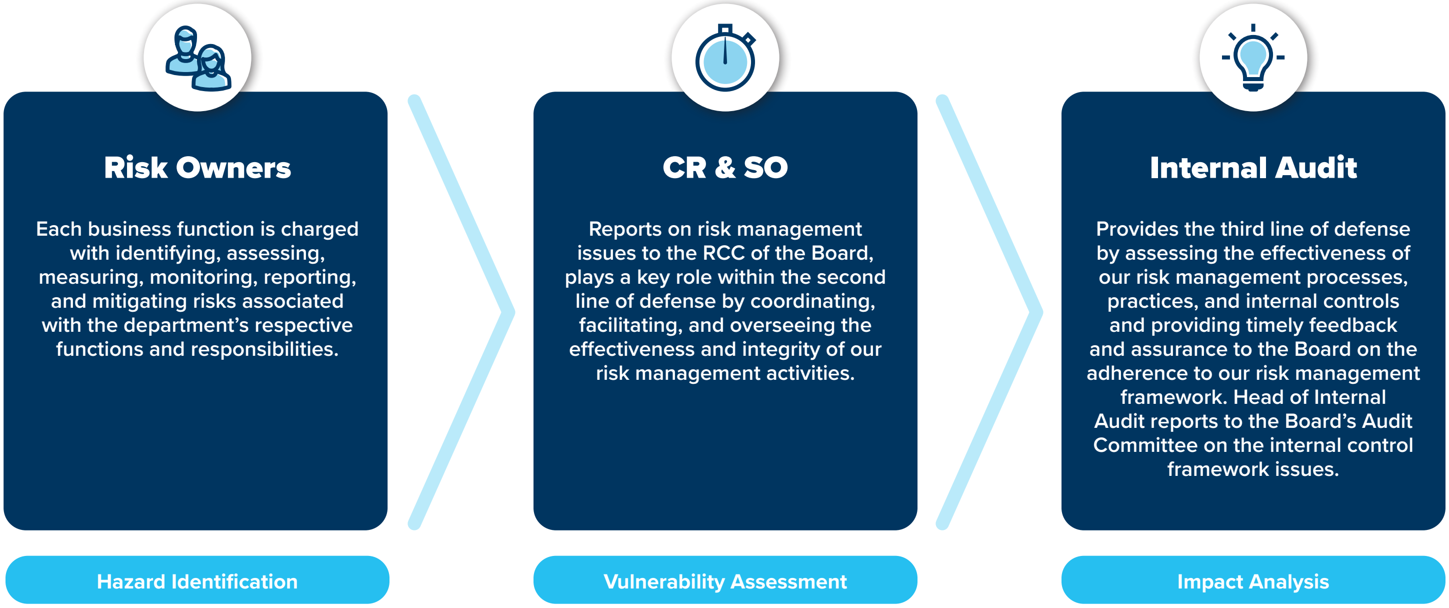

Figure 6 – Key Elements of Risk Management Framework

8. Argo Group 2022 ESG Report – Argo ESG Report (argolimited.com)
9. Enterprise Risk Management at Argo – https://www.argolimited.com/enterprise-risk-management-at-argo
9. ERM Steering Committee Terms of Reference – https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/05/ERM-Steering-Committee-Terms-of-Reference.pdf

The risk management function is also charged with establishing, maintaining and enhancing the methodology and tools used to identify and evaluate risks and, where risks are outside our risk appetite, ensuring that there is an appropriate response applied by the respective risk owner.

We have established policies to identify and address existing, evolving and emerging risks that can materially impact the adequacy of our financial resources, the volatility of our results, expected shareholder returns, or our ability to meet our commercial, legal and regulatory obligations.

Stress Testing and Business Plans

Argo Group has continued to develop its approach to stress and scenario testing. AMA partnered with one of its investment managers to analyze the risk posed to its investment portfolio from transition risk as part of the shift to a low carbon economy. We have now included this type of analysis for a second year in the AMA Annual ORSA report as a pilot exercise for Argo Group as a whole, and a summary was provided in Argo Group's Group Solvency Self-Assessment report.

These scenarios are being used to inform management as they consider business plans in a holistic manner, considering the long-term sustainability of our strategy.

Climate risk is a factor considered in several business decisions, and it was weighed in the following decisions made by Argo Group during 2020-2022:

Climate risk is considered in several business decisions, and was weighted up in the following decisions made by Argo Group during 2020-2022:

2020

Sale of reinsurance business

In 2020, Argo announced the sale of its reinsurance business. The business rationale included consideration of the level of volatility associated with a reinsurance business providing property catastrophe reinsurance and the fit with Argo Group's strategy, given the increasing uncertainty inherent in climate change-related property exposures.

2020

Exit from Lloyd's open-market D&O insurance

Argo announced in 2020 that AMA would no longer provide Directors & Officers insurance on a direct basis to major clients. This followed a detailed review of the performance of this line of business over several years and consideration of the litigation environment, including trends associated with climate change-related cases.

2020

Review of property strategy and change in risk appetite

Argo Group has reviewed its appetite for property insurance risks and determined that it would strategically focus on reducing the volatility of its underwriting risks. This has led to re-underwriting of the portfolio and a significant reduction in our risk tolerance, as measured by our estimates of probable maximum loss.

2021

Sale of Brazilian business

Argo Group announced the sale of Argo Seguros Brasil S.A. in 2021, which has allowed Argo Group's strategy to refocus on U.S.-based insurance risks.

Figure 7 – Business Decisions Made

See Principle 3 for further details.

Investment Managers

Argo Group operates a predominantly outsourced investment management model, and we work with a series of specialized investment managers. They manage Argo Group's investment portfolio according to the Company's investment management guidelines.

As part of our commitment to PRI, Argo Group has engaged with its investment managers through 2021 and 2022 to understand their capabilities and commitment to responsible investment. Each manager was surveyed to confirm their PRI membership and to understand their ESG resources, tools and capabilities. A small group of our managers that are PRI members were interviewed to learn how they establish and report ESG factors in their investment analysis.

Quarterly ESG reports and associated quarterly ESG review meetings take place with investment managers representing over 60% of assets under management. We monitor key metrics for each portfolio:

We monitor key metrics for each portfolio:

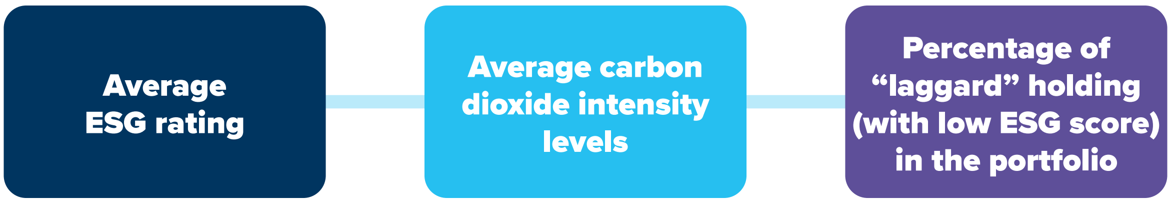

Figure 8 – Key Metrics of Investment Portfolios

In each case, threshold limits incorporated into the formal investment guidelines have been developed to act as a prompt for a discussion at subsequent ESG review meetings. We have also included screening thresholds related to thermal coal and oil sands as part of our fossil fuel commitment, with compliance being confirmed by each manager monthly. These allow Argo Group management to review and evaluate the performance of the portfolio and, where relevant, make changes to the portfolio allocation.

Through the regular ESG review meetings, Argo Group has been able to investigate an investment manager's approach to stewardship and engagement. This is now a standard agenda item for these review meetings, which is helpful for Argo Group as it develops its own Stewardship and Engagement Statement.

ESG credentials are a key aspect of the selection and ongoing oversight of investment managers. In 2021, as a result of completing a strategic asset allocation ("SAA"), Argo Group appointed two new investment managers to new mandates. Requests for proposals were obtained from a range of potential managers, and a selection process, supported by an independent investment consultant, resulted in a recommendation to executive management based on a weighted evaluation of a set of evaluation criteria, which included their ESG capabilities.

In 2021, Argo Group's Investment Policy Statement ("IPS") was extensively reviewed, with the support of independent investment consultants, to ensure it was aligned to the new SAA. We took the opportunity to incorporate our commitment to the PRI, including our fossil fuel commitment, into the IPS.

See Principle 2.1 for further details.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	We expect to continue to mature the operation of our quarterly ESG review meetings with key investment managers and expand the coverage to smaller managers over time.	We meet with investment managers on a quarterly basis to discuss portfolios and actively track the carbon intensity of each portfolio.
Achieved	We anticipate formalizing our Stewardship and Engagement Statement following work with our investment managers in preparation for our 2022 PRI reporting statement.	On our website

Anticipated further developments for 2022-2023:

- Continued engagement with external rating agencies to monitor our progress and improve our sustainability performance. Goals:
  - MSCI: 'BBB'.
  - ISS: ESG Pillar score of 3 or less.
  - S&P Corporate Sustainability Assessment ("CSA"): 50.
  - Sustainalytics: 10-20 low-risk category.
  - ClimateWise score: +10% increase.
- Elements of our plan:
  - Exploring Carbon Disclosure Project ("CDP") membership.
  - Reducing business travel.
  - Piloting ESG and climate change risk data into Syndicate 1200 underwriting, with a focus on determining how best to embed ESG and climate risks into risk appetite.
  - Reducing Argo Group's consumption of electrical energy and increasing its use of energy from renewable sources where available.
  - Reducing Argo Group's consumption of materials and switching paper to tree-free alternatives where possible.

PRINCIPLE 2

Incorporate climate-related issues into our strategies and investments

"Understanding the potential business and strategic impacts of climate issues is critical for optimizing our strategies and investments over the long term. By assessing, measuring and disclosing the impact of potential climate-related scenarios, we can incorporate the potential outcomes into our future view of risk appetite and make this transparent to our stakeholders.

Alex Hindson,
Chief Risk & Sustainability Officer

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PRINCIPLE 2: Incorporate climate-related issues into our strategies and investments

PRINCIPLE 2.1

Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

Responsible Investment

We examine how our asset managers integrate ESG factors in their investment practice. For each dimension, a large volume of data is discussed and analyzed. Our portfolio managers use our input to construct a diversified portfolio. The approaches our asset managers apply for ESG investment strategies are negative screening, positive screening, best-in-class investing, activism and engagement.

Research and Development

In 2022, we worked with an external party from academia to examine the opportunities in the clean energy sector, further described under Principle 3.2. We engaged a small study group of undergraduate students to explore the range of business possibilities while keeping in mind the extent of our appetite for insuring the risk. We have been pleased with the results presented and we are planning another study proposal group to examine other sustainable business solutions.

Board Governance and Oversight

A non-executive director has been appointed at the Board level for both Argo Group and AMA to oversee our approach to addressing the impact of climate change, including our overall approach to sustainability.

If a potential environmental climate change issue is identified by Argo Group, a cross-functional working group of subject matter experts is convened, supported by the Argo Group risk management function. Discussions take place to assess and determine if potential environmental climate change risk could present a material threat or an opportunity to Argo Group and what actions may be taken by the Company in response to the uncertainty.

The CR&SO reports to the RCC on a quarterly basis on any material issues that may arise.

Management Oversight

The Argo Group risk management function has integrated climate-related risks into the overall risk management framework and risk reporting. The risk management function is typically consulted if an environmental issue may impact Argo Group's business operations and/or insurance products. The CR&SO reports to the ERC on any material issues that may arise.

The SWG maintains a specific ESG/sustainability threat and opportunity register, covering all aspects of climate change risk. This register is reviewed at least twice per year.

We have identified Argo Group's stakeholders and arranged them into 12 groups as follows:

Ref	Stakeholder Groupings	Type of Stakeholders
1	Board	non-executive directors
2	Senior Management	executive and management
3	Staff	employees and families
4	Customers	clients, customers or end-users of services
5	Community	local environment, national environment

Ref	Stakeholder Groupings	Type of Stakeholders
6	Partners	suppliers, outsourced providers, business partners
7	Peers	competitors, industry bodies
8	Investors	shareholders, analysts
9	Authorities	local and/or national government, or agencies
10	Regulators	stock exchange and sector regulators
11	ESG	ESG rating agencies, non-government organizations ("NGO")
12	Auditors	external auditors, credit rating agencies

Figure 1 – Argo Group's 12 Stakeholders

Not all stakeholders will have equal interest or influence over each ESG factor considered. We therefore rank and evaluate their potential reaction to each scenario. The ability to color-code and score a range of hypothetical stakeholder responses to potential threat (downside) or opportunity (upside) scenarios helps prioritize certain policy areas.

The scoring scheme is highly visual and seeks to capture reactions. More details are provided under Principle 2.2.

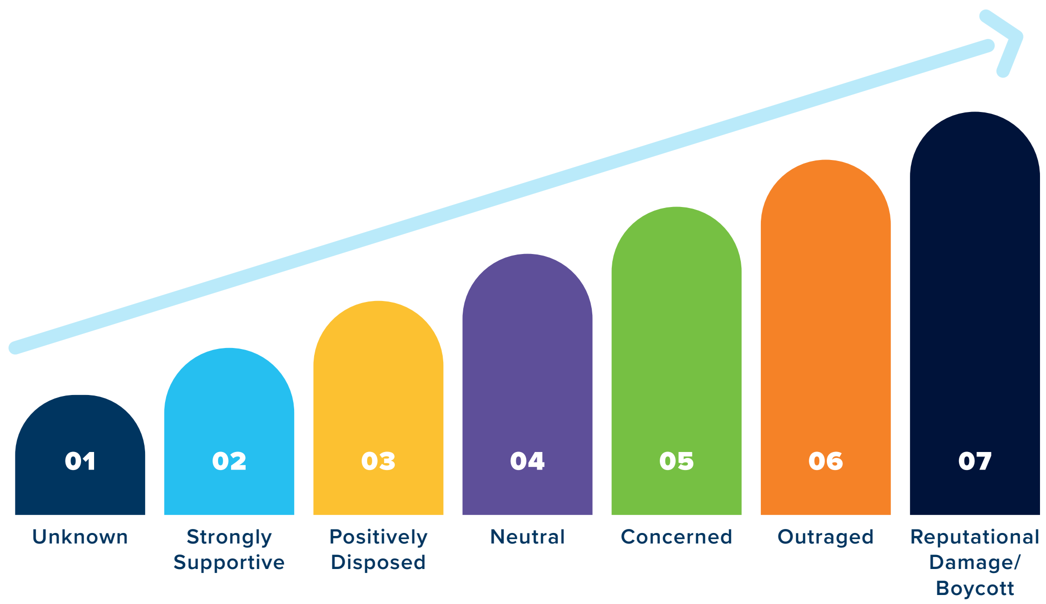


Figure 2 – Stakeholder Reaction

In 2020, the Argo Group ERC, a subcommittee of the Executive, sponsored the development of an ESG KPI dashboard, as outlined under Principle 1.2. The initial dashboard was discussed with internal stakeholders and formally approved by the Executive in December 2020, and since that time, we have continued to track over 30 ESG-related metrics. At the end of 2021, we refreshed the KPI dashboard, retiring some and adding new ones. The Executive is committed to learning how to measure and monitor key ESG metrics, including those related to climate change. Each metric has an executive owner, data provider and target measure. The data source and status are provided.

The ERC continues to receive this ESG KPI dashboard every quarter, monitoring material movements. The dashboard highlights trends and target dates. Most metrics are currently privately tracked, although some metrics, such as greenhouse gas emission targets, have been made public.

Argo Group's Exposure Management Committee is tasked with considering the influence of any climate change-related modelling on its property insurance portfolio and making recommendations to the Group Underwriting Committee.

Argo Group's Investment Risk Review Group is tasked with considering ESG factors, including climate-related risks, related to investment portfolio exposures and overseeing quarterly ESG engagement with specific investment managers.

Anticipated further developments for 2022-2023:

The ESG KPI dashboard has developed since its inception in 2021. Executive management is becoming more familiar and comfortable with the requirement of public disclosures, measurements and reporting of ESG KPIs. Every year, we strive to push the boundary of additional metrics and targets being made public.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	Further developments in the governance of climate risk and ESG are anticipated. The threat and opportunity assessment will continue to be updated and communicated, and the ESG KPI dashboard will be developed over time. It is anticipated that once executive management has gained further familiarity and comfort with the measurement and reporting of ESG KPIs, additional metrics and targets will be made public.	In 2021 we refreshed our ESG KPI dashboard. Aware of what the rating agencies are evaluating, we updated our dashboard's relevance to stakeholders' requirements.

Underwriting Management

The Group Underwriting Committee sets strategy on Argo Group's stance concerning key underwriting factors, such as underwriting appetite. Determining whether the business is prepared to underwrite certain types of business and what restrictions to place on it is coordinated by the Group Chief Underwriting Officer ("CUO").

These decisions are based on weighing associated threats and opportunities and the fit with our business strategy. An example of climate change exposure leading to a change in risk appetite was the decision in 2019 to cease providing Excess Casualty capacity to California energy and utility companies, based on a view of the wildfire exposures and legal environment that precluded our ongoing participation.

In 2022 we have established a project to evaluate ESG-related underwriting data within AMA, as a pilot exercise for the wider group. We have worked with two potential data providers and initially evaluated the extent to which their ESG databases provided coverage from our universe of insureds. As a result, we decided to partner with the provider who was able to provide 30% data coverage and is currently undertaking an extended pilot. The process involves engaging with underwriters and underwriting management to best understand how we might adopt and implement ESG and climate intensity metrics for our underwriting portfolio.

Anticipated further developments for 2022-2023:

We continue to work with an external data provider regarding the implementation of ESG underwriting metrics. Once determined, we will apply the new data set to our AMA business as a pilot for incorporating ESG into underwriting.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	Recognizing the impact of thermal coal and oil sand operations on climate change, the RCC has approved a fossil fuel statement related to underwriting, which is now being implemented.	We have implemented the aspects outlined in our fossil fuel statement and have applied them to our underwriting and investment practices.

Investment Management

The Board Investment Committee oversees Argo Group's approach to investment management and receives regular reports from the Chief Investment Officer, who operates according to the Board-approved IPS.

The IPS provides a framework for an investment strategy that is consistent with the Company's overall business strategy and risk tolerances. This policy is based on the analysis and review of multiple issues, including the Company's liability structure, tax position, capital structure, business strategy, regulatory environment, ratings profile and market outlook. The IPS commits Argo Group to a responsible investment strategy and enshrines several exclusions related to fossil fuels.

In 2021, we redrafted our Responsible Investment Policy to define our investment approach, evolving from exclusionary-only to one based on ESG integration that considers both financial return and value. Argo Group published a Responsible Investment Policy[1]. The Company utilizes guidelines published by external resources such as Principles for Responsible Investment to develop and maintain a better understanding of the investment implications of ESG factors.

Argo Group outsources its investment management operations. Therefore, the Chief Investment Officer works through investment management guidelines to ensure the appointed investment managers implement the Company's Responsible Investment Policy.

Stakeholder Engagement and Management

From time to time, stakeholders, such as non-government organizations ("NGO") or pressure groups, may seek a specific response from Argo Group, outside of our stated policy positions. We are aware of the influence that NGOs have and the value of their ecological message when companies continue to do business with fossil fuel companies. We feel we have a responsibility to make deliberate business decisions on such issues and not wait for external bodies, such as regulators, to impose a mandatory requirement.

As a result, the Group Underwriting Committee has delegated the tactical response to specific issues with a potential for reputational risk to a subcommittee consisting of the CUO U.S., CR&SO, and the President of Commercial Specialty to agree on an appropriate short-term response and report back to the Committee. Advice is sought from other functions and leaders as appropriate. A watch list of projects has been put in place and maintained based on reported events. For example, in 2020 and 2021, Argo Group decided it would not support two major projects, which were determined to be outside our risk appetite. These were the Adani-Carmichael Mine in Queensland, Australia, and the Trans Mountain Pipeline System, a tar sand pipeline in Canada.

The intended purpose of any internal or external consultation is to identify and discuss options for the mitigation, reduction and/or avoidance of risk resulting from an environmental issue and to create a broader discussion around how we want to shape the future of our business and integrate ESG factors.

During 2021 and 2022 we worked through industry associations such as the Association of Bermuda Insurers and Reinsurers ("ABIR") to engage with regulatory developments:

- Bermuda Monetary Authority ("BMA") consultation on incorporation of Sustainability into the Insurance Code of Conduct.
- New York State Department of Financial Services ("NY DFS") proposed climate change guidance.

We prepared for these developments by engaging with stakeholders and evaluating the implications of future regulations. Further details are provided under Principle 5.

The impact of pending regulations was evaluated by completing a gap analysis with the findings of such analysis reported internally to the ERM Steering Committee and RCC.

1. Argo Group Responsible Investment Policy – https://www.argolimited.com/wp-content/uploads/2021/11/Responsible-Investment-Policy-2021_FINAL.pdf

Anticipated further developments for 2022-2023:

We will continue to develop our Climate Risk Management framework in response to regulatory developments such as those by the BMA and the NY DFS, as well as developing global best practices.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	As a result of the consideration of these two major projects, Argo Group anticipates establishing, under the direction of the CUO U.S., a register of high-impact projects for which we do not have a risk appetite.	A watch list of projects has been drafted and is updated based on reported events. When accounts of projects are revealed, they are presented to the CUO U.S. for further discussion and decision on our risk appetite.

PRINCIPLE 2.2

Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

Climate Risk Governance

In 2021, AMA piloted the implementation of climate risk governance in line with PRA expectations under their Policy Statement PS11/19[2] and Supervisory Statement SS3/19[3]. During 2022, we continued to develop the climate risk management framework. The risk governance arrangements ensure that climate risk is integrated into each aspect of the risk management framework, including risk ownership, risk appetite, risk assessment, scenario analysis and risk reporting. We adopted an incremental implementation over 18 months, and these risk governance arrangements are now in place. They have also been expanded to cover Argo Group as a whole.

The risk function continued to oversee the Climate Change Compliance Roadmap through 2021 to show the key activities being undertaken by AMA and how these relate to the existing reporting cycles associated with ORSA and capital model validation reports. We adopted this approach in 2020 to improve the analysis by using the natural cycle of the ORSA report (March filing date) and the Validation report (September filing date). This is now part of our business-as-usual risk governance.

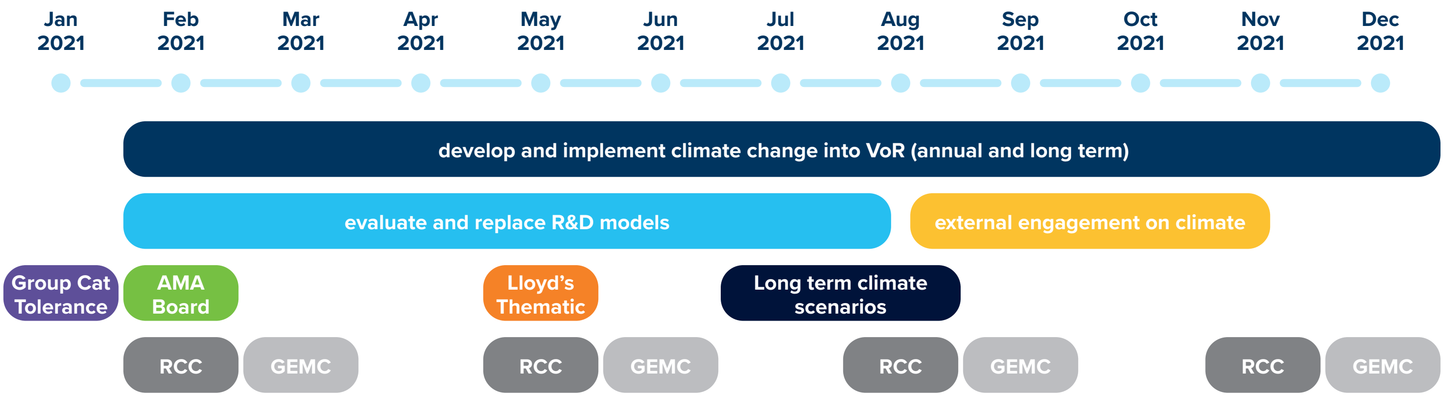


Figure 3 – Exposure Management Roadmap – climate change and view of risk

2. Policy Statement PS11/19 – https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policy-statement/2019/ps1119.pdf?la=en&hash=CD95D958ECDA4C7CF94337DAFD8AD962DE
3. Policy Statement SS3/19 – https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2019/ss319

Objectives of the Climate Change Framework:

- Ensure the effects of physical damage caused by climate change perils are included in the annual view of risk.
- Ensure we are not overexposed should hurricane activity exceed baseline catastrophe modelling outputs.
- Demonstrate to stakeholders that we have planned for the possibility of increased losses due to climate change over the insurance cycle and beyond a five-year time horizon.
- Provide the leadership team with the information needed to assess future underwriting strategy, i.e., if we do nothing, catastrophe will exceed risk appetite.
- Provide an early warning indicator of modelled losses under different Representative Concentration Pathways (“RCP”). At what point does modelled catastrophe loss exceed acceptable levels under low, medium and high RCPs?

The risk framework has been updated to create a specific risk category of ‘climate risk,’ which includes three subcategories: (1) physical risk, (2) transition risk and (3) litigation risk.

Figure 4 – Specific risk categories of climate risk

As a company, Argo Group has therefore articulated the risk and control ownership of climate risk within its risk management framework and incorporated this fully into its risk and control assessments. The risks and controls have been assigned to business owners and are subject to ongoing risk and control self-assessment, as for all other enterprise risks.

Risk Title	Risk Scenario	Risk Owner	Risk Manager
Climate Change Risk	Risk arising from the financial risk of climate change including physical, transition and litigation risks.	Chief Risk & Sustainability Officer	Sustainability Manager

Control Name	Control Description
UN Principles for Responsible Investments	As a signatory of UN PRI, Argo Group is required to set targets and report on ESG performance of its portfolio. UN PRI provides an assessment of what has been reported. Each year, the goal is to improve our investment portfolios and implement measures to improve our performance against UN PRI disclosures.
TCFD reporting aligned to ClimateWise	Argo Group and AMA provide public disclosure against TCFD standards and provide support for TCFD principles. ClimateWise evaluates the report submitted by an independent auditor. This allows for score comparison year over year to note improvements against the ClimateWise principles.

Control Name	Control Description
Sustainability Working Group Oversight & Reporting	The SWG is an Argo Group-level forum chaired by the CR&SO with representation from across the Argo Group. The forum discusses all items relating to ESG, including the mitigation of climate change risk. The CR&SO oversees reporting from the SWG to the relevant risk committees (AMA and Argo Group) every quarter, escalating key issues for discussion and/or decision. The KPI ESG dashboard is measured and reported each quarter.
Sustainability Risk Governance Framework	Argo Group has a nominated non-executive director of the Board responsible for the overall ESG program sponsorship. Detailed mapping of each material ESG aspect to Board committees has been completed and agreed upon by the Board and captured within committee charters. Climate change is the responsibility of the Risk & Capital Committee. The CR&SO is responsible for Argo Group's Sustainability Program, including the U.K. Senior Manager Regime.
Regulatory Development Monitoring	The Compliance Officer monitors and assesses the impact of regulatory and/or legislative developments on business activities according to the documented Compliance Framework on an ongoing basis. Guidance is provided to the business in person or via email, where required, to ensure compliance with laws and regulations.
NAIC Climate Risk Disclosure Survey	An eight-question survey designed to provide regulators with a window into how insurers across all lines of insurance assess and manage risks related to climate change. The questions focus on how insurers assess and manage climate-related risks within their business operations, underwriting and investment strategies. In 2021, Argo Group used the provided exemption and used its ClimateWise/TCFD report to satisfy disclosures.
Investment Policy Statement	Annually, the Chief Investment Officer reviews the Investment Policy Statement to ensure appropriateness and continued alignment between investment strategy and the Company's overall business strategy and risk tolerance. Argo Group has committed to a responsible approach to investment management and is a signatory to the UN PRI scheme. Required changes are presented for Investment Committee approval and documented via meeting minutes.
Investment Manager Engagement on ESG	We manage our investment portfolio through our investment management partners. To be active asset owners, we engage with our partners to understand the long-term viability of our holdings and manage ESG-related risks. We engage with our major investment managers, representing over 60% of our Assets Under Management ("AUM"), every quarter concerning ESG performance and engagement. We receive quarterly ESG and engagement reports from each manager and discuss the conclusions at quarterly ESG review meetings, agreeing on remediation and action plans where appropriate. Each manager formally reports compliance with Investment Guidelines every quarter, and this is shared with a RCC on risk tolerance. These guidelines include ESG factors, including climate change.
Environmental, Social & Governance Annual Report	The ESG Annual Report is an Argo Group-level document which sets out Argo Group's approach to all aspects of ESG, including climate change risk.
Climate Risk Stress & Scenario Testing	Stress and scenario testing is being developed to assess the impact of climate change on all aspects of the syndicate business model.

Figure 5 – Argo Group Climate Change Control Assessment

Risk appetite statements have been developed and approved by the Board RCC at both AMA and Argo Group levels for climate risk. Transition, litigation and physical risks are summarized below. Key Risk Indicators ("KRIs") have been approved as a result

These developments were included within our Annual Group ORSA report provided to the BMA as our Group Supervisor.

Climate Change Transition Risk

	Risk Source	Risk Preference Attitude	Risk Appetite Statement
Climate Change Risk	Physical Risk	Balanced	Argo Group recognizes the physical risks from changing frequencies and intensities of weather-related perils. We take a balanced view of the potential underwriting opportunities for producing protection and resilience solutions to our clients in the face of climate risk.
	Transitional Risk	Negative	Argo Group seeks to contain its exposure to transition risk associated with a move to a low carbon economy due to changes in asset values, changing energy infrastructure and/or carbon regulation or taxation arrangements.
	Liability Risk	Negative	Argo Group seeks to avoid exposure to the impact of litigation associated with allegations of failure to mitigate or adapt to climate change risk or associated disclosure failures.

Figure 6 – Risk Appetite Framework Climate Change Risk

1. Risk Definition

The exposure to risk associated with a move to a low carbon economy impacting changes in asset values, changing energy infrastructure and/or the introduction of carbon regulation or taxation arrangements.

2. Risk Appetite Statement

Argo seeks to contain its exposure to transition risk associated with a move to a low carbon economy due to changes in asset values, changing energy infrastructure and/or carbon regulation or taxation arrangements.

3. Measurements technique & its limitations

Investment Guidelines contain a series of ESG performance metrics including Carbon Intensity limits, which are defined as the weighted average Carbon Dioxide equivalent discharges in Tonnes per $1mm of income.

The majority of Investment Managers us proprietary MSCI analytical data feeds and provide quarterly ESG performance reports.

4. Rationale for risk tolerance development

A Red/Amber/Green status report is defined on a simple word model to report on status.

The Sustainability team is charged with investigating and reporting on non-Green status.

Key Risk Indicators (KRIs)	Red	Amber	Green
Transition Risk - compliance breach of threshold limits	One or more Investment Managers report that they have breached Investment ESG and Carbon Intensity limits	One or more Investment Managers fail to provide Compliance reports and it is not possible to verify their compliance with Investment ESG and Carbon Intensity limits	All relevant Investment Managers confirm compliance with Investment ESG and Carbon Intensity limits

5. Risk tolerance measure and how to interpret it

- ESG and climate intensity metrics have been incorporated onto the Investment Guidelines for the most material Investment Manager portfolios.
- Investment Managers provide quarterly ESG reports that summarize their portfolio performance.
- Investment Guidelines require breaches to be reported immediately when discovered by Investment Managers.
- Argo Group holds quarterly ESG performance calls with material Investment Managers where ESG performance is reviewed.

6. Example of the risk being measured

Additional volatility beyond the anticipated future physical damage resulting in a series of catastrophe events in one calendar year associated with Hurricanes, Wildfires, and Floods with a cause associated to climate change.

7. Committee Responsibility and Oversight

Investment Risk Review Group / Chief Investment Officer

Escalation to: Board Risk and Capital Committee

8. Alternative Risk Metrics

Investment Managers continue to develop their ESG dashboards. They use a range of proprietary data providers such as MSCI, Sustainability and Trucost. A number of managers are also developing their own in-house bespoke metrics.

Investment Managers are continuing to develop 'Net Zero pathways' as a way of defining time-based Carbon Intensity reduction targets. Argo Group continues to evaluate the best options for future metric development, as best practices continue to emerge.

Figure 7 – Argo Group Climate Change Risk Transition Appetite Framework

Climate Change Litigation Risk

1. Risk Definition

The exposure to the impact of litigation associated with allegations of failure to mitigate or adapt to climate change risk or associated disclosure failures.

2. Risk Appetite Statement

Argo seeks to avoid exposure to the impact of litigation associated with allegations of failure to mitigate or adapt to climate change risk or associated disclosure failures.

3. Measurements technique & its limitations

The Chief Claims Officer in conjunction with their team review the Argo Group claims portfolio for trends.

The Emerging Risk Review Group will periodically consider the external claims environment and emerging trends.

The Geneva Association paper "Climate Change Litigation" (2021) and UNEP FI paper "Insuring the Climate Transition" (2021) provide market guidance of what could be considered climate-related litigation claims.

4. Rationale for risk tolerance development

A Red/Amber/Green status report is defined on a simple word model to report on status.

The Claims team is charged with investigating and reporting on non-Green status.

Key Risk Indicators (KRIs)	Red	Amber	Green
Litigation Risk - claims/ complaints within threshold limits	**Current evidence of climate litigation impacting Argo's claims portfolio.**	**One or more climate related cases in the specialty insurance market potentially create exposure and precedents with relevant to Argo.**	**No climate related precedents in the specialty insurance market place deemed to be relevant or create an exposure for Argo.**

5. Risk tolerance measure and how to interpret it

- The Chief Claims Officer scans the claims horizon and determines the nature of claims activity in the market and within Argo Group's portfolio.
- The report is qualitative and captures management judgment without commitment unnecessarily to documentation that may be interpreted as accepting liability for any specific cases.

6. Example of the risk being measured

Additional volatility beyond the anticipated future physical damage resulting in a series of catastrophe events in one calendar year associated with Hurricanes, Wildfires, and Floods with a cause associated to climate change.

7. Committee Responsibility and Oversight

Emerging Risk Review Group / Chief Claims Officer

Escalation to: Board Risk and Capital Committee

8. Alternative Risk Metrics

External reports may be used to give a periodic view of claims trends.

More quantitative metrics could be used, if market best practice develops over time.

Figure 8 – Argo Group Climate Change Risk Litigation Appetite Framework

Climate Change Physical Risk

1. Risk Definition

The risk associated with changing frequencies and intensities of weather-related perils associated with climate change. These risks can be event drive (acute) or longer-term shifts (chronic) in climate patterns. The impacts may be impacted by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.

2. Risk Appetite Statement

Argo recognizes the physical risks from changing frequencies and intensities of weather-related perils. We take a balanced view of the potential underwriting opportunities for producing protection and resilience solutions to our clients in the face of climate risk.

3. Measurements technique & its limitations

It is proposed to use the RMS Climate Change model representation of 2 recognized scenarios to define a threshold for increase in Argo Catastrophe PML (defined as 1 in 100 year AEP).

- RCP 4.5 represents a 'likely' 2 degree temperature risk scenario.
- RCP 8.5 represents a 'worst case' 4 degree temperature rise scenario.

The RCP 8.5 scenario will reach a specific threshold in Cat PML increase sooner than RCP 4.5 scenario.

4. Rationale for risk tolerance development

The KRI defines an acceptable level of Cat exposure above the current level (assuming no management action in the intervening period) for the two scenarios at a specific date. The key threat is seen to be 'acute' (short term increases in windstorm frequencies).

Analysis on going but the notional threshold could be [125%] of current exposure as a threshold not to be exceeded:

- By [2035] for scenario RCP 8.5.
- By [2050] for scenario RCP 4.5.

5. KRI measure and how to interpret it

Boundary describing increase in Cat PML

	2020	2030	2040	2050	2060	2070	2080	2090	2100
RCP 2.6	1.2	1.3	1.4	1.5	1.5	1.5	1.5	1.5	1.5
RCP 4.5	1.2	1.4	1.6	1.8	2	2.2	2.3	2.4	2.4
RCP 6.0	1.1	1.3	1.5	1.4	2	2.2	2.5	2.8	3
RCP 8.5	1.2	1.5	1.9	2.3	2.8	3.2	3.7	4.2	4.6

KRI to be defined in the format: -1/100 yr AEP <125% of current exposure

- For Scenario RCP 8.5 @ 2030.
- For Scenario RCP 4.5 @ 2050.

6. Example of the risk being measured

Additional volatility beyond the anticipated future physical damage resulting from a series of catastrophe events in one calendar year associated with Hurricanes, Wildfires, and Floods with a cause associated to climate change.

7. Committee Responsibility and Oversight

Group Exposure Management Committee / Chief Underwriting Officer (CUO)

Escalation to: Board Risk and Capital Committee

8. Alternative Risk Metrics

- Consideration was given to developing bespoke deterministic scenarios such as Probably Maximum Loss (PML) or Realistic Disaster Scenarios (RDS). Argo does not have the appropriate expertise to substantiate self-defined scenarios. Externally recognized scenario are considered more credible.
- Consideration has been given to selecting alternative combinations of RCP scenarios and dates. This is a matter of judgment, related to risk appetite and planning horizons and therefore alternatives are possible. The selection could be revised over time, based on external good practice.

Figure 9 – Argo Group Climate Change Risk Physical Appetite Framework

The RCC receives a quarterly report of all KRI performance, including KRIs related to climate risk, at both AMA and Argo Group levels, as part of the operation of their risk management framework. For Argo Group, the three climate risk metrics are integrated into a list of 30 overall risk management measures.

AMA RCC receives quarterly updates providing a status report on the implementation of each element of the Supervisory Statement SS3/19 requirements. The RCC similarly receives a quarterly climate risk management program ESG report. Figure 6 shows the performance of the Argo Group climate risk KRIs since inception.

Risk	Ref	Key Risk Indicators (KRIs)	Threshold	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022
Climate Risk	19	Transition Risk - in compliance with ESG and Carbon Intensity limits	R/A/G	G	G	G	G	**G**
	20	Litigation Risk - claims/ complaints within threshold limits	R/A/G	G	G	G	G	**G**
	21	Physical Risk - Stress Tests within limits	R/A/G	n/a	n/a	G	G	**G**

Figure 10 – Climate Risk KRI

Anticipated further developments for 2022-2023:

We will continue to develop our Climate Risk Management framework in response to regulatory developments by the BMA and the NY DFS, as well as developing global best practices.

In our roadmap to fulfilling PRA SS3/19, we plan to adopt a new view of risk and climate change framework.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved	It is anticipated that the climate risk framework will be ready and in compliance with PRA requirements by the year-end deadline.	Target deadline met.

Qualitative Risk Analysis

The SWG maintains a specific ESG/sustainability threat and opportunity register, as outlined in Principle 2.1. Our semi-quantitative approach to risk analysis tracks current and future sustainability threats and opportunities, and their likelihood and potential impacts are identified. The use of a heat map provides a visual representation of the resulting qualitative and quantitative evaluations. The risk register captures current mitigation/realization plans and recommended actions with due dates, priorities and action owners.

Impact	OPPORTUNITIES					THREATS				
	VH	**H**	**M**	**L**	**VL**	**VL**	**L**	**M**	**H**	**VH**
VH							4			
H		1, 7	19, 37				12, 35, 42, 44	20, 28, 76	5, 8, 18, 96	
M	9, 11, 24, 29, 52, 62	3, 17, 48, 64, 69, 82, 98	13, 23, 65, 66, 90, 93	14, 26, 50, 73, 77, 86	45, 53, 54, 60	2, 25, 46	38, 39, 40, 43, 51, 68	27, 30, 32, 41, 78, 83, 94	6, 15, 21, 22, 36, 49, 91, 92	67
L	16, 47, 57, 81, 84	63, 71	87, 89	33, 34, 75, 80, 99, 100, 101	31, 55, 58, 72, 74	56, 59	61, 88	70, 79, 95		85
VL	97						10			

Likelihood — Likelihood

Figure 11 – Sustainable Threat & Opportunity Assessment

The SWG reviews a summary of the outcomes from the periodic risk assessment and makes recommendations with respect to prioritizing actions. Key findings are discussed at the ERM Steering Committee, and material factors are escalated to the Board RCC (for both Argo Group and Argo Managing Agency).

10 Top Threats			10 Top Opportunities	
#5 regulatory & rating agency pressure	↑	1	#1 sustainability strategy	↑
#8 external accreditation	↑	2	#7 external accreditation	↑
#18 outsourcing failures	↑	3	#9 business travel	↔
#96 SEC climate change disclosures (new entrant)	↑	4	#11 employer of choice	↔
#67 climate change regulations	↑	5	#24 real estate upgrades	↑
#85 high profile projects	↑	6	#29 ESG rating improvements	↔
#6 NGO pressure	↔	7	#52 hybrid working	↑
#15 business mix	↔	8	#62 ESG dashboard targets	↑
#21 diversity gap	↔	9	#16 ESG communication	↔
#36 board diversity	↓	10	#47 GHG emission reporting	↑
#96 SEC climate change disclosures (new entrant)	↑		#97 ESG Benchmarking #98 ESG data strategy (new entrant)	↑

Figure 12 – Top 10 Threats & Opportunities

The SWG reviews the risk assessment and a summary from the ERM Steering Committee for discussion.

A headline report is provided to the RCC.

Figure 13 – ESG-Related Reporting Hierarchy

Emerging Risk Analysis

The Emerging Risk Review Group ("ERRG") meets quarterly to review and discuss emerging trends, including threats and business opportunities, which may lead to product innovation. Since 2020, climate change has been a regular topic of review, both from a scientific perspective and from a geopolitical aspect. The sustainability manager gave a specific deep-dive presentation covering the regulatory environment and developments in markets such as Lloyd's. The opportunities for the development of sustainable insurance solutions were presented and discussed.

A product disruption matrix exercise is completed annually in conjunction with Group Underwriting and provided to the ERRG. This looks at a number of disruptions and change drivers and their potential impacts on products and lines of business across Argo Group. Climate change risk is one of the major change drivers included.

Investment Management

2021 was the first year we reported against PRI for the 2020 fiscal year, in line with our Responsible Investment Policy. This voluntary report allows us to measure our progress, compared to peers, in integrating climate risk and wider ESG considerations into our investment strategies.

The PRI transparency report provides feedback on our performance and is expected to be published in Q3 of 2022.

Since 2020, we continued to collaborate closely with our investment managers and partnered to develop their climate reporting toolkit. This toolkit includes comparing our portfolio to proprietary benchmarks and providing an indicative view of carbon intensity and an 'ESG rating' for investments held. We continue to identify more granular data, to be able to drill down on the specific drivers of ESG performance.

AMA partnered with the investment manager that manages AMA's assets. We work with them to analyze the risks in our investment portfolio from a physical, transitional and litigation risk in the past two years. They have developed a dashboard that provides climate risk analysis for the AMA asset portfolios. The dashboard provides a comparison of the ESG ratings of our portfolio to the Bloomberg Barclays U.S. Corporate Bond 1–5-year index benchmark using proprietary and MSCI data. This has allowed us to identify and review those assets with a weak ESG rating or increasing transition risk and take appropriate action where necessary.

Since October 2020, we have formally incorporated three climate-related investment risk tolerances into our Investment Guidelines and risk tolerance measures. The tolerances were chosen to cover three specific aspects:

1. Carbon Intensity as measured by tonnes of carbon dioxide emitted per dollar of sales.
2. Average portfolio ESG score.
3. Levels of assets termed 'laggards' due to their lower ESG scores within the portfolio.

In 2021, we extended this pilot project to include similar measures for other portfolios managed by external investment managers for Argo Group as a whole, representing over 60% of AUM.

3a. Carbon Intensity (Pilot tolerance)

This tolerance is measured based on data provided by Conning the Investment Managers for the AMA portfolio. Each asset within the syndicate portfolio is given a carbon intensity score (Tonnes CO_2/$mm sales) using the Morgan Stanley Capital International (MSCI) database to produce an overall carbon intensity figure.

Risk Metric	Tolerance
Average MSCI Carbon Intensity (Tonnes CO_2/$mm sales)	**≥130 = Red**

3b. Average Environmental, ESG Score (Pilot tolerance)

This tolerance is measured based on data provided by Conning the Investment Managers for the AMA portfolio. Each asset within the syndicate portfolio is given an ESG score using the Morgan Stanley Capital International (MSCI) database to produce an overall ESG figure.

Risk Metric	Tolerance
Average ESG Score	≤4.3 = Red (BB, B, CCC)

3c. Percentage of MSCI Laggards - ESG rating of B, CCC (Pilot tolerance)

This tolerance is measured based on data provided by Conning the Investment Managers for the AMA portfolio. Each asset within the syndicate portfolio is given an ESG score using the Morgan Stanley Capital International (MSCI) database to produce an overall ESG figure.

All syndicate assets are categorised into three groups according to the ESG score: **Leader** – AAA, AA, **Average** – A, BBB, BB, **Laggard** – B, CCC

Risk Metric	Tolerance
Percentage of MSCI Laggards at purchase (B, CCC)	≥7.5% = Red

Figure 14 – AMA Climate-Related Investment Risk Tolerances

From 2022, Argo Group has included the weighted-average carbon intensity of its core investment portfolio within its quarterly executive ESG KPI dashboard. The KPI is calculated by taking the carbon intensity scores provided by external investment managers for the five key portfolios and weighting these scores relative to the Assets under Management for each. A target has been set for each portfolio to be 20% below their relevant benchmarks, with a target of achieving KPI performance of less than 150 tonnes CO2 / $M. As we are showing quarterly data, progress has been made quater-on-quarter as evidenced below.

ESG metric	Measure	Target	Q2 2022	Q1 2022	Q4 2021	Trend	Report Date
10	Weighted average Carbon Intensity of Core Investment Portfolio	<150 Tons CO2 e/ $mm	112	115	141	▲	Jun-22

Figure 15 – Weighted-Average Carbon Intensity reporting

Underwriting Management

As outlined under Principle 3.1, we have established a project to evaluate ESG-related underwriting data within AMA as a pilot exercise for the wider group. In addition, we have launched a project working with underwriters and underwriting management to best understand how we might adopt and implement ESG and climate intensity metrics for our underwriting portfolio. We have partnered with an ESG data provider that is committed to building out their data universe. The objective is that it will address the relatively sparse data coverage over time.

We anticipate this project leading to the gradual adoption of ESG metrics within underwriting in terms of three distinct aspects:

1. Underwriting Portfolio

We will be able to establish a baseline measurement of the ESG performance of each line of business within our portfolio, subject to data coverage limitations. This will enable us to see the relative ESG performance of lines of business and will support our initial qualitative analysis.

2. Risk selection

ESG data at the individual insured client level will enable underwriters to evaluate these factors as part of their risk selection and pricing decisions. Before this can be embedded in routine activity, engagement will be required to ensure that underwriters are fully educated on the relevance of the information provided and understand how to deploy it for their specific lines of business. We see this project as the start of a journey toward integration, which will take time to implement. We are encouraged that a significant proportion of the underwriting teams are already considering ESG information while in negotiation with prospective insureds. However, the capture of this information is currently unstructured.

3. Carbon intensity

Provision of ESG data for insured clients will give us information on their Scope 1 and 2 GHG emissions and contribute to us being able to build out our analysis of underwriting Scope 3 emissions, based on the adoption of developing best practices for emission attribution. We anticipate it taking time to build understanding of and comfort with the information before we can report on this externally.

Anticipated further developments for 2022-2023:

- Continue to extend the coverage of our investment portfolio carbon intensity performance to cover a number of minor investment manager portfolio and include investment data in our 2023 Scope 3 GHG reporting.
- Complete the pilot exercise with our external ESG data partner regarding implementation of ESG underwriting metrics.
- Define an implementation phase scope for ESG data adoption within underwriting metrics.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	This process has demonstrated that we need to take a more proactive approach to stewardship and engagement. Through our quarterly ESG meetings, we are starting to engage with our investment managers on this topic, as outlined further under Principle 3.	We meet with investment managers on a quarterly basis.
Achieved & Ongoing	We are extending the reach of our quarterly ESG performance and engagement meetings to a wider cross section of investment managers.	Currently we meet with five of our external managers every quarter to discuss performance.
Achieved & Ongoing	Additionally, we have drafted a Stewardship and Engagement Statement and are consulting internal and external stakeholders before implementing this across all our investment portfolios.	Completed Stewardship and Engagement Statement has been posted on our website[4].

4. Argo Group Stewardship and Engagement Statement – https://www.argolimited.com/wp-content/uploads/2021/08/Stewardship-Engagement-Statement.pdf

Quantitative Risk Analysis

There are three types of climate risks scenarios to be considered, which are aligned to Argo Group's approach to defining climate risk. Argo Group has developed its approach to each of these risks separately, working in partnership with subject matter experts within the organization and with external business partners.

Physical Risks

- Specific weather events – heat waves, floods, wildfires and storms
- Longer term shifts in our climate – increased frequency/severity in weather, sea level rise and rising temperatures
- Uncertainty around the degree of warming and the impact this could have

Examples of potential impacts:

- Increasing business interruption potentially impacting property and casualty insurance
- Fluctuations in the investment environment leading to changes in customer behaviour
- Changes in our supply chain e.g. food sources
- Vulnerability of cities in particular locations

Transition Risks

- Risk arising from the process of adjustment towards a net-zero carbon economy
- UK Government target is to achieve net zero greenhouse gas emissions by 2050

Examples of potential impacts:

- Decrease in the value of certain investments leading to stranded or uninsurable assets
- Changes in policies, technology, regulation and consumer behaviour
- Consideration of carbon pricing

Litigation Risks

- Risk arising from climate related legal actions, e.g., failure to mitigate or adapt to the impact of climate change and failure to disclose climate related risks to shareholders

Examples of potential impacts:

- Exposure to climate related litigation due to failure to adapt to financial risks from climate change
- Growing trend in the US and not showing signs of slowing down

Figure 16 – Climate Risk Definitions

The internal capital model has been used to create combined scenarios, looking at physical and transition risk and how these could impact risk categories. In this way, scenarios have been considered that impact AMA in terms of physical and liability exposures on underwriting, simultaneously with transition risks impacting the investment portfolio and wider organizational factors impacting operational risk. The combined impact of these stress scenarios has been evaluated on the capital and solvency position of the organization and reported through the internal model validation report, which has then been presented with conclusions and recommendations to the AMA RCC.

Scenario Analysis – Physical Risk Impacting Underwriting

Argo Group has developed an Exposure Management Strategy within its climate risk governance to address the physical risk challenges resulting from the PRA Supervisory Statement SS3/19.

Our approach to modelling and scenario analysis is aligned to and seeking to inform our developing Property Insurance Strategy. Therefore, we need to ensure that our tools and processes remain appropriate to the changing nature of our business. As a U.S.-focused specialty insurer, our primary exposures are to U.S. perils such as hurricanes, floods and wildfires. This is where we are focusing most of our analysis.

Climate risk is implicitly included in Argo Group's catastrophe reinsurance considerations, using catastrophe modelling. Allowance for uncertainty in climate change risk is provided by Argo Group's Stress & Scenario Testing Framework ("SSTF") and economic capital modelling processes. Together with our approach to non-modelled risk and emerging risk processes, these stress tests provide the ability to consider the broader economic capital implications for Argo Group's solvency regarding climate change-related risks.

The Exposure Management function has worked through 2020-2021 under the sponsorship of the Group Exposure

Management Committee ("GEMC") to reevaluate the approach we presently use. The starting point was to closely analyze the current use of proprietary catastrophe models and ensure that the pricing of catastrophe exposure recognizes the latest data with respect to changing frequency and building vulnerability to hurricanes. We are progressing a model change from RMS v.18.1 to RMS v.21 and have adopted an 'Active Baseline' view.

Our project has concluded that Argo Group should adopt Intergovernmental Panel on Climate Change ("IPCC") recognized RCP scenarios as the basis of our stress and scenario testing.

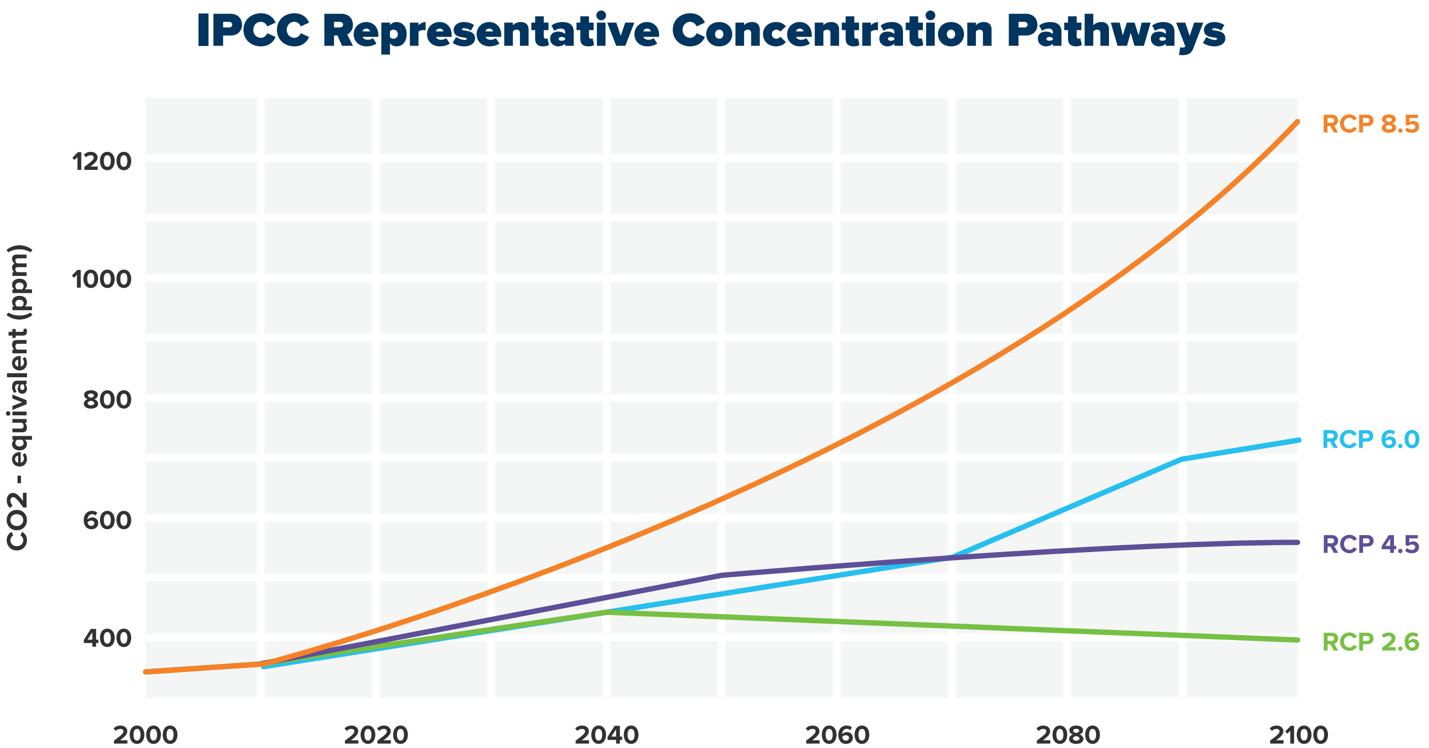


Figure 17 – Impact of RCP Scenarios on Climate Change

We have worked with RMS to adopt their enhanced climate change models, which enable the projection of a range of climate-related scenarios.

We have progressed adopting the RMS Climate Change model representation of two recognized scenarios to define a threshold for increase in Argo Catastrophe PML (defined as 1 in 100-year AEP). These have been formally adopted as KRIs as outlined in Section 3.2 and included in our annual Group ORSA report submitted to the BMA.

- RCP 4.5 represents a 'likely' 2-degree temperature risk scenario.
- RCP 8.5 represents a 'worst case' 4-degree temperature rise scenario.

Climate Framework

- To understand medium and long term impacts of Climate Change on Property Cat losses
- License RMS Climate Change Models to simulate future climate states
- Model current portfolio on two future climate pathways
  RCP 4.5 - "Likely"
  RCP 8.5 - "Worst Case"
- Monitor loss change to 2030, 2050 and 2080 positions
- Key Risk Indicators (KRIs) are set at 1 in 100 years AEP being greater than 125% of current position
- KRIs provide early warning signals if continuing writing current portfolio would result in tolerance breach in future
- Argo only exceeds KRI on "worst case" at 2080 position

RCP 4.5 “Likely” Pathway			
Scenario	**Gross %% / KRI Status**	**Scenario**	**Gross %% / KRI Status**
ArgoBaselineVOR	100% / Below KRI	ArgoBaselineVOR	100% / Below KRI
RCP 4.5_2030	95% / Below KRI	RCP 4.5_2030	98% / Below KRI
RCP 4.5_2050	102% / Below KRI	RCP 4.5_2050	106% / Below KRI
RCP 4.5_2080	107% / Below KRI	RCP 4.5_2080	119% / Below KRI

RCP 8.5 “Worst Case” Pathway			
Scenario	**Gross %% / KRI Status**	**Scenario**	**Gross %% / KRI Status**
ArgoBaselineVOR	100% / Below KRI	ArgoBaselineVOR	100% / Below KRI
RCP 8.5_2030	98% / Below KRI	RCP 8.5_2030	101% / Below KRI
RCP 8.5_2050	107% / Below KRI	RCP 8.5_2050	116% / Below KRI
RCP 8.5_2080	125% / Below KRI	RCP 8.5_2080	140% / Below KRI

Figure 18 – Argo Group North America Hurricane (“NAHU”) Climate Change KRIs

Global Mean Surface Temperature increase relative to pre-industrial (1880-1900) levels

Year

	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070	2075	2080	2085	2090	2095	2100
RCP 2.6	1.2	1.2	1.3	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
RCP 4.5	1.2	1.3	1.4	1.5	1.6	1.7	1.8	2.0	2.0	2.1	2.2	2.3	2.3	2.3	2.4	2.4	2.4
RCP 6.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	2.0	2.1	2.2	2.4	2.5	2.7	2.8	2.9	3.0
RCP 8.5	1.2	1.3	1.5	1.7	1.9	2.1	2.3	2.5	2.8	3.0	3.2	3.5	3.7	3.9	4.2	4.4	4.6
GMST	**+2˚C relative to model baseline**																

Figure 19 – Global Mean Surface Temperature Increases against Different Scenarios

The KRI will be defined in a format such that the 1 in 100-year AEP remains below 125% of current exposures at a specific date, based on projections. The RCP 8.5 scenario will reach a specific threshold in catastrophe probable maximum loss (“PML”) increase sooner than RCP 4.5 scenario.

Our approach to wildfire analysis changed as the result of the sale of our reinsurance business and increased wildfire frequency and severity. We have a low appetite for wildfire exposure. While we cannot entirely avoid wildfire exposure, particularly regarding insureds with a nationwide footprint, we mitigate exposure at source through risk selection and pricing. We license CoreLogic® RiskMeter™, which provides wildfire risk scores. We have also implemented a comprehensive zip code wildfire, based on Guy Carpenter's hazard assessment, to minimize our exposure to wildfire in high-risk ZIP codes on the West Coast.

Anticipated further developments for 2022-2023:

- This KRI has been adopted on a pilot basis to allow us to learn how best to utilize it and refine reporting over time.
- We anticipate reporting in 2023 on performance against these KRI within this report.

Anticipated further developments for 2022-2023:

Given the rapid development of tools and models associated with natural catastrophes, we expect to continue to work with vendors and academics to enhance our understanding of their capabilities and continue to refine our application of models to our risk analysis.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	We intend to establish an enhanced stress and scenario testing framework for physical perils during 2021, which is anticipated to include consideration for each U.S. hurricane, flood and wildfire: Scenario analysis: frequency increased by a range of 10 to 50%. Deterministic stress tests: multiple relevant events impacting certain regions with pre-determined industry loss sizes. In each case, these stress and scenario tests will be produced and compared to thresholds. The GEMC will agree that exposures will need to be contained under stressed circumstances.	Completed. The project has concluded that Argo Group should adopt IPCC recognized Representative Concentration Pathway (RCP) scenarios as the basis of our stress and scenario testing.

Scenario Analysis – Transition & Physical Risks Impacting Investment

AMA partnered with our London-based investment manager to analyze the risk posed to our investment portfolio from transition risk as part of the shift to a low-carbon economy. We have now included this type of analysis for the second year in our Syndicate 1200 ORSA report as we explore the '2° Investing Initiatives' and Bank of England scenarios. This work remains ongoing, with AMA acting as the pilot for the wider adoption of these scenarios.

The scenario analysis is based on both a short-term view of financial risks within the current business planning horizon and a long-term view taking into consideration scenarios where average global temperatures continue to rise consistent with a 2°C overall rise and/or scenarios where a transition to a low-carbon economy occurs in either an orderly or disorderly manner.

To understand how each scenario may impact the value of financial portfolios, two types of climate risks are considered: physical risks and transition risks.

- Physical risks are defined as risks that arise from weather-related events, such as storms, floods, subsidence and freeze.
- Transition risks are defined as risks that arise from the transition to a carbon-neutral economy.

The chart and graph below show the impact on the Syndicate 1200's current portfolio as a result of a 'sudden, disorderly transition' scenario with a temperature rise estimate of below 2 degrees by 2100.

Subsector	Equity	Bonds
Coal Extraction	0.00%	0.00%
Oil Extraction	0.00%	0.00%
Gas Extraction	0.00%	0.00%
Coal Power	0.00%	0.00%
Oil Power	0.00%	0.00%
Gas Power	0.00%	0.00%
Low Carbon Power	0.00%	0.00%
Non-Electric Vehicles	0.00%	-0.13%
Electric Vehicles	0.00%	0.00%
Shipping	0.00%	0.00%
Aviation	0.00%	0.00%
FF-based materials	0.00%	0.00%
Other materials	0.00%	0.00%
Agriculture	0.00%	-0.07%
Food Logistics	0.00%	0.00%
Real Estate	0.00%	0.00%
Water	0.00%	0.00%
All other sectors	0.00%	0.00%
Total	**0.00%**	**-0.21%**

Changes to the portfolio's value by subsector in 2022

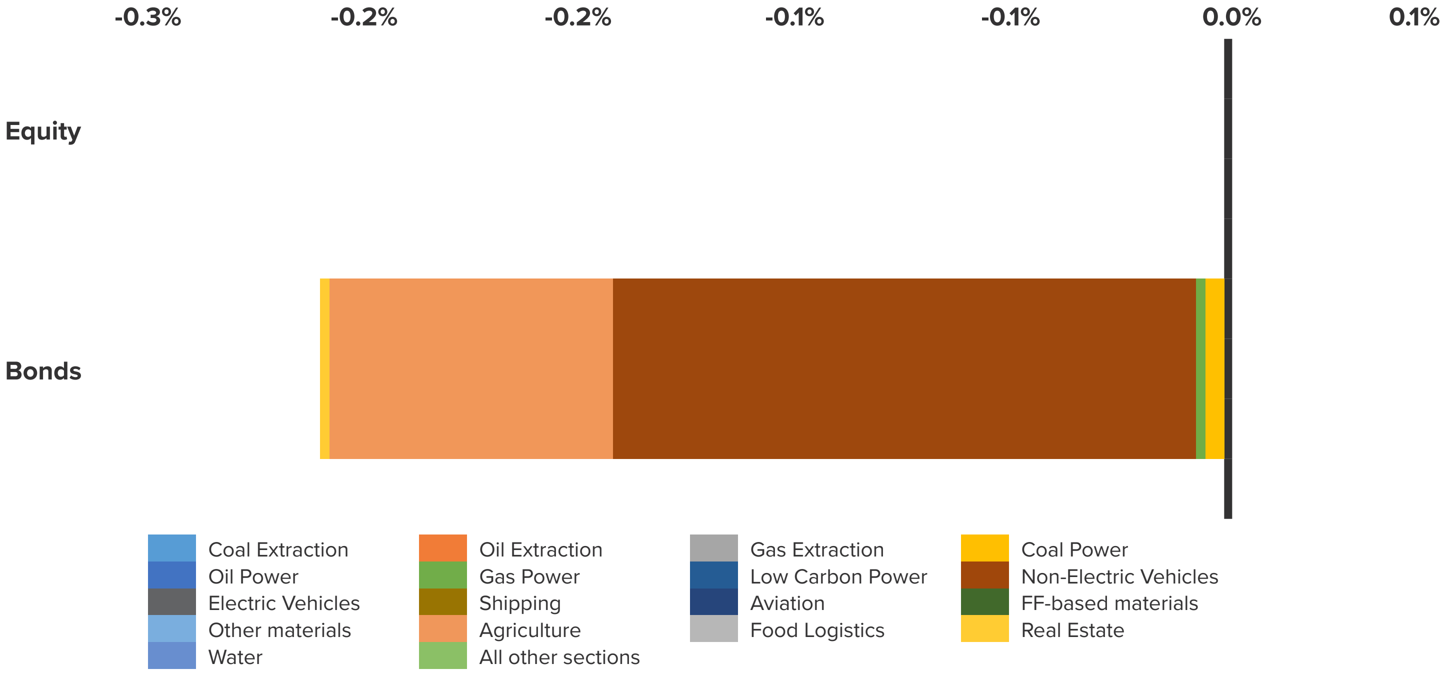


Figure 20 – Syndicate 1200 Climate Risk Scenario Impact Analysis

Additionally, we explored with Moody's Analytics, our economic scenario generator provider, longer-term climate scenario testing, based on using Syndicate 1200 as a pilot for the wider group. The objective of the work was to understand the potential longer-term impacts on our investment portfolio, even though the average duration of our portfolios as a property & casualty insurer is short and close to three years. The economic scenario generator is used within our internal capital model in the production of economic views of asset and liability projections. It provides calibrations of macroeconomic factors to support realistic projections of asset returns. The ESG allows the model to undertake a wide range of risk management and asset-liability modelling activities.

We considered up to a 40-year period for long-term impact, with the main discussions and analysis focused on a 15- to 20-year period. The assets are predominantly fixed income bonds for this portfolio, typically with low duration and high credit rating.

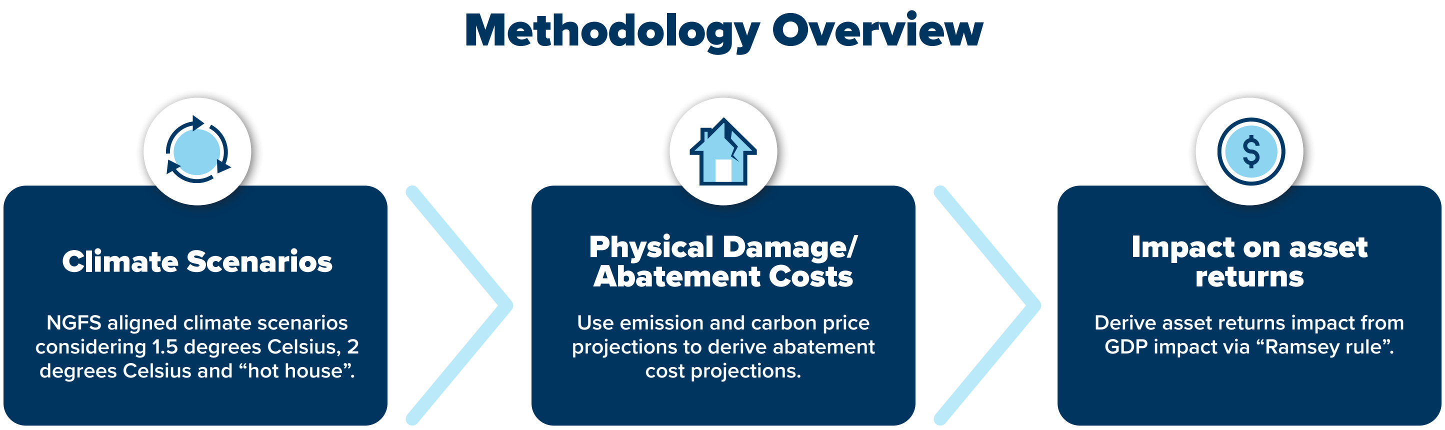


Figure 21 – Summary of Long-Term Scenario Methodology

In this case, five scenarios based on the Network for the Greening of the Financial System ("NGFS") work were used:

- Current policies (Hot house world, Representative).
- Immediate 2˚C with CDR (Orderly, Representative).
- Delayed 2˚C with limited CDR (Disorderly, Representative).
- Immediate 1.5˚C with limited CDR (Disorderly, Alternative).
- Current policies (Hot house world, Extreme).

The scenarios consider both transition and physical risks. Emission and carbon price projections were used to derive abatement cost, while physical damage projections were based on a range of studies that explore the impact of warming on economic damages.

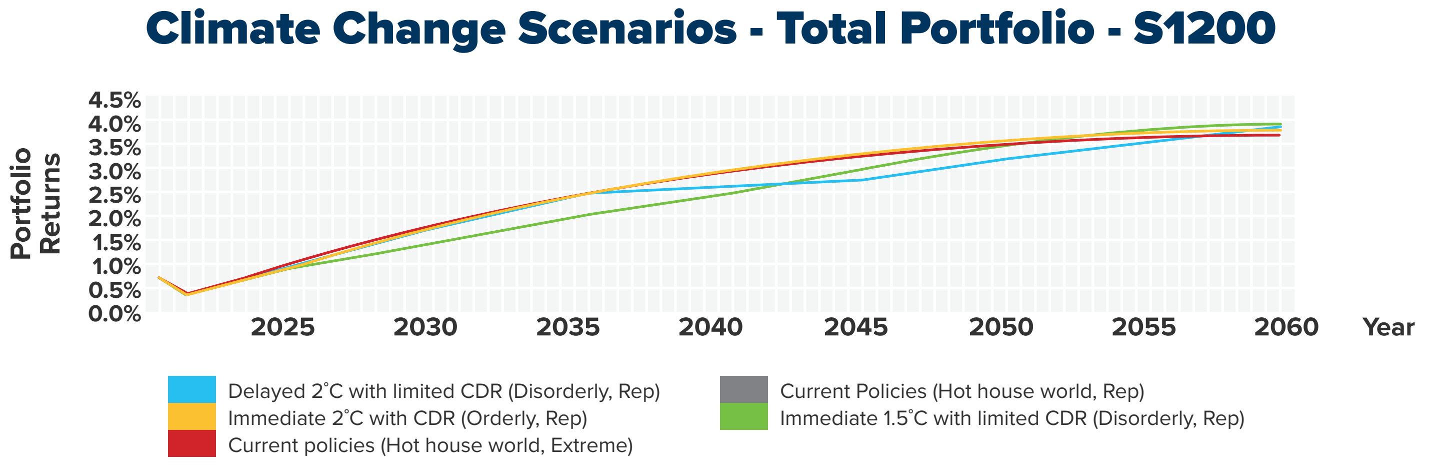


Figure 22 – Example of Long-Term Climate Scenario Projections

Anticipated further developments for 2022-2023:

We anticipate continuing to work with our investment managers and data providers to explore their developing modelling capability and how this can be best applied to our investment portfolio. We understand their models will be enhanced to better evaluate physical risks, allow for carbon taxation scenarios, and fully align to the NGFS.

We will continue to evaluate how this approach can be adapted to apply to other parts of our overall investment portfolio.

Scenario Analysis – Litigation Risk Impact Underwriting

In developing our risk management framework to address climate-related litigation risk, we adopted the recommendations of the United Nations Environment Programme publication, "Insuring the climate transition – enhancing the insurance industry's assessment of climate change futures,"[5] as well as the Geneva Association paper on 'Climate Change Litigation – insights into the evolving global landscape'[6].

Our approach was to develop qualitative risk assessments based on a series of credible scenarios proposed by the publications outlined above, including for example:

1. Litigation due to fossil fuel production, promotion or greenhouse gas emissions.
2. Litigation due to physical implications of climate change.
3. Litigation due to breaches of regulatory frameworks.

Consideration was also given to scenarios where a breach of fiduciary duty or greenwashing was alleged.

The risk assessment was developed by constructing a risk assessment capturing each line of business within Syndicate 1200, alongside consideration of the nature of cover provider, seeking to identify drivers of climate-related litigation. Each class of business was ranked from very low to very high potential exposure. The subject matter expert in each case, typically the class underwriter or divisional head, was asked to verify the initial analysis and provide a narrative as to how the exposure was being managed.

Potential points for action were identified relative to Argo Group's risk appetite. The focus to date has been on the material lines of business, and the next phase will include a wider rollout within Argo Group. The points identified were included in the portfolio review process as described under Principle 3.2.

We have developed quantified loss scenarios for all lines of business across Argo Group with respect to climate-related litigation and incorporated these into our internal capital model as non-modelled risk ("NMR"). This ensures that climate litigation is factored into our view of economic capital for the business and therefore influences key metrics such as Return on Allocated Capital.

Anticipated further developments for 2022-2023:

We anticipate continuing to work with our investment managers and data providers to explore their developing modelling capability and how this can be best applied to our investment portfolio. We understand their models will be enhanced to better evaluate physical risks, allow for carbon taxation scenarios, and fully align to the NGFS.

We will continue to evaluate how this approach can be adapted to apply to other parts of our overall investment portfolio.

5. Insuring the climate transition - enhancing the insurance industry's assessment of climate change futures – https://www.unepfi.org/publications/insurance-publications/insuring-the-climate-transition/
6. Climate Change Litigation - insights into the evolving global landscape – https://www.genevaassociation.org/research-topics/climate-change-and-emerging-environmental-topics/climate-litigation

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	We anticipate refining and extending the analysis further in the coming months, based on points learned from the initial pilot exercise. We would consider extending the process to the wider Argo Group once the process is well established.	AMA pilot exercise has been completed and submitted; it opened new considerations to put forward, which we outlined for 2022-2023.

Climate Risk Materiality Assessment

Argo Group has undertaken a climate risk materiality assessment, using a framework proposed by European Insurance and Occupational Pensions Authority ("EIOPA"). The grid seeks to describe the relevance to Argo's specific business model and current response stance. This puts the topic of climate risk into the context of Argo Group's business model and was included in our annual Group ORSA report submitted to the BMA.

TRANSITION RISK					
Risks	**Underwriting**	**Market**	**Credit**	**Operational**	**Strategic/ Reputational**
Policy	**Materiality Exposure:** Policy impact of transition on high-carbon industries, reduction in operating maintenance spend, impacting frequency of incidents. **Response:** Careful risk selection and pricing related to certain portfolios and continued reliance on risk engineering information.	**Materiality Exposure:** Government interventions such as carbon tax, impacting high-carbon industries, influencing stock price and bond spreads. Impact of delayed late government action on economic stability and sovereign debt spreads. **Response:** Limit concentration risk to individual sectors and counterparties.	**Materiality Exposure:** Securitized instruments such as mortgage-backed loans decline in value due to government policy regarding real estate energy efficiency standards. **Response:** Limit exposure to real estate and high-quality mortgage-backed securities portfolio with strict concentration limits.	**Materiality Exposure:** Liability to monitor and manage changing regulatory landscape with respect to climate change policy environment. **Response:** Compliance and Legal team monitoring and involvement in a range of industry association climate risk committees.	**Materiality Exposure:** Providing insurance to highly controversial projects that attract significant NGO attention. **Response:** Chief Underwriting Officer operates a watch list of controversial projects.
Technology	**Materiality Exposure:** Increased claims related to insurance of novel clean energy and transition-related technologies due to limited availability of underwriting data. **Response:** Cautious approach to underwriting new technology areas, with niche placements and adapting a follow market strategy where appropriate. Sponsorship of academic research into creation of synthetic loss data.	**Materiality Exposure:** Technology advances lead to a faster than anticipated transition to a low-carbon economy and creation of stranded assets. **Response:** Investment portfolio has been divested of thermal coal and oil sands assets. Utility and oil & gas-related assets are subject to limits in terms of concentration.		**Materiality Exposure:** Organizations fail to identify trends in technology change and hence are caught by rapid transition. **Response:** Emerging Risk Review Group reviewed threats and opportunities associated with technology changes.	**Materiality Exposure:** Organizations fail to take advantage of transition to a low-carbon economy and do not offer appropriate insurance solutions to these growing sectors. **Response:** The Innovation Council and team are part of the emerging risk process and have reviewed various suitable opportunities, putting forward business cases for selective investment.

TRANSITION RISK

Risks	Underwriting	Market	Credit	Operational	Strategic/ Reputational
Market Sentiment		**Materiality Exposure:** Customer demand prompts a sudden drop in conventional cars and transition to electric vehicles, causing stock value to drop and bond spreads to increase. **Response:** Holdings in automobile sector are controlled by concentration limits by sector counterparty. Stress tests completed to consider scenarios to understand sector-based transition risk.	**Materiality Exposure:** Market trend to move to higher environmental performance offices and/or more hybrid working undermines valuation of real estate or securitized assets (mortgage-backed debt) leading to impact on investment valuations. **Response:** Limit exposure to real estate and high-quality mortgage-backed securities portfolio with strict concentration of limits.	**Materiality Exposure:** Argo Group moves to smaller offices with hot desk working environment, which impacts the ability to maintain appropriate controls on critical business processes. **Response:** Hybrid working environment procedures, including training for managers and strengthened information security protocols.	**Materiality Exposure:** Trend for green procurement leads to insureds seeking assurance over ESG and climate management of insurance counterparties before binding insurance. Failure to meet expectations leads to loss of business. **Response:** Argo Group's ESG strategy and sustainability disclosures are linked to external ESG index score improvements.
Reputational		**Materiality Exposure:** Valuation of specific equities/ bonds is impacted by the reputation of the invested organization because they are perceived to have contributed to climate change. **Response:** Investment portfolio has been divested of thermal coal and oil sands assets. Quarterly ESG review meetings with major investment managers track controversial measures related to each portfolio.	**Materiality Exposure:** Reputational exposure from boycott of companies with poor reputations associated with flexible working space, real estate or securitized assets (mortgage-backed debt) leading to impact on investment valuations. **Response:** Limit exposure to real estate and high-quality mortgage-backed securities portfolio with strict concentration limits.	**Materiality Exposure:** Argo Group cannot substantiate its ESG disclosure claims under scrutiny of stakeholders, including shareholders and NGOs. **Response:** Disclosure review and assurance provision over ESG disclosure reporting.	**Materiality Exposure:** Providing insurance to thermal coal-associated organizations and/or highly controversial projects that attract significant NGO attention. **Response:** Fossil fuel statement implemented, related not to underwrite thermal coal and oil sands associated organizations. CUO operates a watch list of controversial projects with assistance from Sustainability team, which requires CUO referral before acceptance.

PHYSICAL RISK

Risks	Underwriting	Market	Credit	Operational	Strategic/ Reputational
Acute	**Materiality Exposure:** Climate change increases the frequency and concentration of extreme weather such as floods, hail, wildfire and tropical storms, resulting in higher property damage and business interruption claims. **Response:** Significant reduction in property insurance exposures through the implementation of property strategy and use of policy sublimits for business interruption.	**Materiality Exposure:** Impact of climate change on sovereign and municipal bonds in areas severely exposed to extreme weather effects. **Response:** Government bond holdings are limited to countries where we operate, and municipal bonds are limited to US jurisdiction with appropriate control over concentration risk.	**Materiality Exposure:** Losses from a large natural disaster impact the economic viability of reinsurance counterparties and hence potential for a downgrade of credit rating. **Response:** Reinsurance Security Committee processes ensure a panel of highly rated reinsurances are used, and concentrations to single counterparties are limited. Procedures are in place to address credit rating downgrades of existing reinsurances.	**Materiality Exposure:** Hurricane and/or flooding impacts business operations in Bermuda, Houston or San Antonio. **Response:** Business continuity plans in place to recover operations and reinstate critical processes within recovery time objectives. Remote or hybrid working is available but does not remain dependent on the general availability of the power or internet connections.	**Materiality Exposure:** Argo Group may take the view that it no longer wishes strategically to support property insurance lines business, with resultant impact on brand should this be seen as not supportive of economic recovery, if this decision was taken in the aftermath of a major disaster. **Response:** Longer term strategy for property insurance setting tone and direction. Argo Group is not a major player in any specific market, hence major impact of any full withdrawal would be limited.
Chronic	**Materiality Exposure:** Climate change leads to supply interruption of basic commodities and services (e.g., water, crop-based products), leading to business interruption for other insured organizations. **Response:** Reduction in property insurance exposure through implementation of property strategy and use of policy sublimits for business interruption.	**Materiality Exposure:** Impact of climate change on real estate and or mortgage-backed securities (retail or commercial - RMBS, CMBS) through exposure to impact of changing climates, such as flooding. **Response:** Limited exposure to real estate and high-quality mortgage-backed securities portfolio with strict concentration on limits. Investment managers ensure accumulation in zones with physical exposures to climate related issues such as flooding are managed through aggregate analysis.	**Materiality Exposure:** Persistent losses from a series of natural catastrophe trends to prohibitive increase in reinsurance pricing and or reduction in the availability of coverage for physical impact of climate change-related events. **Response:** Property insurance strategy is reducing exposures, and the reinsurance committee would review strategic options for property catastrophe reinsurance protection; as a result, leading to potential reductions in gross exposures or significant pricing increases if appropriate reinsurance cannot be purchased at economical pricing.	**Materiality Exposure:** Exposure of outsourced operations, for example, India: physical effects of severe regional flooding. **Response:** Outsourced operations are spread between four regional centers.	**Materiality Exposure:** Argo Group may take the view that it no longer wishes strategically to support property insurance lines business, with resultant impact on brand should this be seen as not supportive of economic recovery, if this decision was taken in the aftermath of a major disaster. **Response:** Longer term strategy for property insurance setting tone and direction. Argo Group is not a major player in any specific market, hence major impact of any full withdrawal would be limited.

LITIGATION RISK					
Risks	Underwriting	Market	Credit	Operational	Strategic/ Reputational
Liability	**Materiality Exposure:** Potential for clients being liable for having caused, contributed or miscommunicated with shareholders regarding climate change. **Response:** Climate litigation risk assessment identifying high-risk lines of business. Mitigation through risk appetite limitations, line size reduction and specific risk selection. Exit from the provision of general liability insurance to California utility organizations since 2018.	**Materiality Exposure:** Price decline in investments in carbon-intensive sectors due to threat or actual litigation associated with climate change. **Response:** Limit concentration risk to individual sectors and counterparties.	**Materiality Exposure:** Reinsurance counterparties faced with litigation for impact of carbon-intensive underwriting industries face multiple reinsurance claims, weakening of their credit ratings and reduction of their future ability to pay claims. **Response:** Reinsurance security committee processes ensure a panel of highly rated reinsurers is used, and concentrations to single counterparties are limited. Procedures in place to address credit rating downgrades of existing reinsurers.	**Materiality Exposure:** Failure to monitor claims trends and hence be caught out by material climate-related claims within existing underwriting portfolio. **Response:** Major claim review process, supported monitoring and reporting of climate litigation KRI.	**Materiality Exposure:** Potential for Argo Group investors to act due to other climate-related exposures should it be felt they had not been adequately disclosed. **Response:** Argo Group 10-K risk factor and Financial Conditions Report disclosures and voluntary disclosures of climate management actions such as through ClimateWise report.

Figure 23 – Climate materiality Assessment

PRINCIPLE 2.3

Incorporate the material outcomes of climate risk scenarios into business (and investment) decision making.

Business Strategy and Stakeholder Engagement

Argo Group recognizes that sustainability factors are material to our ongoing business strategy, and as such, we have used our sustainability threat and opportunity assessments as outlined under Principles 1 and 2.2. This risk assessment mapped the 17 United Nations Sustainable Development Goals ("SDGs") to each of the scenarios, considered and ranked them.

Figure 24 – Materiality Assessment of the SDGs Based on Three Considerations

This resulted in the SWG approving the setting of four SDGs as our priorities for our sustainability program.

Figure 25 – SDGs

These priorities have been communicated to employees internally through townhall meetings and feedback. They have also been communicated to external stakeholders[7], including within investor presentations.

Executive management receives and reviews an ESG KPI dashboard every quarter and monitors progress against key aspects of the sustainability program, agreeing on appropriate actions as a result.

Stress Tests and Investment Management

Argo Group identified a while back that 'Stranded Assets' was a strategic risk factor with the potential to material impact investments over the longer term. Argo Group has performed stress test scenarios that consider the potential impact of high-carbon assets within its investment portfolio on its capital adequacy.

Argo Group continually reviews its investment strategy as a part of its sustainability plan to identify high-carbon industry holdings. The stress test scenarios results were combined with other scenarios within the SSTF. The overall SSTF has been reported to the ERM Steering Committee as part of the Group ORSA report.

Combined with the outcomes of the scenario analysis described under Principle 2.2, these stress tests have informed the investment strategy. The Investment Policy Statement has now incorporated a commitment to responsible investment, the execution of which has seen the divestment of assets associated with thermal oil and oil sand operations, as outlined under Principle 2.1.

Carbon Intensity Measure

As part of our commitment to financial stewardship, we have quarterly discussions with our investment managers to track the progress of the portfolio. New this year, those discussions include the carbon intensity KPI as outlined in Section 3.2. Gauging the carbon intensity metric has broadened the scope of the conversation to better understand and expand on the narrative of the performance and long-term strategy of the portfolio.

Stress Tests and Underwriting Management

The outcomes of our work on the physical impacts of climate change have been applied to evaluating our natural catastrophe exposures as outlined under Principle 2.2. These have helped to inform business strategy reviews as we move to reposition the company as a U.S.-focused specialty insurer.

As outlined in our First Quarter 2022 Results[8] we have acted to significantly reduce the volatility that our business is exposed to through natural catastrophe perils and the associated physical impact of climate change. Last year we planned a reduction of 25% in our annual average loss ("AAL") and an expected reduction in exposure to extreme events of nearer 40% over the prior year due to having sold our reinsurance business. Last year we reduced our Board-approved catastrophe risk appetite, as outlined under Principle 1.

7. UN Sustainable Development Goals – https://www.argolimited.com/about/corporate-responsibility/sustainable-development-goals
8. Argo Group First Quarter 2022 Results – https://www.argolimited.com/investors/wp-content/uploads/sites/20/2022/05/Argo-Group-Q12022-Earnings-Release.pdf

Sustainable Underwriting

The Chief Underwriting Officer/Active Underwriter and Head of Underwriting Performance Management have taken ownership of the Sustainable Insurance element with the following actions taken in 2021:

- Our internal underwriting guidance considers our view on sustainable insurance with specific reference to thermal coal and oil sands.
- Climate & ESG Working Group focusing on underwriting formed with Chief Underwriting Officer/Active Underwriter, Head of Underwriting Performance Management Heads of Classes and Head of Risk.
- Initial analysis of the AMA business was undertaken using the BMA framework to outline if the business is high-carbon or a transition risk and highlight any 'green' products. This initial assessment estimated that high carbon-intense activities comprised around 13% of the syndicate portfolio.
- AMA entered a partnership with green finance Managing General Agent Tierra Underwriting Limited, in May 2021 to provide $25 million in underwriting capacity to support the MGA, joining Tierra Underwriting Limited in its commitment to supporting transactions that enable a transition to a lower-carbon economy.
- AMA exited London Property Direct and Facultative ("D&F") and the North American Binders classes in September 2021. Both accounts consistently underperformed and were impacted by most major U.S. weather events despite extensive remediation efforts. This decision will result in reduced volatility.
- One of our underwriters has been involved through the Lloyd's Market Association ("LMA") Terrorism Business Panel in developing the LMA model clauses to address Lloyd's commitments to sustainable insurance, which we are implementing into our internal processes and reporting.
- Finally, we have taken a proactive stance on future climate-sensitive projects such as the Trans Mountain Pipeline. A watch list of projects is maintained and regularly reviewed.

Anticipated further developments for 2022-2023:

Continue to ensure that climate risk considerations are incorporated into business planning across underwriting and investments as processes mature and greater ESG-related data becomes available.

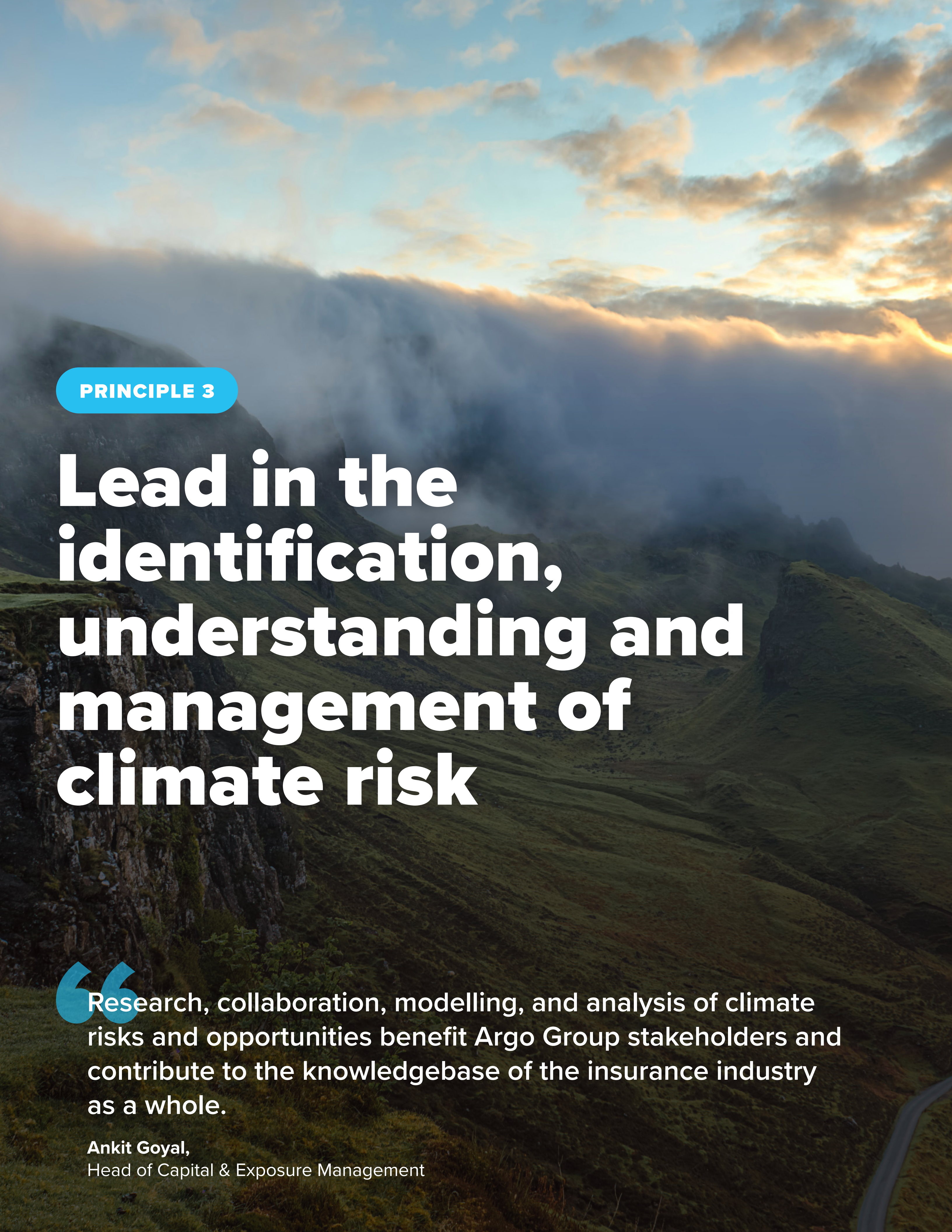
AMA underwriters provide input on specific ESG factors that impact their business classes, such as project scoping and project kickoff of sustainable underwriting looking at ESG data analysis.

ESG Framework Development

- ESG governance is to be finalized per the structure agreed by the ERM Steering Committee.
- ESG framework documentation with Board reporting continues to be developed.
- The risk team will review the climate risk for AMA's risk register and revise the controls to cover more comprehensive ESG elements.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	Recognizing the impact of thermal coal and oil sand operations on climate change, the RCC has approved a fossil fuel statement related to underwriting, which is being implemented. We anticipate the statement being made public in due course.	Fossil fuel requirements have been embedded into our investment practices; we have not made public the specifics of the policy.



PRINCIPLE 3

Lead in the identification, understanding and management of climate risk

> Research, collaboration, modelling, and analysis of climate risks and opportunities benefit Argo Group stakeholders and contribute to the knowledgebase of the insurance industry as a whole.

Ankit Goyal,
Head of Capital & Exposure Management

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PRINCIPLE 3: Lead in the identification, understanding and management of climate risk

PRINCIPLE 3.1

Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organization (including investments).

Strategic Objective

Argo Group has a history of using climate risk modelling to assess current and future risks and as a critical contributor to our business strategy. We conduct our internal research and support it with external research on climate, weather and catastrophe patterns.

These findings are shared with other associations that we collaborate with, using scientific and mathematical data that we incorporate into our business activities: pricing, capital, reserving and claims data.

The SWG reporting process operates every quarter, providing reports to the Enterprise Risk Management Steering Committee and the RCC (for both Argo Group and Argo Managing Agency). A specific ESG and sustainability threat and opportunity register is reviewed at least twice per year, as outlined under Principles 1 and 2. The profile was last updated and presented to the SWG in July 2022. The SWG focused on top 10 threats and opportunities. The most relevant trends included:

1.	Increasing regulatory and stock exchange expectations over ESG disclosures.
2.	Climate change regulations.
3.	‘Net Zero’ commitments concerning operations, underwriting and investments.
4.	Continued pressure from NGOs on issues such as fossil fuels and climate change.
5.	Governance matters such as executive remuneration and board diversity.
6.	Need to enhance ESG vendor management due diligence process.
7.	Continued improvements and forward momentum of Argo Group’s sustainability strategy and policy to gain recognition from ESG rating agencies.
8.	Reductions in greenhouse gas emissions: Scope 2 and Scope 3.
9.	Development of new products; environment, social, governance solutions tailored to climate change transition.
10.	Reputation risk of high-profile projects.

Anticipated further developments for 2022-2023:

Discuss and agree to strategies for tangible net-zero timeline commitments, including:

- Sourcing real estate that operates on renewable energy where available;
- Responsible underwriting; and
- Responsible investments.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	It is anticipated that the SWG will continue to receive periodic updates on Argo Group's sustainability risk profile and make recommendations based on the priorities agreed upon as a result.	The SWG continues to be critical in discussing and sharing ideas, which are brought forward to the RCC for approval.

Environmental Management Policy

We have classified climate change as an emerging risk. The risk management function regularly monitors the potential impact of climate change on Argo Group's business operations, investments, insurance products and clients. We have considered the effect of climate change on historical U.S. hurricane landfall rates by region and category. Studies have examined trends in the historical record, climate model runs and physical dynamics to conclude that it is likely that the total Atlantic Basin hurricane event frequency decreases with increasing global temperature, but that the frequency of the strongest weather events increases.

We consider climate change in our modelling of risk exposure and our underwriting and investment decisions. Many sectors to which we provide insurance coverage might be affected by climate change. Some examples are coastal management, infrastructure, buildings, water, food and energy supply, land planning, health and rescue preparedness.

Argo Group's emerging risk monitoring process, as outlined under Principle 2.2, includes scanning available resources for information regarding climate change related to current events, litigation, regulation, legislation, the political environment and industry groups' actions that may impact Argo Group's strategy.

Underwriting and Exposure Management

The GEMC has sponsored a review of Argo Group's approach to managing the physical impacts of climate change as outlined under Principle 2. This review has been an integral part of the business's property insurance strategy review through 2021-2022. Following the decision to sell the reinsurance business in November 2020, it was necessary to evaluate our approach and ensure it remained relevant and calibrated to our business model as a U.S.-focused specialty insurer.

Last February, Argo Group significantly reduced its Board-approved risk appetite for natural catastrophe exposures. Through portfolio management actions, the Group has reduced its exposures, coming into compliance with the new limits we set in Q2 2021, ahead of the 2021 windstorm season.

The Exposure Management team has put in place tools to track reductions in probable maximum loss exposures. Exposure reduction is tracked daily and reported to management on a monthly basis. Progress is monitored at a portfolio level, but the analysis is used to drill down to each business unit and peril type to understand the underlying trends. Progress is reported to the GEMC every quarter, and appropriate remedial action is taken. Currently, U.S. hurricane, earthquake, inland flood, severe convective storm and winter storm accumulations are being tracked and reported.

The GEMC also receives reports on concentration risk at a U.S. county level to identify potential zones where Argo Group has a larger exposure than its market share might justify. Recommendations are made for corrective action when appropriate and progress with previous actions is reviewed.

Evolving Natural Catastrophe View of Risk

Argo Group continues to evolve its own view of risk over time, based on new modelling developments and recognizing the latest climate science. In 2022, we upgraded our proprietary model from RMS® North Atlantic Hurricane Models Version 18 (V18) to RMS Version 21 (V21) and evaluated alternative rate sets. In doing so, we completed an independent model validation which determined that we needed to consider a baseline significantly higher than the RMS medium-term rates ("MTR") perspective. RMS provides 13 different event rate sets, and the validation has investigated the impact of varying rate sets and their scientific defensibility. As such, we have adopted the more conservative 'Active Baseline,' which recognizes a higher frequency of severe North American hurricanes, most closely aligned to our loss experience.

This view of risk includes frequency adjustments accounting for climate change and vulnerability adjustments based on observed claims data. Argo Group determined that our modelled AAL was lower than our historical loss experience for lower-level catastrophic events, such as those that are more frequent but less severe. The model appears to be underrepresented for Category 1 hurricanes and tropical storms, allowing for an upward adjustment in losses at higher frequencies.

One of Argo Group's major exposure management strengths is Terra, our proprietary end-to-end underwriting and exposure management platform. Terra provides live pricing and exposure data, enables daily reporting against appetites and limits both gross and net of reinsurance. Daily Terra risk reports provide AMA analysts and underwriters with the live position against key risk metrics, allowing us to control the portfolio within those limits. Future-looking views of risk and marginal impact analyses are used for planning and strategy decisions.

Regional optimization metrics allow the portfolio to be built on an account-by-account basis, targeting maximum return within approved limits. For example, a recent BMA survey has shown this daily roll-up is limited in the property and casualty ("P&C") market. The majority of Argo Group's competitors run roll-ups in arrears on a monthly or quarterly basis.

Argo Group has a skilled team of 12 catastrophe modelling and exposure management personnel. The team's average experience is more than 10 years, which provides extensive expertise to the business. The Catastrophe Modelling and Exposure Management teams have developed an extensive suite of more than 40 Power BI dashboards which run off the Terra output. These dashboards enable underwriters to understand, manage and optimize their portfolios in real time. These tools are a differentiator and a source of competitive advantage, allowing Argo Group's stakeholders to benefit from a performance advantage.

Climate Risk Scenario Modelling

Argo Group is committed to monitoring and reporting long-term climate risk scenarios. As such, we have licensed RMS's proprietary climate change models. This allows us to make climate risk physical scenarios tangible and routinely reportable to inform strategy.

This model allows the impact of four recognized RCPs to be tracked on Argo Group's portfolio over different time horizons. We have chosen to set Board-level KRIs related to the RCP 4.5 and RCP 8.5 scenarios and report on these for 2030, 2050 and 2080 timelines. These KRIs have been integrated into risk reporting to the Argo Group Board and AMA RCC.

The KRIs have been defined as 1 in 100-year aggregate exceedance probability for North American hurricanes. The risk reporting threshold ensures that the gross and net exposures remain less than 125% of current exposures for these two scenarios and the three different future dates.

Climate Risk-Related Management Decisions

We have significantly reduced our Argo Group's property exposures from an underwriting perspective. Actions taken to date include selling the reinsurance business and exiting Retail & Grocery, London D&F and London North American Binders. Argo Group also announced renewal rights deals in 2021 for U.S. Property and Contract Binding and is transferring Trident's New England Property portfolio to an alternative carrier.

Net catastrophe probable maximum equity losses reduced

FROM: 7% ▸ TO: 4%

Average annual losses reduced

FROM: $75M ▸ TO: $43M

Catastrophe losses reduced year over year

REDUCED: 58%

This underwriting action has significantly reduced net catastrophe probable maximum losses (from 7% equity to 4% equity) and average annual losses (from $75 million to $43 million) one year ahead of the timeline published in Argo Group's 2020 Investor Day[1]. The benefits of these reductions were realized in Argo Group's Q3 2021 results[2], where catastrophe losses were significantly reduced year over year by 58%, from $54 million to $24 million, despite a significant increase in catastrophe activity through the quarter, most notably Hurricane Ida and European flooding. Catastrophe exposure reductions will continue into 2022 and 2023 as exposures run off the books from the aforementioned business units.

Anticipated further developments for 2022-2023:

Argo Group is committed to its strategy of deploying reduced catastrophe appetite and targeting its property portfolio onto product lines that have been consistently profitable despite the elevated catastrophe activity. These include business units such as Bermuda D&F, London Real Estate Owned ("REO") and Commercial Programs. In addition, we are increasing Non-Catastrophe Property and Marine businesses such as Marine Cargo and Inland Marine. These business units have strong competitive positioning and deep specialist underwriting talent, claims and wordings capabilities.

We will continue to integrate climate risk scenarios analysis into Argo Group's risk management framework, using the RMS climate change model representation of two recognized scenarios to define a threshold for an increase in Argo Group's catastrophe probable maximum loss and to ensure this is used to inform strategic planning.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	GEMC will continue to sponsor the development of Argo Group's exposure management response to climate change, overseeing progress with the rollout and addressing findings from the ongoing monitoring program.	Argo Group has strong exposure management capabilities with which to manage natural catastrophes ("Nat Cat") and climate related perils. Lloyd's considers Argo Managing Agency's exposure management and catastrophe modelling to be 'market leading' under their Catastrophe Operating Risk Framework. The capabilities which benefit AMA also extend across Argo U.S.

1. Argo Group – Investor Presentation, November 2020 https://www.argolimited.com/investors/wp-content/uploads/sites/20/2020/11/Argo-Investor-Presentation-November-2020.pdf
2. Argo Group Form 10-Q, September 30, 2021 https://d18rn0p25nwr6d.cloudfront.net/CIK-0001091748/a2eb24e4-5c96-4e73-b616-a09fb3fa0a83.pdf

Investment Management

In 2020-2021 we collaborated with our investment managers in the development of our approach to incorporating ESG into our investment portfolio management in support of our responsible investment policy commitment and our approach to stewardship.

We now engage with our major investment managers, representing over 60% of our assets under management, every quarter concerning ESG performance and engagement. This year, we are tracking the carbon intensity score of our largest investment managers, which prompts discussions and decisions. We receive quarterly ESG and engagement reports from each manager and discuss the conclusions at quarterly ESG review meetings, agreeing on remediation and action plans where appropriate.

Monitoring is an integral part of our ability to manage the risk of losing value or to identify an opportunity to add value through engagement. We use ESG performance and engagement reports, as described under Principle 2, to consider the exposure of each portfolio to physical and transition risks from climate change, and wider ESG factors. Progress with actions is discussed at subsequent quarterly ESG meetings. We are working to secure more granular data, to be able to drill down on the specific drivers of ESG performance.

ESG and engagement performance are essential in external investment managers' selection and ongoing performance monitoring.

We continue to engage with all investment managers at least annually on these topics and issue an annual ESG and engagement monitoring survey to all investment managers.

Anticipated further developments for 2022-2023:

Argo Group seeks to contain its exposure to transition risk, moving to a low carbon economy due to changes in asset values, changing energy infrastructure, or carbon regulation or taxation arrangements.

Measurement technique: Investment guidelines contain a series of ESG performance metrics, including carbon intensity limits, which are defined as the weighted average carbon dioxide equivalent discharges in tonnes per $1 million of income.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	Through our quarterly ESG meetings, we can engage with our investment managers on this topic, as outlined under Principle 2.	Quarterly discussions are valuable, and comparing different metrics to previous results enables a broader conversation regarding the transition path of investments.
Ongoing	We are working to secure more granular data, to be able to drill down on the specific drivers of ESG performance. We have identified that securitized assets are particularly difficult to analyze using currently available ESG indices. We are working with a number of our investment managers to understand their proprietary tools and models and how we might best utilize these in the future.	We are working with external consultants to gather data for underwriting and investment purposes.
Achieved & Ongoing	We are extending the reach of our quarterly ESG performance and engagement meetings to a broader cross section of investment managers.	We meet with five investment managers representing 60% of our assets under management.

PRINCIPLE 3.2

Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.

Research and Development

Argo Group is committed to playing its part within the insurance markets in which it operates to contribute to the development of new insurance solutions aligned to climate transition within our resources and aligned with our business strategy. It is in the interests of the industry as a whole to develop risk transfer solutions that encourage and support an orderly transition.

Focused Research and Development

Argo Group as a business focuses on U.S. specialty insurance, particularly on Casualty, Professional Lines and Surety opportunities. We have undertaken a significant review of the Property portfolio in the light of climate change-related volatility and determined that we want to reduce our exposure to physical-related climate risks.

The research we have decided to support is therefore aligned to our business strategy and related to clean energy and green finance.

How We Use The Research

Argo Group recognizes that supporting research has to be purposeful. We, therefore, ensure that the research we sponsor is shared broadly with our internal management, so that it can be leveraged to support business decisions and allow the widest possible management to influence the direction of future research. We also look for opportunities to publish thought leadership from the research, to broaden the insurance industry's progress in this area.

Clean Energy Research

In the fall of 2021, we began engaging with the University of Illinois Gies College of Business on a student research project. Gies College of Business has a research consulting program; students from various academic backgrounds are dedicated to in-depth analysis and deliverables. Argo Group provided the consulting working group with the problem that needed to be assessed, and the CR&SO acted as the project sponsor, meeting with the project team regularly to receive progress updates and steer their project work.

Argo Group had a dedicated student-run consulting project managed by the Gies College of Business director. The consultants researched a framework for clean energy insurance products within the scope of Argo Group's risk appetite, setting the parameters for suitable products. In addition, they made specific recommendations as to which segments provided the greatest opportunity for clean energy solutions for Argo Group and supported these findings with a business case and risk analysis.

At the end of the 13 weeks, a clean energy presentation was developed. The students had the opportunity to present to an Argo Group management panel. The Gies College of Business director presented to the Sustainability Working Group, outlining key findings and making recommendations regarding a future phase of research that Argo Group may support into 2023.

Partnership Model

Argo Group has recognized that it does not have the resources or expertise to develop new products and solutions in isolation. We therefore look to work with leaders in the clean energy and green finance spaces to develop new solutions.

This means that we need to screen and evaluate a significant number of opportunities. We ensure that a cross-functional evaluation team is brought together in each case within our innovation framework to carry out due diligence. In 2022, we completed a detailed analysis of a range of clean energy commercial program opportunities, including those associated with battery technology.

Argo Group operates an emerging risk process as outlined under Principle 2. In 2020-2021, the Emerging Risk Review Group received papers on climate change from a scientific and geopolitical perspective. This has extended the potential for new product development opportunities. As a result of these discussions, the Innovation team developed a clean energy business case, which was presented to senior management for consideration. Argo Group's Innovation team contributed to a ClimateWise thought leadership paper[3] related to climate product innovation.

Green Finance Solutions

The Credit and Political Risk[4] team within AMA provides $25 million in underwriting capacity to support a new managing general agency, Tierra Underwriting Limited[5], which offers long-term credit insurance to support green project finance transactions. Its target clients are banks involved in financing projects that are environmentally beneficial and help transition the world to a low carbon future.

AMA recognized the need for additional capacity[6] in the market and the opportunity that Tierra represents to facilitate decarbonizing the global economy through projects that help transition to reduce carbon footprints.

New Climate Change-Focused Products Integrated into Business Planning

AMA has integrated consideration of ESG opportunities, including climate-related issues, into its production portfolio review process. Two times a year, the entire portfolio is reviewed by senior management. Identifying ESG-related innovative risks and opportunities is required as part of the review process, driving business plans for the subsequent year. In addition, each underwriting division head and class underwriter is required to consider these opportunities.

At the same time, class underwriters are involved in the evaluation of scenario analysis for potential environmental litigation liability as part of the climate risk management process and outlined under Principle 2.2.

We have been working on risk registers analyzing the potential for climate-related litigation scenarios that are being developed for Syndicate 1200, managed by AMA. All the risks are categorized with a weighted score and then evaluated by underwriters.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Not Achieved	Hydroponic Farming: First mover advantage in supporting the development of liability insurance cover for nonmarijuana hydroponic farming. There is potential for the Argo Casualty team (U.S.) to partner with hydroponics entrepreneurs to provide difficult-to-obtain liability insurance and secure entire digitally delivered insurance portfolios.	The Innovation Council determined that this particular niche no longer looked attractive to the Argo Group Casualty team, so other opportunities were brought forward.
Achieved & Ongoing	Political Violence and War: AMA is exploring the potential for the Political Violence[7] team to provide terrorism insurance solutions for ESG investments associated with clean energy infrastructure.	Our Political Violence and War team aims to provide protection on a worldwide basis. Our aim is to provide tailored solutions for clients to make sure they have the most suitable cover in place. Coupled with the outcome of the clean energy solutions from the Gies College of Business, this will facilitate our ability to implement a clean energy line of business that suits our risk appetite.

3. ClimateWise – Climate product innovation within the insurance sector https://www.cisl.cam.ac.uk/files/climatewise_climate_product_innovation.pdf
4. Credit and Political Risk https://www.argolimited.com/international/product/trade-credit-and-political-risk/
5. ArgoGlobal announces partnership with green finance MGA Tierra Underwriting Limited https://www.argolimited.com/news-release/argoglobal-announces-partnership-with-green-finance-mga-tierra-underwriting-limited/
6. Lloyd's ESG Report 2021 lloyds-esg-2021-report-final.pdf
7. Political Violence and War https://www.argolimited.com/international/product/international-political-violence-and-war-insurance/

Anticipated further developments for 2022-2023:

- We anticipate continuing our collaboration with the University of Illinois for a second project, starting in Q4 2022, to build on the work achieved earlier in 2022. The project's second phase will entail working with Masters in Science and Finance students to understand the opportunities of the broader ecosystem from specific renewable energy sources. We will integrate findings into our current lines of business.

Investment Management

For the past two years, we have had more in-depth conversations with our external investment managers on a quarterly basis regarding our financial portfolio and engaged them to determine the nature of bespoke analysis and research they are undertaking. In addition, we have explored new tools and techniques they are bringing to market that help Argo Group address our engagement and stewardship goals across our investment portfolios.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	We will continue to work with our external investment managers to understand what opportunities exist to harness their work in managing our investment portfolio on our behalf.	We have quarterly check-ins with our top five investment managers representing over 60% of our portfolios. In addition, we have discussions on the portfolio's growth and direction, along with tracking the carbon intensity.

Lloyd's Market Association

Since 2019, Argo Group has been chairing and hosting a group of our peers in the London market under the umbrella of the LMA. The committee's purpose is to engage in sharing best practices around climate change and sustainability issues. Argo Group's CR&SO chairs the committee. The committee had six calls in 2021, with another five planned for 2022. See Principle 5 for more details.

Attendance and interest are strong, along with membership growth. There is a positive engagement to share best practices, including reporting, underwriting and investment management, stress testing and greenhouse gas emission reporting. The committee has hosted a series of external speakers to access expertise in this area.

In addition, the CR&SO attends the LMA Climate Risk Committee and is sponsoring and supporting research and market wide initiatives through that vehicle.

Association of Bermuda Insurers and Reinsurers

For the past year, Argo Group has been a member of ABIR Climate Risk Committee. It has been beneficial to share best practices and collectively respond to industry wide initiatives and new regulations. See Principle 5 for more details.

PRINCIPLE 4

Reduce the environmental impact of our business

> “Argo Group is dedicated to improving the world where we work and live. By prioritizing vendors with strong sustainability principles, building and leasing office space with energy efficiency in mind, and supporting employee and corporate environmental philanthropy, we are reducing waste, shrinking our carbon footprint and increasing our positive impact.

Kristina Johnson,
Global Head of Procurement

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PRINCIPLE 4: Reduce the environmental impact of our business

PRINCIPLE 4.1

Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

Vendor Management

Argo Group recognizes that our supply chain is a key component of our environmental sustainability performance. We work with a range of suppliers and outsourced partners to maintain our operations, from digital IT services to office supplies.

We are committed to improving business results through mutually beneficial partnerships and continuous improvement. Our approach to managing vendors is to establish, maintain, monitor and evaluate vendor relationships to reduce risks, contain and reduce costs and achieve greater levels of collaboration in providing competitive advantages to the Company.

Responsible vendor management implies conducting thorough due diligence during the selection of new vendors, ongoing monitoring activities and management oversight of existing vendors, and proactively managing contracts before the end of renewal periods.

Our vendor management framework consists of a governance structure to set expectations and provide oversight, direction, thought leadership, accountability and a policy that provides the foundation of principles, rules and guidelines for the vendor management process.

This vendor management governance establishes vendor decision-making rights and creates accountability, to ensure optimal performance, compliance and risk mitigation for our business and the environment. The Vendor Management Office oversees the implementation and review of vendor management reporting and the ongoing monitoring of performance and risk. For details of our vendor management policy, see our website[1].

We have designed a vendor questionnaire based on International Organization for Standardization ("ISO") 20400:2017, Sustainable procurement – Guidance. Our sustainable outsourcing is based on procurement principles outlined in ISO 20400, including the three components of:

Environment
Minimizing environmental footprint, supported by sustainable sourcing.

Social and employment relationship
Creating better procurement practices to build better, more sustainable conditions.

Governance
Aligning to our approach to good corporate governance and transparency.

With a full-year data set of completed surveys, the answers have helped us identify which suppliers are leaders and which are laggards in terms of their sustainability performance. This has gradually become an influencing decision factor, alongside costs and services, as to which vendors we will continue to do business with.

We have considered our Tier 1 vendors and targeted gathering additional information regarding their ESG performance, particularly greenhouse gas emissions ("GHG"). We work with our key business process operations ("BPO") outsourcing partner to understand their ESG program. Argo Group has activity on four of their India sites and information regarding the attributable Scope 3 GHG emissions associated with these activities and the significant year-on-year progress they have made in reducing their environmental impact. We are working toward expanding our future Scope 3 disclosures as a result.

We have redrafted our Human Rights and Labor Policy to promote our commitment to the International Labor Organization's ("ILO") principles relating to the four fundamental rights at work[2]. Climate justice and human rights are inseparable, so Argo Group expects that the vendors we do business with will join us in this commitment to basic employment rights. We strive to identify our suppliers and have appropriate policies and practices in place. We expect our suppliers or any other third-party partners working on our behalf to uphold the standards within our Human Rights and Labor Policy[3].

1. Vendor Management https://www.argolimited.com/about/corporate-responsibility/vendor-management/
2. ILO Declaration on Fundamental Principles and Rights at Work https://www.ilo.org/declaration/lang--en/index.htm
3. Argo Group Human Rights and Labor Policy 2022 https://www.argolimited.com/wp-content/uploads/2022/06/Human-Rights-Policy.pdf

Anticipated further developments for 2022-2023:

Continue to expand the engagement with Tier 1 vendors, to better understand their ESG improvement plans and capture their Scope 3 GHG emissions.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Ongoing	Argo Group is currently restructuring and strengthening its procurement function, and is due to appoint a new head of procurement. The role is intended to include a new responsibility of investigating and implementing the purchase of renewable sources of energy for our offices.	A new head of procurement has been appointed and is establishing a green procurement plan within their procurement strategy.
Ongoing	We are also in the process of renegotiating a number of information technology service provision contracts. We intend to include a service requirement to provide information related to GHG emission performance. We recognize that some IT operations, such as data centers, are highly energy intensive. Being able to analyze, report and monitor these GHG Scope 3 emissions will strengthen our program.	We have a process in place to capture the GHG footprint of our BPO partners, as described above. We have tendered part of our IT operations contracts and included ESG factors within the ongoing Request for Proposal ("RFP") process.

PRINCIPLE 4.2

Disclose our Scope 1, Scope 2 and Scope 3 GHG emissions using a globally recognized standard.

Greenhouse Gas Emissions Data

In 2019, Argo Group launched a groupwide initiative to capture and analyze GHG emissions data. In 2021, we achieved emissions reduction targets of 27% and 81% for Scope 2 and Scope 3, respectively, compared to 2019.

We continue to prioritize GHG data reporting and setting goals for year-on-year improvements.

	Reduction Targets	
	2022	**2023**
Scope 2	**32.5%**	**37.5%**
Scope 3	**35%**	**38%**

Figure 1 – Reduction Targets

In 2020, further research and access to better data led to an update to our 2019 baseline report and triggered a recalculation. Our GHG inventory[4] and methodology details have been published on our external website.

4. Argo Group GHG Inventory – 2019 to 2021 https://www.argolimited.com/wp-content/uploads/2022/03/2022-GHG-Data-for-Entire-Portfolio.pdf

The Scope 3 GHG emission data that we publicly report is limited to our own business travel. We have, however, put in place quarterly conversations with our top investment managers, based on portfolio size, to track the carbon intensity score. We collate carbon intensity data for our major investment portfolios and provide a weighted-average portfolio intensity KPI as part of our quarterly executive ESG dashboard. We anticipate making these investment portfolio metrics public during 2023, once we have fully established the process.

To quantify, monitor, report and verify our Scope 1, 2 and 3 GHG emissions, we continue to follow the guidance set out in the Greenhouse Gas Protocol and ISO Standard 14064-1 Greenhouse Gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals.

Per the ISO 14064-1 guideline, the organizational boundary was selected on an equity share approach. Argo Group has an international footprint, and the equity share approach benefits multinational companies in different jurisdictions. Argo Group has full financial control of business activities and can implement policies to obtain economic advantages from those activities. This is the recommended consolidated approach for this assessment of equity share and financial control.

Anticipated further developments for 2022-2023:

We are planning to explore the appointment of a third party to independently verify our public GHG emission disclosures for year-end 2022 reporting.

We expect to publicly disclose a wider range of Scope 3 GHG emissions, including those associated with a number of Tier 1 vendors and the weighted-average carbon intensity of our investment portfolio.

We will continue to explore renewable energy sourcing as part of our program of reviewing overall office contracts and footprint.

We will continue to develop our approach to measuring the carbon intensity of our underwriting portfolio as outlined under Principle 2.2.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	We anticipate continuing to improve the control of data quality over our Scope 1 and Scope 2 GHG emissions as we revisit our office footprint as described under Principles 4.3 and 4.4. We expect to set GHG emission reduction targets beyond our current 2021 objectives in conjunction with plans to evaluate moving to renewable energy sourcing.	We have set reduction targets for Scope 2 and Scope 3 to 2023. Renewable energy remains a prioritized topic and is pending the availability of our leased facilities.
Achieved & Ongoing	We expect to broaden the boundary of our Scope 3 GHG emission analysis and reporting over time.	This started with measuring the carbon intensity of our investments. We are looking at setting up local Green Teams in different offices to collect data on office waste.

Non-comprehensive Water Footprint

In 2021, for the first time, we calculated our wastewater usage, for both 2019 and 2020. We wrote our non-comprehensive water footprint report[5] following ISO Standard 14046, Environmental management – Water footprint – Principles, requirements and guidelines.

The study's goal was to quantify consumption and raise awareness to develop policies that improve our disclosure accuracy and data collection practices. We did a sample analysis of the entire portfolio from the U.S., U.K. (including two locations in Bermuda where water data was available), Brazil and Dubai. The calculations were based on researched average water consumption for an office building in each international location, headcount, and the assumption of 253 working days in 2019 and 62 in 2020.

5. Non-comprehensive Water Footprint Report https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/07/2021-Non-comprehensive-water-footprint-report.pdf

Anticipated further developments for 2022-2023:

We will continue to explore capturing water usage data as part of our program of reviewing our office contracts and footprint.

With the implementation of local Green Teams, the objective will be to have local employees that can aid in the collection of data and setting reduction metrics by implementing energy-saving measures suitable for our different office locations.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Not Achieved	Having established a baseline assessment of our water usage, we expect to improve our water data capture and analysis, using an approach similar to our GHG emission data reporting.	Water data is hard to collect in leased facilities where the data is not reported separately. This continues to be an issue we consider at lease renewals and when searching for new space.
Not Achieved	Once we have greater confidence in our water usage data, we will set reduction targets in line with changes in office footprint discussed under Principle 4.4.	This performance target is directly linked with collecting accurate data.

Eco-Efficiency

Scopes and categories:

Scope 1 Direct	2019 Metric tonnes (CO2e)	2020 Metric tonnes (CO2e)	2021 Metric tonnes (CO2e)
Fleet of cars	144.99	72.50	**44.13**

Scope 2 Indirect	2019 Metric tonnes (CO2e)	2020 Metric tonnes (CO2e)	2021 Metric tonnes (CO2e)
Purchased electricity heating & cooling	2,072.96	1,540.44	**941.49**

Scope 3 Indirect	2019 Metric tonnes (CO2e)	2020 Metric tonnes (CO2e)	2021 Metric tonnes (CO2e)
Business travel Air	6,767.46	1,302.63	**334.70**
Business travel Rail	0.864	0.249	**0**
Business travel Hotel	134.24	30.27	**10.38**
Paper consumption	137.892	51.256	**20.457**

Water consumption	Units	2019	2020	2021
	m^3	20,598.234	5,547.664	**19,637.499**

Business trips	Units	2019	2020	2021
Air travel	Kilometers (km)	27,813,795	5,478,863	**1,431,275**
Rail	Kilometers (km)	23,388	6,735	**0**

Paper consumption	Units	2019	2020	2021
Office paper	U.S. Short Tons	16.93	6.29	**2.51**
	sheets	3,386,257	1,257,733	**501,140**

Electricity consumption	Units	2019	2020	2021
U.S.	kWh	3,345,245	2,559,160	**1,485,234**
U.K.	kWh	510,343	440,040	**485,022**
Bermuda	kWh	1,309,116	924,512	**201,175**
Other International Offices	kWh	675,383	364,678	**384,582**
TOTAL	**kWh**	**5,840,087**	**4,288,390**	**2,556,013**

Figure 2 – Greenhouse gas and water usage summary

NOTE:
Fleet of cars: 2019 & 2020 the company had a small fleet of vehicles, in 2021 the fleet decreased in size.
Purchased electricity: Totals have been restated based on ability to collect more accurate data for 2019 & 2020.
Paper consumption: Environmental impact estimates were made using the Environmental Paper Network Paper Calculator Version 4.0. Calculations reflect paper consumption in global offices.

Historical Data

We have seven years of historical data for Scope 2 from AMA. It shows a steady increase year-over-year, except in 2019 when there was a reduction because the organization moved into a new, more energy-efficient office space. The overall increase in electricity usage correlates to the increase in employee count, as shown in the table below. As people started to return to the office in 2021, on a year-over-year basis, more kilowatts were used compared to 2020. Still, the emissions per employee closely resemble that of 2019, which was the last year before lockdown and hybrid working was introduced.

Year	Scope 2: Indirect Emissions (MTCO2e)	Argo Managing Agency Employee Count	Emissions per employee (MTCO2e / FTE)
2021	113.08	208	0.54
2020	102.59	256	0.40
2019	118.98	234	0.51
2018	257.6	228	1.13
2017	270.7	224	1.20
2016	236.87	199	1.20
2015	186.16	181	1.03
2014	124.1	161	0.77

Figure 3 – AMA Historical Scope 2 Data

PRINCIPLE 4.3

Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Sustainable Building Program

We recognize that heating and lighting buildings accounts for a significant proportion of GHG emissions and contributes to the urban heat island effect. With this in mind, and to support our commitment to reducing our GHG footprint by carefully selecting who we lease real estate from, most of the leased buildings in our global portfolio are now equipped with environmentally aware and energy-saving features.

U.S. Facilities

305,827
Total square footage

16%
ENERGY STAR or LEED-certified

14
Number of office locations

U.S.

- Features include services that use green chemicals, hybrid parking stations, bike parking and LED lighting.
- Our new facility in New York will operate within an extensive sustainability framework.
- Our new San Antonio facility is a carbon-negative timber structure and is LEED Certified.

Bermuda

- Our Bermuda facility recently underwent extensive changes, including new windows that are expected to increase energy efficiency by 64%.

Anticipated further developments for 2022-2023:

We continue to assess how to improve our approach and do things better. We have made sustainability performance a due diligence factor in selecting and reviewing our leased real estate. We will continue to evaluate our leased offices for opportunities to improve sustainability, energy efficiency and support for employee needs. This commitment aligns with our support for UN SDG 11: Sustainable Cities and Communities.

Take a more proactive approach to investigate renewable energy sources where they are available for our U.S. locations.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	We continue to assess how to improve our approach and do things better. We have made sustainability performance a due diligence factor in selecting and reviewing our leased real estate. We will continue to evaluate our leased offices for opportunities to improve sustainability, energy efficiency and support for employee needs. This commitment aligns with our support for UN SDG 11: Sustainable Cities and Communities.	Leased real estate continues to be an important issue. We want to ensure we partner with property owners who understand and prioritize green and eco-friendly features as much as we do.

Workplace Digital Communications

Argo Group facilitates remote and meeting-room digital communication using platforms such as Zoom and Microsoft Teams to reduce travel frequency. In addition, employees are well-equipped to use digital communication. Digital communication capabilities have positively impacted travel, which we have considered in our new carbon reduction targets: 35% for 2022 and 38% for 2023.

Impact on Internal Operations

Since we began tracking and reporting GHG emissions, the data has been highly beneficial in informing management decision-making about office and travel footprints.

The emissions and financial costs related to Scopes 2 and 3 prompted conversations about setting future reduction targets. From our 2019 baseline year, reduction targets were set for emission rates measured in metric tonnes of carbon dioxide equivalent (CO2e) per million dollars of gross written premium. We published public targets of 20% and 33% for Scope 2 and 3, respectively. We achieved an actual reduction of 20% for Scope 2 and 81% for Scope 3. The Scope 3 reduction was clearly influenced by changes in travel patterns associated with the pandemic. However, since that time our travel level has been greatly reduced, because ofthe changing business work patterns.

The Executive Committee has shown strong interest in tracking both the financial and environmental performance improvements achieved. The executives have sent a clear message that they do not expect company travel to return to pre-pandemic levels. We are making a conscious effort to operate differently and to use digital communication whenever possible.

Our travel and entertainment policy sets guidelines for our approved list of travel agents to capture data and expenses, so we can better monitor and report on our progress.

GHG emission performance is included on the ESG KPI dashboard outlined under Principle 2 and reported quarterly to the Executive Committee.

PRINCIPLE 4.4

Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

Going Back Better

Since March 2020, we have evaluated alternative work arrangements. We continue to have a significant number of employees working from home or operating on a hybrid basis between home and the office. We gauge employee satisfaction via surveys. Employees who work remotely, including new hires, are issued the appropriate home office equipment.

We continue to reexamine our real estate portfolio and reassess which locations need to change to accommodate employees' needs and hybrid requirements. In 2021, we achieved a 27% GHG emissions reduction in Scope 2.

A steering committee reassessed our business requirements for office space. A blended work environment mixing hot-desking with traditional workspace will encourage people to move around the office and foster flexible work schedules while significantly reducing or the conventional commute.

These changes have created significant interest among Argo Group employees. The hybrid work arrangements and flexible workplace policy allow employees greater autonomy over their work schedules and allow them to choose greener commuting options that might not have previously been workable.

Employee Travel

Our travel and employee expense reimbursement policy allows employees to book travel through appointed travel agencies. Per the policy guidelines, business travel must be approved and meet business requirements. During the COVID-19 pandemic in 2020 and 2021, business travel decreased significantly. In 2021, our corporate travel decreased by 81% regarding carbon impact compared to our 2019 baseline.

Office Waste

Copy paper, wastewater and rubbish are a minor part of our carbon footprint, but we remain conscious and have set up efforts to collect data and reduce use.

We have reduced water usage by installing low-flow equipment, and some of our property owners have advanced detecting leakage notifications. Paper use has decreased by more than 80% since 2019, and this is an ongoing trend we support by using electronic files, double-sided printing, avoiding printing altogether and, where possible, decommissioning excess copy machines. We tried to source tree-free paper but have found this challenging due to supply constraints that did not allow us to make that transition. The next best option is to purchase 100% recycled copy paper when available.

Global Paper Waste Reduction

501,140
Sheets paper consumption

20.457
metric tonnes of carbon dioxide equivalent (CO_2e)

85%
Reduction compared to 2019

Employee Commuter Survey

Before transitioning to remote working in 2020 because of the COVID-19 pandemic, 816 employees participated in a survey to help Argo Group leaders understand how they commute to work and what would motivate them to choose green alternatives.

To help measure the company's GHG emissions, we used an "average-data method" formula and scaled it to reflect the total number of employees, average number of workdays and four separate averages of distances for each mode of transport.

2022 Commuter Survey

- 100% anonymous, 5 questions.
- 12-month analysis of data.
- Measured kWh from working at home based on average and applied to hybrid staff.
- Measured commuting distance based on mode of transport.
- Distance-based method GHG Protocol.

In the time since the survey, the pandemic has reduced Argo Group's footprint substantially, and that reduction will continue. Given the experience of remote working during the pandemic, more than 40% of employees are choosing to work from home permanently. A further 50% have chosen to work in a hybrid model, reducing their commuting week by half. By reducing the number of office locations, Argo Group expects to continue to lower its carbon footprint and costs.

In the summer of 2022, the commuter survey was relaunched to employees in the U.K., U.S. and Bermuda. The responses were categorized by the respective regions, a total of 408 employees participated. The Greenhouse Gas Protocol was referenced using the distance-based method. The calculations were made based on a 12-month analysis; a summary of the data is presented in the table below.

	U.S.		U.K.		Bermuda	
Total Staff	946		193		31	
Total Participation	**336**		**53**		**19**	
Working at Home	**Total kWh**	**MTCO2e**	**Total kWh**	**MTCO2e**	**Total kWh**	**MTCO2e**
Hybrid Staff	6,859.78	3.1090	3,449.01	0.8041	303.65	0.0571
Work from Home Staff	29,123.00	13.1991	1,242.21	0.2896	579.70	0.1090
Total	**35,983**	**16.308**	**4,691**	**1.094**	**883**	**0.166**
Commuting	**Annual Distance (mi)**	**MTCO2e**	**Annual Distance (km)**	**MTCO2e**	**Annual Distance (km)**	**MTCO2e**
Public Transportation	220,350.61	7.776	248,453.23	19.717	6,120.00	0.486
Car	356,158.13	73.974	10,483.20	1.791	25,948.80	4.433
Moped	N/A		N/A		17,157.60	1.425
Total	**576,508.73**	**81.750**	**258,936.43**	**21.508**	**49,226.40**	**6.344**
Scope 3	**MTCO2e**		**MTCO2e**		**MTCO2e**	
Indirect Emissions	98.06		22.60		6.51	

Figure 4 – 2022 Commuter Survey Data

Cyclescheme Program

One way to reduce our carbon footprint is to encourage greener commuting options. In the U.K., we promote commuting by bicycle through our partnership with Cyclescheme[6]. Argo employees may choose a bike and hire it for an agreed length of time, with the option to purchase it later. Employees pay nothing up front, and the payments are taken tax-efficiently from their salary.

6. Cyclescheme https://www.cyclescheme.co.uk/

Philanthropy and Community Outreach

Argo Group employees generously give their time and money to good causes, including climate-related initiatives. Argo Group's matching gifts program is committed to helping employees support their favorite causes. When employees contribute to an eligible charitable organization of their choice, Argo Group matches 100% of their donations (up to $5,000 per employee). The impact of the matching gifts program is far-reaching, benefiting more than 1,500 groups each year. Since the launch of Argo Group's volunteer time off day policy in 2020, which provides each employee with one day (eight hours) of paid time off each year to volunteer, employees have performed more than 1,300 hours of volunteer service in their communities.

Environmental Clean up

A group of ArgoGlobal employees volunteered with the Marine Conservation Society for a beach cleanup. The program removes litter that harms marine life and pollutes the ocean, and the efforts also provide vital data to support various litter campaigns and affect real change. The Marine Conservation Society calculated that ArgoGlobal staff collected 856 litter items, 73% of which was plastic/polystyrene.

Recycling Programs

We have recycling programs in our offices to divert waste from landfills. The Company also continually reviews portfolio performance to identify new and/or additional in-office recyclable waste streams.

In 2021, we established a new program for recycling and repurposing digital waste for our U.S. operations. We donated 941 pieces of office equipment to local nonprofits in the U.S., diverting waste from landfills and supporting the communities where we do business. Donated equipment included computer monitors, docking stations, keyboards, mice, phones, stands, speakers and headsets. Donations went to InspiredU in Alpharetta, Georgia; Goodwill in San Antonio, Texas; and Electronic Access Foundation in Springfield, Massachusetts. All retired digital devices have a second chance to be repurposed, keeping them out of landfills.

Innovative Ideas

Argo Group launched Argo Innovates, its corporate innovation program, in 2017. This group fosters sustainability solutions from employees based on their unique understanding of different business needs. The Innovation Council provides employees the chance to present and discuss ideas for business opportunities relating to a rotating list of topics currently focused on digital environments, supply chains and sustainability. When ideas need further development, the Innovation Council may form cross-functional working groups and assign resources based on the anticipated time, expense and personnel required for implementation. Employees can also vote and comment on their favorite ideas, track their progress and receive rewards for their efforts.

One of the ideas was to source tree-free copy paper. However, due to shipping and energy constraints, we were unable to transition and have made a commitment to 100% recycled copy paper where available.

Another idea that originated in the innovation program was to establish corporate green teams. The vision is to inspire and empower employees to effect sustainable change at Argo Group and in the communities we live in, as a bottom-up, staff-led initiative. The proposal has been presented to the Sustainability Working Group and was approved to be progressed. Next year, we plan to have a progress update from our corporate green teams.

Anticipated further developments for 2022-2023:

We will continue to explore opportunities to move to paper-free office operations and source recycled paper for residual paper use.

We will establish and pilot the operation of a number of corporate green teams to focus employee interest on environmental improvement projects.

Continue to do more:

- Continue to measure our copy paper use and track reduction.
- Implement a program where we measure and report office waste.

PRINCIPLE 5

Inform public policy making

“Climate change issues affect us all, and everyone needs to be included in the search for solutions that develop resiliency and mitigate risk. Argo Group engages employees and leaders, industry peers, community groups, academia and the next generation of sustainability professionals in discussions and research to drive innovation and positive change.

David Hopkins,
Head of Underwriting Performance Management

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PRINCIPLE 5: Inform public policy making

PRINCIPLE 5.1

Promote and actively engage in public debate on climate-related issues and the need for action. Work with policy makers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

Why We Engage

Argo Group is committed to playing its part within the insurance markets in which it operates to inform the development of public policy and regulatory frameworks related to climate change. It is in the industry's interests that policy development is both practical and credible, to ensure collective action is taken appropriately.

Who We Engage

Given that we operate within the Bermudian, U.K., and U.S. insurance markets (among others), our primary engagement routes are via industry associations and market groups in these jurisdictions. We collectively contribute to consultations and discussions associated with bodies such as the National Association of Insurance Commissioners, BMA, Corporation of Lloyd's and the PRA.

How We Engage

Argo Group remains committed to engaging with various stakeholders and policymakers on climate-related issues. Having recognized the importance of this type of outreach, we must remain focused on a limited number of topics that we have the resources and capability to influence.

Our strategy on public debate focuses on three priority areas:

1. **Industry Associations:** Work with other insurers in the markets in which we operate to collectively contribute to and positively influence public policy and regulatory developments.
2. **Peer Group Influence:** Work through professional bodies and stakeholder networks to share our learning and insights on climate-related and ESG issues and contribute to developing good industry practices.
3. **Building Internal Capabilities:** Continue supporting and encouraging colleagues across the organization to get involved in ESG-related initiatives and build their knowledge and expertise.

Industry Associations

1.1 Association of Bermuda Insurers and Reinsurers

Argo Group is a member of ABIR. The CR&SO and Sustainability Manager have joined their newly formed Climate Risk Committee as outlined under Principle 3. As an ABIR member, Argo Group has contributed to the review of several industry consultation exercises related to climate risk:

- Responding to the International Association of Insurance Supervisors' '*Application Paper on the Supervision of Climate-related Risks in the Insurance Sector*' and '*Environmental Policy.*'
- Consulting BMA on the incorporation of sustainability into the Insurance Code of Conduct and the associated impact on regulatory reporting and engaging in direct dialogue with the regulator.
- Responding to the various phases of the U.S. Securities and Exchange Commission consultation on enhanced climate change disclosure requirements.
- Responding to public consultation by the U.S. Federal Insurance Office on questions about Insurance Sector and Climate-Related Financial Risks.

- Engaging with the National Association of Insurance Commissions consultation on the review of the current climate change risk survey.
- Responding to various phases of the NY DFS consultation on proposed climate change guidance and engaging in direct dialogue with the regulator.

1.2 Lloyd's Market Association

Argo Group is a member of a number of LMA committees including:

- LMA Chief Risk Officer Committee.
- LMA Climate Change Committee.
- LMA ESG Group.

Argo Group has been chairing a LMA ESG Committee, as outlined under Principle 3. This committee has considered best practices in climate risk reporting and disclosures, evaluating the relative benefits and challenges of operating under the Global Reporting Initiative ("GRI"), Sustainability Accounting Standards Board ("SASB") and TCFD standards.

Argo Group is also represented on the LMA Climate Risk Committee, which has overseen collective approaches to responding to the Climate Biennial Exploratory Scenario in line with PRA expectations. The committee receives consultants' input on best practice development and has received presentations from several natural catastrophe model providers on efforts to develop climate-related scenario analysis and stress tests.

1.3 International Insurance Leaders Advisory Council

As an active member of ClimateWise, Argo Group is represented on the International Insurance Leaders Advisory Council for Climate Change. This council aims to bring together leaders from the insurance industry and global regulators to coordinate a more systematic response to climate change within the financial services sector.

The council is sponsoring several projects, including a paper entitled 'Climate product innovation within the insurance sector,[1]' to which Argo Group's innovation team contributed as outlined under Principle 3.

1.4 Principles for Responsible Investment

As part of our commitment to responsible investment, Argo Group has been a member of the PRI, an international network of investors collaborating to implement six aspirational principles. Principle 4 from PRI aligns with ClimateWise Principle 5 by ensuring that we work together to promote acceptance and implementation of PRI principles across industry.

1.5 Survey Involvement

We are committed to building the insurance industry's capability and have actively participated in a number of market wide surveys, including Lloyd's March 2022 ESG market survey in March 2022 and Oxbow Partners' February 2022 Bermuda market benchmarking ESG survey. Those surveys provided insight as to our rank in the London and Bermuda markets.

Peer Group Influence

Argo Group's objective is to create or join peer groups that help the insurance industry advance ESG-related initiatives, including addressing climate-change risk.

2.1 Risk Officer Sustainability Forum

Argo Group was directly involved in the creation of the Risk Officer Sustainability Forum[2] ("ROSF") in conjunction with Risk Coalition, with the objectives of:

- Understanding and clarifying the Chief Risk Officer's sustainability role (in the context of the three lines model).
- Enabling open discussion among financial services risk executives with Chief Risk Officer ("CRO") or Senior Manager functional accountability on how best to oversee and lead sustainability programs within their organizations.

1. ClimateWise – Climate product innovation within the insurance sector – https://www.cisl.cam.ac.uk/climate-product-innovation-within-insurance-sector
2. Risk Officer Sustainability Forum – https://www.riskcoalition.org.uk/rosf

Since its formation in 2021, the ROSF has met four times and continues to develop its program. Recent meetings have covered the following topics:

- Models for CRO involvement in sustainability programmes (July 20, 2021).
- Is sustainability regulation a neglected area of emerging risk? (October 28, 2021).
- Embedding ESG considerations into organisation decision making (March 11, 2022).
- Moving from ESG Theory to Practice – Making the Transition (June 29, 2022).

The ROSF co-chairs made a joint presentation at the December 2021 InsuranceERM Conference under the title, 'The role of Chief Risk Officers in Sustainability implementation programmes?'

2.2 Institute of Risk Management and Other Peer Meetings

The Institute of Risk Management founded an ESG special interest group[3] in 2021, and Argo Group's CR&SO has taken a role on the group's committee. The CR&SO also contributed to a February 2022 panel discussion regarding an international perspective on ESG risk.

Argo Group provided a webinar[4] for the International Institute of Risk & Safety Management ("IIRSM"), again making the case for risk professionals to get involved in their organizations' ESG and climate change initiatives. This was followed up with a feature article in the IIRSM member magazine.

We also supported the Chartered Institute of Insurance in their ESG initiatives, taking part in a webinar on the relevance of ESG to the sector.

Argo Group provided a webinar[5] to the Bermuda Chartered Property and Casualty Underwriters Society Chapter on how to set an ESG strategy.

Our contribution has been to discuss the role of the risk function in developing governance and oversight of ESG and climate change risk.

2.3 ESG Foundation

The ESG Foundation[6] is a community interest company founded in 2020. The foundation seeks to drive forward public debate on ESG-related matters and to support small and medium-sized enterprises ("SME") in taking their first steps to address issues such as climate change. Our CR&SO was asked to join the ESG Foundation's panel of special advisers to assist with developing best practices, particularly for the governance of ESG and climate-related matters. The CR&SO contributed to an ESG Foundation podcast on the importance of governance within ESG initiatives[7].

So far in 2022, our CR&SO has written two blog posts for the ESG Foundation, which were well received and generated significant debate on social media. The blog posts focused on how best to establish ESG governance and oversight[8], as well as how to harness enterprise risk management to help drive an ESG strategy[9]. Argo Group has also contributed to the development of an ESG scorecard that helps SMEs self-assess against 12 key ESG elements including their greenhouse gas footprint, to establish improvement plans.

2.4 Operational Risk Consortium Limited International

The Operational Risk Consortium Limited ("ORIC") International[10] sponsored Operational Risk Best Practice Forum comprises members from more than 50 international financial services firms that discuss critical priorities during the year. The Argo Group Senior Risk Manager and Sustainability Manager presented to one forum meeting on the specific challenges associated with climate risk management and stakeholder considerations. The presentation touched on climate migration and the financial service industry's ability to effect change on climate issues.

3. Environmental and Social Governance (ESG) Special Interest Group – https://www.theirm.org/join-our-community/special-interest-groups/environmental-and-social-governance-esg-special-interest-group/
4. IIRSM webinar – https://www.youtube.com/watch?v=N8-7qmEqitY
5. Bermuda CPCU Society – https://www.youtube.com/watch?v=oaHxGFhEHCI
6. ESG foundation website – https://esgfoundation.org
7. How to give Governance, the G in ESG, va va voom – https://esgfoundation.org/episode-17
8. "Oversight Of Purpose" – How To Set-Up Governance Over ESG? – https://esgfoundation.org/oversight-of-purpose-how-to-set-up-governance-over-esg
9. Looking At ESG Through A Risk Management Lens – https://esgfoundation.org/looking-at-esg-through-a-risk-management-lens
10. ORIC International – https://www.oricinternational.com

The CR&SO presented to the quarterly ORIC International member forum in May 2021 on the impact of climate change and sustainability on operational risks in the insurance industry, alongside a presentation on climate change science by a major consultancy.

2.5 Community Outreach and Mentoring

Argo Group continues to support a mentoring scheme for young sustainability and environmental management professionals, managed by Principal People through a charity organization called Sustainability4Good. The CR&SO participates in monthly mentoring meetings with four young professionals to help them become more effective at driving the adoption of climate change policies in their organizations.

We also contributed to a number of Bermuda-based initiatives, including speaking to students at the November 2021 Youth Climate Summit meeting.

Building Internal Capabilities

Argo Group has a strong commitment to personal and professional development. During the reporting period, the sustainability and climate risk teams have been developing their skills and qualifications.

As the executive lead for sustainability, the CR&SO has taken the opportunity to follow several sustainability-related distance programs to help articulate the case internally. Last year, the CR&SO completed the Chartered Financial Analysis ("CFA") Institute Certificate in ESG Investment, which has proven beneficial in driving the responsible investment program.

At the same time, the Sustainability Manager continues participate in Harvard University's master's degree program in sustainability.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved	Argo Group will continue to partner with other organizations, including industry associations, to advance public policy discussions related to climate change in the coming year, including the development of the ROSF agenda.	Argo Group has been actively involved in the LMA and ABIR Climate Risk Committees and is represented on the ClimateWise Insurance Leadership Council. Since its inception, ROSF has held four quarterly roundtables, followed by webinars and thought leadership blogs, with Argo Group contributing to each of these quarterly cycles.
Achieved	The CR&SO is continuing professional development in this area by studying for the CFA Institute Certificate in ESG Investment, to support our ongoing work on responsible investment.	CR&SO has completed the CFA Certificate in ESG Investment program and secured the qualification.

Anticipated further developments for 2022-2023:

- Argo Group will continue to partner with other organizations, including industry associations, to advance public policy discussions related to climate change in the coming year, such as the development of the Risk Officer Sustainability Forum agenda.
- In the summer of 2022, through the Lloyd's socioeconomic initiative, we will be sponsoring a group of summer students that will intern and will be charged with creating the foundation structure of our Green Team in the London office and kicking off an initial project for Green Team member to carry forward.

PRINCIPLE 5.2

Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

Argo Group recognizes that it needs to apply its resources selectively to best contribute to and influence research and debate on climate change. Therefore, we have supported several initiatives by collaborating with peers and stakeholders. The objective was to find areas of research directly relevant to the company's core business and which could be applied to new insurance solutions within a reasonable timeframe.

Argo Group Sponsored Research

Argo Group has established an academic partnership with the Office of Risk Management & Insurance Research at the University of Illinois, Urbana-Champaign, to pioneer new ways to assess the risks related to clean energy and transition-related industries.

We collaborated with a graduate-student team for a semester to better understand various clean energy technology lifecycles, identify potential opportunities within the Company's risk appetite and learn how best to approach underwriting such exposures, given the scarcity of loss exposure data.

The students specifically researched the opportunities associated with battery technology, hydro, geothermal and hydrogen energy developments. The objective was to help the company build its understanding of various clean energy technology lifecycles and identify potential opportunities within risk appetite and how to best approach underwriting such exposures, given the relative lack of loss exposure data. The students interviewed subject matter experts within Argo and across the wider sector and presented to Argo Group's Innovation Council members as well as advising on several commercial business opportunities that presented themselves to Argo during this period with respect to clean energy-related commercial programs business. The students researched opportunities associated with battery technology, hydro, geothermal and hydrogen energy developments. They interviewed Argo Group and industry subject matter experts, presented to Argo Group's Innovation Council members and advised on several clean energy-related business opportunities that presented themselves to Argo Group during this period.

ClimateWise Collaborations

Argo Group contributed to the April 2022 ClimateWise ideas exchange meeting on the topic of setting climate risk appetites, providing a member perspective alongside speakers from Deloitte and GARP. The session was an opportunity to learn more about approaches to this topic, the challenges presented by the process and how these might be overcome.

Innovative UK Collaborations

Argo Group has agreed to contribute to a post-doctoral research study led by University College London in conjunction with a number of law firms and other stakeholders, including other academic institutions and consultancies, with proposed support from Innovate UK. The initial focus has been on gathering data to inform the development of insurance and legal products that will encourage adoption of ESG best practices.

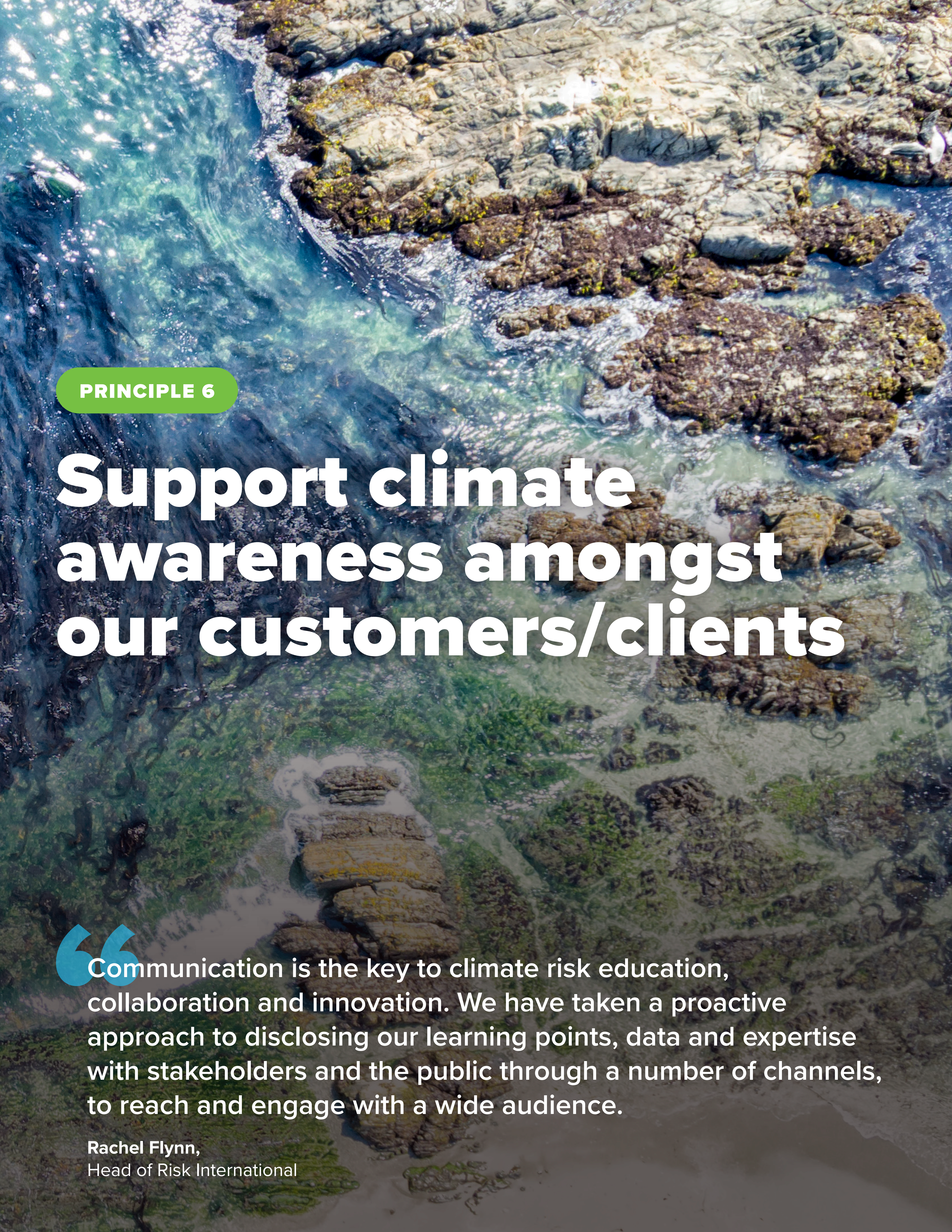
Performance against our anticipated developments 2021-2022:

Status	Developments	Update
Achieved	We continue to work with our Investment Managers and economic scenario generator providers to keep up with developing practices in this area and to understand how we can use their tools and techniques to better manage our investment portfolio exposures.	Ongoing engagement with economic scenario generators and use of scenario analysis with respect to investments.
Achieved	As outlined under Principle 3, we now meet quarterly with our major investment managers. We remain committed to developing our ESG performance reports and leveraging their growing capability and bespoke research to better inform our view of investment risk.	Quarterly engagement meetings with key Investment Managers have been held through 2021 and 2022. We have ensured development of new ESG performance insights by leveraging their capabilities.

Anticipated further developments for 2022-2023:

We anticipate continuing our collaboration with the University of Illinois for a second project, starting in Q4 2022, to build on the work already achieved during 2022.

The project's second phase will entail working with Masters in Science and Finance students to understand the opportunities of the broader ecosystem from specific renewable energy sources. We will integrate findings into our current lines of business.



PRINCIPLE 6

Support climate awareness amongst our customers/clients

“Communication is the key to climate risk education, collaboration and innovation. We have taken a proactive approach to disclosing our learning points, data and expertise with stakeholders and the public through a number of channels, to reach and engage with a wide audience.

Rachel Flynn,
Head of Risk International

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PRINCIPLE 6: Support climate awareness amongst our customers/clients

PRINCIPLE 6.1

Communicate our beliefs and strategy on climate-related issues to our customers and/or clients.

Why We Communicate

Stakeholders increasingly expect transparency, which is why Argo Group has increased communication about its climate risk management strategy. We believe this is an evolving dialogue and we see this ClimateWise report as part of that process.

How We Chose to Communicate Our Climate Change Position

Our climate risk management position is shared with our clients through our external corporate responsibility webpage, which overviews our environmental, social, and governance (ESG) program and has a dedicated section on climate change and environmental issues.

This is the third year we have published our annual ESG Report. These disclosures clearly highlight the impact of climate change on our business and our plan to understand climate-related risks according to the TCFD recommendations. View our 2022 Annual ESG Report.

We have shared three years of data with respect to Scope 1, 2 and 3 greenhouse gas emissions[1], along with a non-comprehensive water footprint report[2]. The fundamental human right to access to water means we take on the responsibility of measuring and tracking use where data is available to ensure actions are put in place for conservation.

In 2020, we launched a quarterly ESG-specific newsletter[3] that is distributed to subscribed employees, clients and industry stakeholders. The newsletter focuses on all matters related to ESG and our plans for addressing climate change. It operates with open enrollment, and individuals can subscribe using the form on our main corporate responsibility[4] webpage. Since its launch, enrollment has grown by 395%, from 41 subscribers to 203, and we've received direct positive feedback from several clients and stakeholders. We continue to publish the newsletter each quarter.

Customer Conversations

Since 2020, Argo Group has increased its outreach to customers and business partners concerning sustainability because interest in the topic has grown substantially.

To create the AMA partnership with Tierra Underwriting Limited[5] to provide credit insurance to support green project finance transactions, ArgoGlobal spent time presenting its ESG credentials to Tierra to demonstrate it was the right long-term partner. We were able to show how we are integrating our sustainability program over time into our business strategy. AMA was also able to respond satisfactorily to ESG due diligence surveys from specific Tierra banking clients.

Argo Group underwriters are starting to consistently raise or discuss ESG themes in their client engagements within several business lines, including Property, Marine, Terrorism and Political Violence.

We have started conversations with our insurance broker and reinsurance partners regarding sustainability and ESG data gathering. We are working with a data provider to gather and review data to learn more about pricing and underwriting climate-related risks.

To stay current on our customers' needs, we participate in conferences, workshops, roundtables, information sharing and communication with climate change experts to learn about trends. These events address insurance, science, policy, technology and asset management.

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1. Argo Group GHG Inventory – https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/07/2021-GHG-Data-for-Entire-Portfolio.pdf
2. Non-Comprehensive Water Footprint Report – https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/07/2021-Non-comprehensive-water-footprint-report.pdf
3. ESG Newsletter – https://www.argolimited.com/about/corporate-responsibility/
4. Corporate Responsibility newsletter enrollment – https://www.argolimited.com/about/corporate-responsibility/
5. ArgoGlobal announces partnership with green finance MGA Tierra Underwriting Limited – https://www.argolimited.com/news-release/argoglobal-announces-partnership-with-green-finance-mga-tierra-underwriting-limited/

National Association of Insurance Commissioners Climate Risk Disclosures Survey

Companies that have reached a certain threshold in earned premium must report annually on the financial implications of climate change to their businesses. The annual NAIC Survey[6] is sent to insurance companies that are licensed in states on their participant list, including California. Per NAIC's newly adopted standards, we will continue to disclose our climate-related risks by submitting our TCFD-aligned ClimateWise Report in lieu of completing their eight-question survey.

The NAIC Survey noted that TCFD recommendations help insurers better understand the concentrations of carbon-related assets in their investments and recognize climate risks and opportunities in their investing strategy.

Social Media Channels

As part of our overall sustainability communication strategy, we share climate-related information through our social media channels:

LinkedIn (ArgoGroup)

Instagram (@lifeatargogroup)

Facebook (ArgoGroup)

Twitter (@argo_group)

For example, on our Instagram feed we share highlights and updates related to our employees' work on environmental and social causes, philanthropic contributions made through Argo Group's various international employee-led community relations committees[7], climate-related posts about World Earth Day and our response to reducing our office footprint. We measure social-media traffic to our websites and the number of hits on pages and downloaded reports. This allows us to evaluate the impact of our communication and monitor engagement rates.

Public Disclosures

We understand that customers, business partners, investors, the public, potential new talent, and other stakeholders are interested in understanding how a company performs on climate-related issues. We remain committed to implementing new ESG-related measures and disclosing them publicly to meet growing stakeholder expectations. Our external ESG rating indices are available at:

- ClimateWise.
- MSCI.
- S&P Global Corporate Sustainability Assessment.
- ICE ESG Reference Data.
- Institutional Shareholder Services ("ISS").
- Sustainalytics.

Our PRI transparency report, which will include climate change-related questions will be published on our corporate responsibility webpage when it becomes available from PRI.

6. NAIC Survey – https://interactive.web.insurance.ca.gov/apex_extprd/f?p=201:1
7. Argo Group Community Webpage – https://www.argolimited.com/about/community/

Streamlined Energy and Carbon Reporting ("SECR") and Energy Savings Opportunity Scheme ("ESOS")

In compliance with U.K. government noninsurance financial reporting requirements, we disclosed our total greenhouse gas emissions for our London operations. Our carbon footprint for 2019 to 2021 was reported in accordance with SECR on behalf of AMA.

We are also in compliance with U.K. ESOS reporting requirements, which apply to all large organizations.

U.K. Building Energy Use

		Unit	2019	2020	2021
10 Fenchurch Avenue	Electric (Purchased)	kWh	354,305	330,044	228,110
	Cooling Electricity	kWh	52,848	37,789	175,634
	Heating Electricity	kWh	103,190	72,207	81,278
	Total	kWh	**510,343**	**440,040**	**485,022**

	Unit	2019	2020	2021
Total Scope 2: Indirect Emissions	MTCO2e	118.98	102.59	113.08
Total Scope 3: Indirect Emissions	MTCO2e	1,352.59	124.82	27.57

Emission Factors

Country	Production fuel mix factor (kgCO2e per kWh)	Source
United Kingdom	0.23314	2020 Grid Electricity Factors v1.1 – June 2020
	Passenger Train Emissions (kgCO2e per passenger km)	**Source**
	0.03694	Department for Business, Energy & Industrial Strategy 9 June 2020
	Flights (kgCO2e per passenger km)	**Source**
	0.23385	Department for Business, Energy & Industrial Strategy 9 June 2020

Figure 1 – U.K. Energy Use

Anticipated further developments for 2022-2023:

- Stakeholder expectations will continue to increase concerning the need for insurers to articulate an ESG strategy and provide evidence of performance improvement over time.
  - Argo Group is committed to building on our work year-over-year on climate risk analysis and management.
  - We intend to enhance our disclosures and continue to share our achievements publicly in our next annual ESG Report in early 2023.
  - We continue to raise the bar on our disclosures; we will create further awareness among our clients about the Company's position and how we intend to shape our product offerings over time.
- In 2021, we made our first PRI disclosures. We are committed to widening our stakeholder communication and will continue to report against the PRI framework as part of our membership commitment.

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	Argo Group is committed to building on our work during recent years on climate risk analysis and management. We intend to enhance our disclosures and share our achievements publicly in our next annual ESG Report in early 2022. By disclosing more, we will create further awareness among our clients about the Company's position and how we intend to shape our product offerings over time.	As described in Principle 2, we have a team committed to exposure management and actuaries continually testing and building scenarios on our climate models. Since our first ESG report, we have collected and reported more internal data on the composition of our company. We continually strive to deliver what the various rating agencies request and to gather data and set metrics accordingly.
Ongoing	We intend to add the PSI to our list of disclosures for 2022. Reporting against their aspirational principles is another opportunity to measure ourselves against criteria that can identify new areas for improvement.	We continue to look at PSI as an additional set of disclosures; it has been put on hold temporarily due to resources.

PRINCIPLE 6.2

Inform our customers and/or clients of climate-related risks and provide support and tools so that they can assess their own levels of risk.

Why We Provide Tools and Insights

Argo Group seeks to provide insights in targeted areas where we have specialty insurance expertise. We believe that by partnering with our clients we can improve their resilience and share in the benefits of lower loss-costs.

How We Provide Tools and Insights

Argo Group has specific expertise in specialty Property & Casualty insurance that we use to deliver insights to our clients. Examples include our Environmental Insurance business unit, which provides Premises Environmental & Remediation Liability ("PEARL")[8] cover that funds industrial and post-industrial site cleanup. As part of the underwriting process, we provide expertise to our clients on their risk mitigation measures. We have partnered with Spill Center, Inc[9], to provide innovative incident response management for environmental events.

Our Surety business provides bonds, including bonds associated with reclamation of historical sites including mines, to organizations that construct and operate a range of industrial facilities. Our underwriters are supported by our industrial engineers, who evaluate risk exposures and provide risk improvement advice to clients.

Additionally, we support partners such as Tierra Underwriting, as outlined under Principle 3.2, to develop bespoke solutions to address client needs.

External Communication

We help our clients understand and navigate climate-related risks through our published research and our products and services, and we are committed to making improvements. As we make strides incorporating climate into our investments and scenario analyses, we will disclose our stance and research. See evidence in Principles 2 and 3.

Anticipated further developments for 2022-2023:

We are planning the second phase of a project with the University of Illinois, in which we will acquire data specific to the business solution recommended in the first phase of the consulting work.

8. Argo Environmental, PEARL – https://www.argolimited.com/argo-environmental/wp-content/uploads/sites/27/2019/05/ARGO-ENVIRONMENTAL-9275-PEARL-highlight-sheet-SK-v4.pdf
9. Argo Environmental, Spill Center, Inc. – https://www.argolimited.com/wp-content/uploads/sites/27/2021/06/ARGO-ENVIRONMENTAL-152352-Spill-Center-HS-E8-IR.pdf

Performance against our anticipated developments for 2021-2022:

Status	Developments	Update
Achieved & Ongoing	For 2022, we intend to establish a research project in collaboration with a U.S university to investigate the lack of loss data associated with new clean energy technologies. The ClimateWise report on innovation in climate risk[10] has identified the lack of historical loss data as one element holding back product innovation. The objective would be to use data science and actuarial analysis to investigate how to create synthetic loss data to assist underwriters, such as Argo Group, to price insurance for these technologies with more confidence. It will also attract prospective students to the insurance industry and help solve some of these transition challenges.	Argo Group had a successful engagement with the University of Illinois. The consulting student group researched the best clean-energy business approach for Argo Group, based on our risk appetite. We are planning the second phase of the project, in which we will acquire data specific to the business solution recommended in the first phase of the consulting work.

10. Climate product innovation within the insurance sector – https://www.cisl.cam.ac.uk/climate-product-innovation-within-insurance-sector

PRINCIPLE 7

Enhance reporting

"Our ClimateWise membership allows us to benefit from climate change research around the threats and opportunities in the insurance industry. As global temperatures rise and more extreme weather around the world becomes our new normal, we understand the urgency. We are committed to improving how we do business and disclosing against the ClimateWise principles.

Alison Gaudette,
Sustainability Manager

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PRINCIPLE 7: Enhance reporting

7.1 Submission against the ClimateWise Principles.

Submitted Against All Principles

7.2 Public disclosure of the ClimateWise Principles as part of our annual reporting.

ClimateWise Report Will be Publicly Available

PRINCIPLE 7.1

Submission against the ClimateWise Principles.

Submitted Against All Principles

AMA is a proud founding member of ClimateWise. For the past two years, Argo Group has officially been a full reporting member. The research and guidance provided to the insurance industry by ClimateWise are valuable in supporting members as they make strides in responding to the risks and opportunities of climate change related to our business.

We have submitted against all ClimateWise sub-principles, on time and in full.

PRINCIPLE 7.2

Public disclosure of the ClimateWise Principles as part of our annual reporting.

ClimateWise Report Will be Publicly Available

As part of our commitment to transparency, the ClimateWise Principles have been made publicly available on our website and will remain so.

Publishing our annual ESG Report[1] is now part of our business planning, along with our annual disclosures in our Form 10-K[2] to the U.S. Securities and Exchange Commission.

1. Argo Group 2022 ESG Report – https://esg.argolimited.com/
2. 2021 Annual Form 10-K – https://d18rn0p25nwr6d.cloudfront.net/CIK-0001091748/13618ced-2a61-4687-9d71-9cfa14770b7c.pdf

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