2020–2021 ClimateWise Report

ARGO GROUP

Forward

Introduction to ClimateWise report

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. This is the first year Argo Group has officially reported on a group level against the ClimateWise principles.

We have previously signaled our support for the Principles of the Taskforce for Climate-related Financial Disclosures ("TCFD") in May 2019[1].

ClimateWise supports its members, including Argo Group, 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. As a founding member of ClimateWise, we have provided these disclosures since 2007 via our Lloyd's operation, ArgoGlobal.

The ClimateWise Principles have been aligned with the TCFD Recommendations. Argo Group, therefore, considers this report to represent our annual TCFD disclosure. We are building on our first public report from 2020.

We will also take the opportunity offered by the Insurance Commissioner of the State of California to use this TCFD-aligned report in lieu of the requirement to provide a National Association of Insurance Commissioners ("NAIC") climate risk survey submission.

Alex Hindson
Chief Risk & Sustainability Officer
Argo Group

1 TCFD – Supporter Database https://www.fsb-tcfd.org/tcfd-supporters/

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.

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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.*

This is the first year Argo Group has officially reported on a group-level against the ClimateWise principles.

As a founding member of ClimateWise, our membership initially was through our Lloyd's operations, Argo Managing Agency Ltd ("AMA"), operating as ArgoGlobal. As our sustainability program matured, we completed a pilot exercise based on Group-wide reporting during 2020 and have now transitioned to a full group-wide membership for Argo Group in 2021.

Argo Group's core business mission supports our approach to Sustainability and Resilience by 'Helping businesses stay in business.'

Argo Group's Board of Directors continues to oversee the enterprise-wide risk management and actively monitors the effects of uncertainties on how they affect our business. The Board-level Risk & Capital Committee ("RCC") of Argo Group receives periodic updates on material risks, including sustainability-related threats and opportunities. Environment, Social, and Governance ("ESG") indices remain a key risk on the strategic risk register during 2020-2021.

Since 2019, our overall ESG program has been sponsored at the Board-level by Kathleen Nealon. With her retirement from the Board in May 2021, this role has now passed to Bernard Bailey. 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. Climate risk management remains a responsibility of the RCC.

Oversight of Climate Risks & Opportunities	Evidence
Group Risk & Capital Committee: Continue to receive formal update papers from the Sustainability Working Group ("SWG") every quarter as a standing agenda item.	Board Risk & Capital Committee papers
Investment Committee: Receive papers on risk management and ESG related factors regularly.	Investment Committee papers Investment Policy Statement Responsible Investment Policy[2]
AMA Risk & Capital Committee: Continue receiving formal update papers from the SWG every quarter as a standing agenda item.	Board Risk & Capital Committee papers

2 Responsible Investment Policy https://d1hks021254gle.cloudfront.net/wp-content/uploads/2019/12/Responsible-Investment-Policy-FINAL-2020-v4.pdf

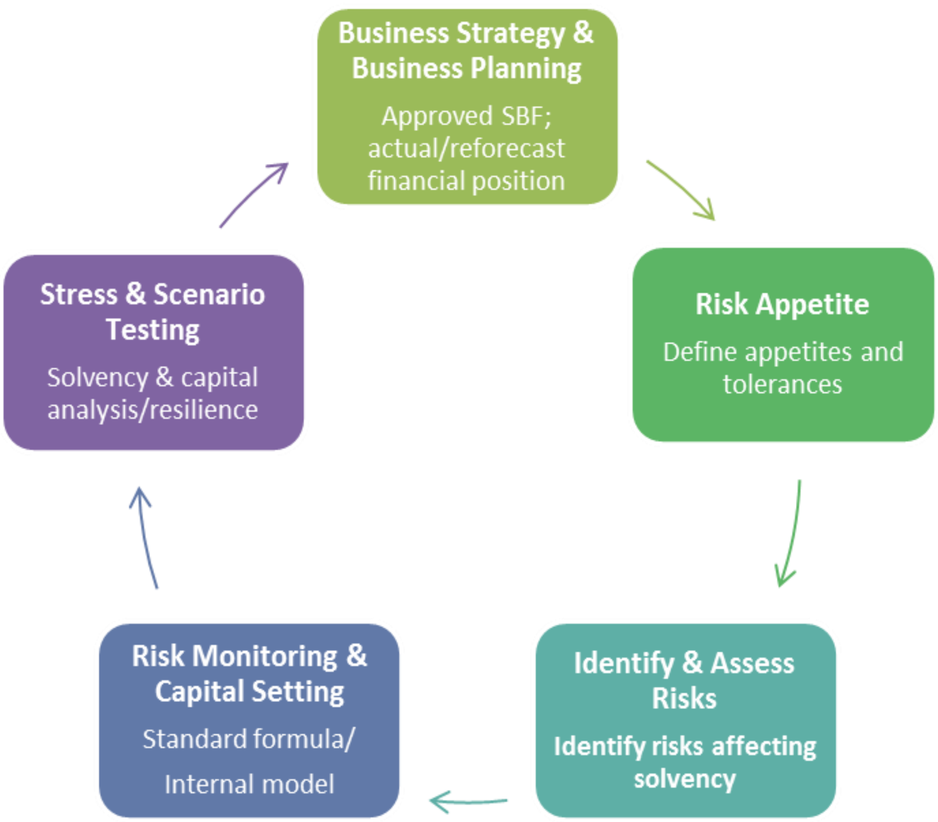
Oversight of Climate Risks & Opportunities	Evidence
The RCC oversees implementing programs related to the Prudential Regulatory Authority ("PRA") Supervisory Statement 3/19 on climate risk management.	
Risk Appetite: The Group and AMA risk appetite statements have been updated to include overall appetite statements for Climate Change risk and the underlying exposures to Physical Risk, Transition Risk, and Liability Risk. The AMA RCC has also approved specific risk tolerance measures related to Investment exposures to Transition Risk along with Physical and Litigation tolerances are being worked on. 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 including 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 February 2021 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, with a comprehensive report in the Syndicate 1200 Annual ORSA report. More details are provided under Principle 3.	Argo Managing Agency Annual ORSA reports for Syndicate 1200

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, and ultimately, the potential implications for the organization's solvency. The ORSA process is the mechanism through which the Internal Model informs the business planning process.

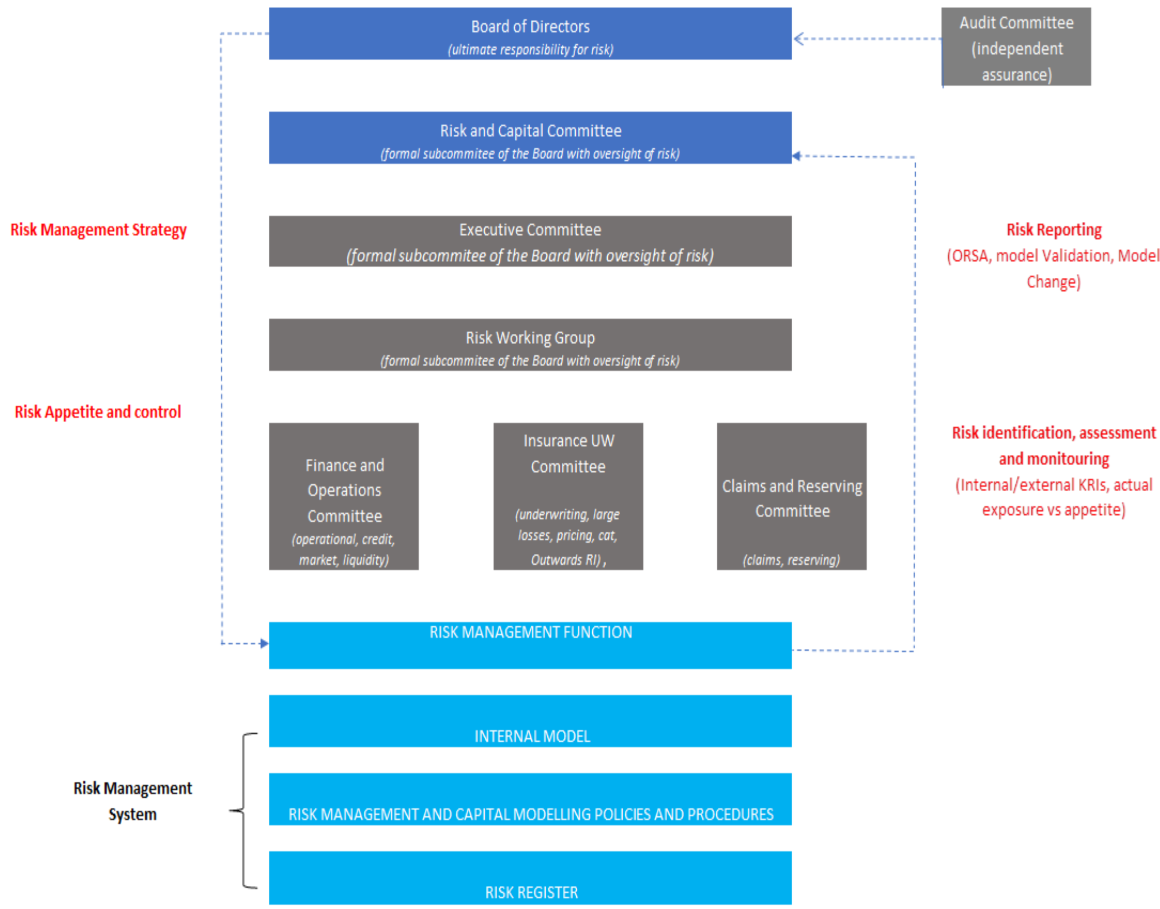
Each quarter, a less comprehensive ORSA risk report is produced that provides status updates presented by the Chief Risk & Sustainability Officer ("CR&SO") to the Group RCC. Risk exposures are compared to the risk tolerances, material breaches are presented, recommended mitigation strategies, and material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

This diagram illustrates key actions supporting the ORSA process:



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

The ORSA governance process is outlined below:



The annual ORSA report includes:

- Reverse stress tests
- Stress and scenario tests
- Sensitivity tests
- Risk Strategic Landscape, outlining key risks to management
- Model changes, uses, limitations and assumptions

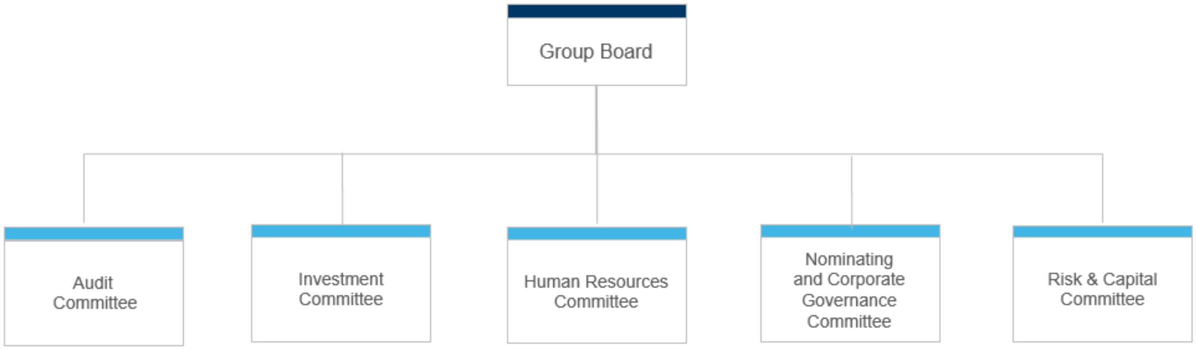
Group Board and Committee Structure

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 Chief Risk & Sustainability Officer through the ongoing ORSA process, as outlined above.

4 Board Committees – Financial Condition Report https://www.argolimited.com/investors/shareholder-documents-information/

5 Committee Charters https://www.argolimited.com/investors/governance/



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: The purpose of the Board's Nominating and Corporate Governance Committee is to: a) establish criteria for Board member selection and retention, (b) identify individuals qualified to become Board members, (c) review and recommend the Board individuals to be nominated or re-nominated for election as directors, including nominees submitted by shareholders in accordance with the requirements of our Bye-Laws as well as the Shareholder Recommendation Procedure set forth in our Nominating and Corporate Governance Committee charter, and (d) 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 taking into account 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; and
- to focus on improving energy efficiency in the buildings, we operate from using energy conservation best practices. Such measures reduce energy costs as well as supporting innovative technology solutions.

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

Human Rights 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 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 or child labor; and maintaining safe, healthy working conditions and the dignity of the individual.

Responsible Investment 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. Historically, the Company has always considered ESG in their investment approach; we realize that formalizing our understanding and integrating these factors into our investment strategy is essential in creating value for our internal and external stakeholders. Continued, ongoing communication with Argo's stakeholders is a constant source of insight

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 ultimately 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.

Anticipated Developments for 2021-2022:

We continue to develop our governance policy environment and expect to make the following enhancements:

- 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.

- We anticipate, during this period, to expand on our existing United Nations Principles for Principles for Responsible Investment (“PRI”) commitment by signing up to the United Nation’s Principles for Sustainable Insurance (“PSI”) as part of our overall ESG objectives.

Fossil Fuel Policy

Our Board of Directors has approved a Fossil Fuel Statement, and we are working on its implementation into our underwriting and investment operations, with a formal announcement to follow. Argo Group recognizes that climate change is a significant societal threat. We recognize the need to support our existing clients in responsibly transitioning their businesses to a low-carbon economy.

Stewardship & Engagement Statement

Argo Group is committed to considering and integrating environmental factors into our sustainable investment process. We are developing 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 policy outlines the Company's mandate towards 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.

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 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 implements policies to address specific requirements.

Argo Group established the SWG in 2016 to oversee Argo's internal sustainability strategy and policies and ESG activities and 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.

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 our annual ESG report[7] and this ClimateWise report. It has also overseen the development and disclosure of greenhouse gas emission and water utilization information. 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 2021 ESG Report https://www.argolimited.com/reports/2021-esg-report/

Executive Risk Committee

The CR&SO is accountable for sustainability within the Executive Committee. He reports on progress against agreed ESG plans and programs every quarter. In addition, the Executive Committee agreed to a Key Performance Indicator ("KPI") dashboard in late 2020. This is now presented to the Executive Risk Committee, reporting on over 30 ESG-related metrics to track performance against objectives. Over time, many of these targets will be made public once executive management gain comfort over their measurement and monitoring. The first disclosures are related to greenhouse gas emission reduction targets, as described under Principle 4.

Risk Management Framework

Our risk management and internal controls framework[8] 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.

   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.

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 the internal control framework issues.

We have established policies to identify and address existing and evolving 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.

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

ERM Steering Committee Terms of Reference https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/05/ERM-Steering-Committee-Terms-of-Reference.pdf

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 the Argo Group ORSA report.

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

Climate risk is a factor considered in several business decisions, and was weighted up in the following decisions made by Argo Group during 2020-2021:

- **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 exposed property exposures.

- **Exit from Lloyd's open-market Director & Officers (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.

- **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.

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 PRI, Argo Group has engaged with its investment managers through 2020 and 2021 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. As a result, quarterly

ESG reports and associated quarterly ESG review meetings have now been established with investment managers representing over 60% of assets under management.

As a result of these regular ESG review meetings, we have started monitoring key metrics for each portfolio, including, for example, (a) portfolio average ESG rating, (b) portfolio average Carbon Dioxide intensity levels, and (c) percentage of ‘Laggards’ holdings (with a low ESG score) within the portfolio. In each case, threshold limits 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. 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.

Finally, in 2021, Argo Group’s Investment Policy Statement 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 for further details.

Anticipated further developments for 2021-2022:

- 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 anticipate formalizing our Stewardship and Engagement Statement following work with our investment managers in preparation for our 2022 PRI reporting statement.

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.

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 financial 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 as 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 Board 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 potentially impact Argo Group's business operations and/or insurance products. The CR&SO reports to the Executive Risk Committee 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 and arranged Argo Group's stakeholders into 12 groups as follows:

Ref	Stakeholder Groupings	Type of Stakeholder
1	Board	Non-Executive directors
2	Senior Management	Executives and management
3	Staff	Employees and families
4	Customers	Clients, customers or end-users of services
5	Community	Local environment, national environment
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, NGOs
12	Auditors	External auditors, credit rating agencies

Not all of these groups will have equal interest or influence over each ESG factor considered. We therefore rank and evaluate their potential reaction to each scenario considered. 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.

Scoring	**Stakeholder reaction**
	Reputational damage / Boycott
	Outraged
	Concerned
	Neutral
	Positively disposed
	Strongly supportive
	Unknown

The Argo Executive Risk Committee, a sub-committee of the Executive, sponsored the development of an ESG KPI dashboard during 2020, as outlined under Principle 1. The initial dashboard was discussed extensively with internal stakeholders and formally approved by the Executive in December 2020, tracking over 30 ESG-related metrics. 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 a target measure. The data source and current status is provided.

The Risk Committee receives this ESG KPI dashboard every quarter, monitoring material movements. The dashboard highlights trends and target dates. The majority of 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 modeling 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 oversees quarterly ESG engagement with specific investment managers.

Anticipated further developments for 2021-2022:

Further developments to 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 over the measurement and reporting of ESG KPIs, additional metrics and targets will be made public.

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 the associated threats and opportunities and the fit with our business strategy. An example of where climate change exposure led to a change in risk appetite is the decision in 2019 to cease providing Excess Casualty capacity to Californian energy and utility companies, based on a view of the wildfire exposures and legal environment precluded our ongoing participation.

Anticipated further developments for 2021-2022:

Recognizing the impact of thermal coal and oil sand operations on climate change, the Board RCC has approved a Fossil Fuel statement related to Underwriting, which is now being implemented.

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.

Argo Group published a Responsible Investment Policy, which commits the organization to the PRI. In 2021, Argo Group completed its first full annual report; see Principle 2.2 for further details.

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

Anticipated further developments for 2021-2022:

The Investment Committee has approved a Fossil Fuel statement related to Investment Management, which is being implemented. We anticipate the statement to be made public in due course.

Stakeholder Engagement and Management

From time to time, stakeholders, such as non-Governmental Organizations or pressure groups, may be looking for 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 engage in doing business with fossil fuel companies. We feel we have a responsibility to make deliberate business decisions on such issues and not 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 sub-committee consisting of the CUO, CR&SO, and SVP U.S Operations to agree on an appropriate short-term response and report back to the Committee. Advice is sought from other functions and leaders as appropriate.

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

During 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 Canadian Trans Mountain[9] tar sand pipeline.

Anticipated further developments for 2021-2022:

As a result of the consideration of these two major projects, Argo Group anticipates establishing, under the direction of the CUO, a register of high-impact projects for which we do not have a risk appetite.

9 Insurance Insider (2021) https://www.insuranceinsider.com/article/28m7ih7rkn42sh41pjuv4/argo-to-non-renew-trans-mountain-pipeline-coverage

Principle 2.2	*Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.*

Climate Risk Governance

AMA piloted the implementation of climate risk governance in line with PRA expectations under their Policy Statement PS11/19[10] and Supervisory Statement SS3/19[11].

The risk function has created a Climate Change Compliance Roadmap 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. The adopted approach was to incrementally develop the analysis to drive stepwise improvements over 18 months using the natural cycle of the ORSA report (March filing date) and the Validation report (September filing date).

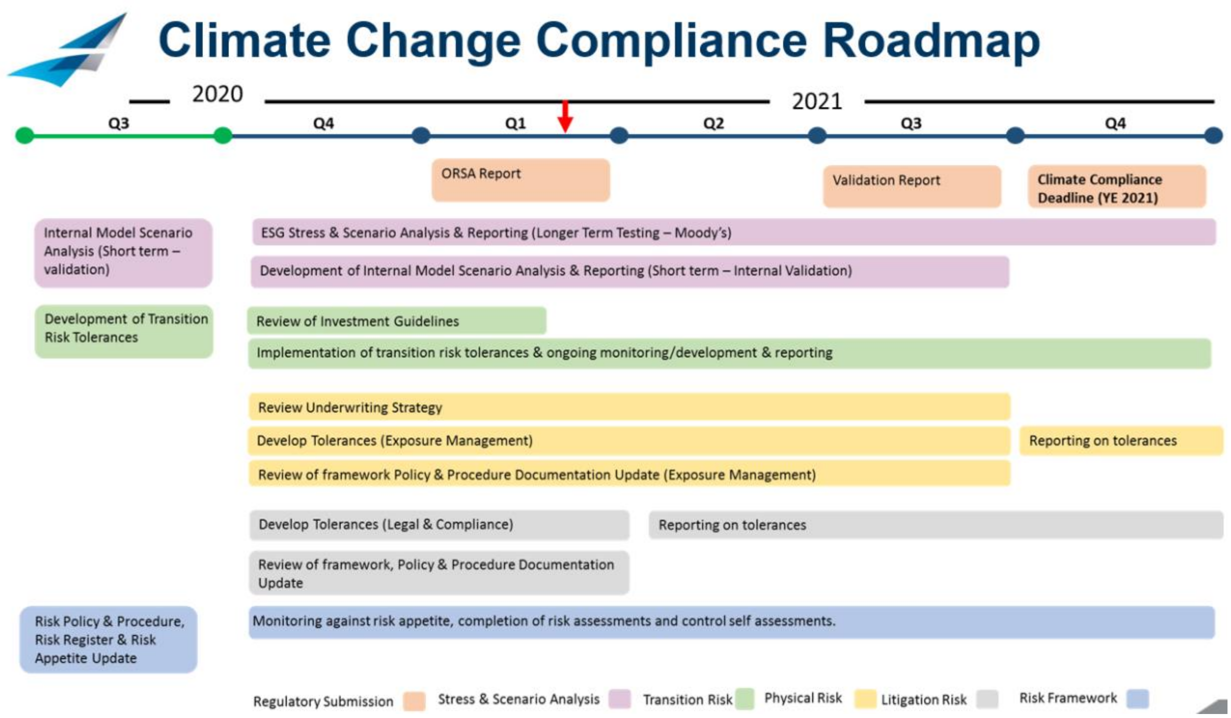

Figure 1 – Climate Change Compliance Roadmap

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

11 Supervisory Statement SS3/19
https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2019/ss319

The risk framework has been updated to create a specific risk category of 'Climate Risk,' including within its three sub-categories: (1) Physical Risk, (2) Transition Risk, and (3) Litigation 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 & 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**		
Independent Model Validation Process	Defined Validation process aligned with Solvency II Framework Directive. Includes monitoring the performance of the internal model, reviewing the on-going appropriateness of its specifications and testing its results against experience.		
Investment Guidelines	Principle adherence with regulatory requirements is contained within the investment guidelines in accordance with the constraints within which the investment manager invests the syndicate's assets. This is supplemented by related compliance responsibilities of Conning with regard to admissible assets and custodian controls. Strategy / guidelines get reviewed by the Treasurer for further review by the Finance and Investment Committee.		
Climate Risk Stress & Scenario Testing	Stress & Scenario testing is being developed to assess the impact of climate change on all aspects of the syndicate business model.		
Sustainability Working Group Oversight	The Sustainability Working Group (SWG) is an Argo Group level forum chaired by the Group Chief Risk and Sustainability Officer with representation from AMA. The forum discusses all items relating to Environmental Social Governance including the mitigation of Climate Change risk.		
UN Principles for Responsible Investments	Argo Group as a signatory of UN PRI is required to set targets and report on ESG performance of its portfolio. ArgoGlobal working with Conning investment manager on establishing ESG related targets and tracking.		
Board and management reporting	Chief Risk & Sustainability Officer oversees reporting from Sustainability Working Group (SWG) to AMA risk working group and Risk & Capital Committee on a quarterly basis, escalating key issues for discussion and/or decision.		
TCFD reporting	Argo Group and ArgoGlobal to provide public disclosure against TCFD standards and to provide support for TCFD principles		
Environmental, Social & Governance Annual Report	The Environmental, Social & Governance (ESG) Annual Report is an Argo Group level document which sets out Argo's approach to all aspects of ESG including Climate Change risk.		

Figure 2 – Argo Group Climate Change Control Assessment

Risk appetite statements have been developed and approved for Climate Risk and its sub-categories, as summarized below. These developments are included within our Annual Group Solvency Self-Assessment report provided to the Bermuda Monetary Authority ("BMA"), as our Group Supervisor.

Argo Group
Risk Appetite & Tolerances Summary – Climate Change

Governance and Approval **Proposal –** Sustainability Working Group. **Approval** - Risk and Capital Committee	
1. Climate Risk Definition Risk arising from climate change affecting natural and human systems, which includes physical risks, transition risks and liability or litigation risks.	M
2a. Climate Change – Physical Risk **Definition:** Risk arising from risks associated with changing frequencies and intensities of weather-related perils associated with climate change. These risks can be event driven (acute) or longer-term shifts (chronic) in climate patterns. **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.	M
2a. Climate Change – Transition Risk **Definition:** Risk arising from the move to a low carbon economy impacting changes in asset values, changing energy infrastructure and/or the introduction of carbon regulation or taxation arrangements. **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.	L
2a. Climate Change – Litigation Risk **Definition:** Risk arising exposure to the impact of litigation associated with allegations of failure to mitigate or adapt to climate change risk or associated disclosure failures. **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.	VL

Figure 3 – Argo Group Climate Change Risk Appetite Framework

As AMA executes its climate risk management framework, the RCC receives quarterly updates providing a status report on the implementation of each element of the Supervisory Statement SS3/19 requirements. To help focus the attention on what remains to be completed, each element is scored on a 1 to 10 scale of 'readiness status'.

Anticipated further developments for 2021-2022:

It is anticipated that the climate risk framework will be ready and in compliance with PRA requirements by the year-end deadline.

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.

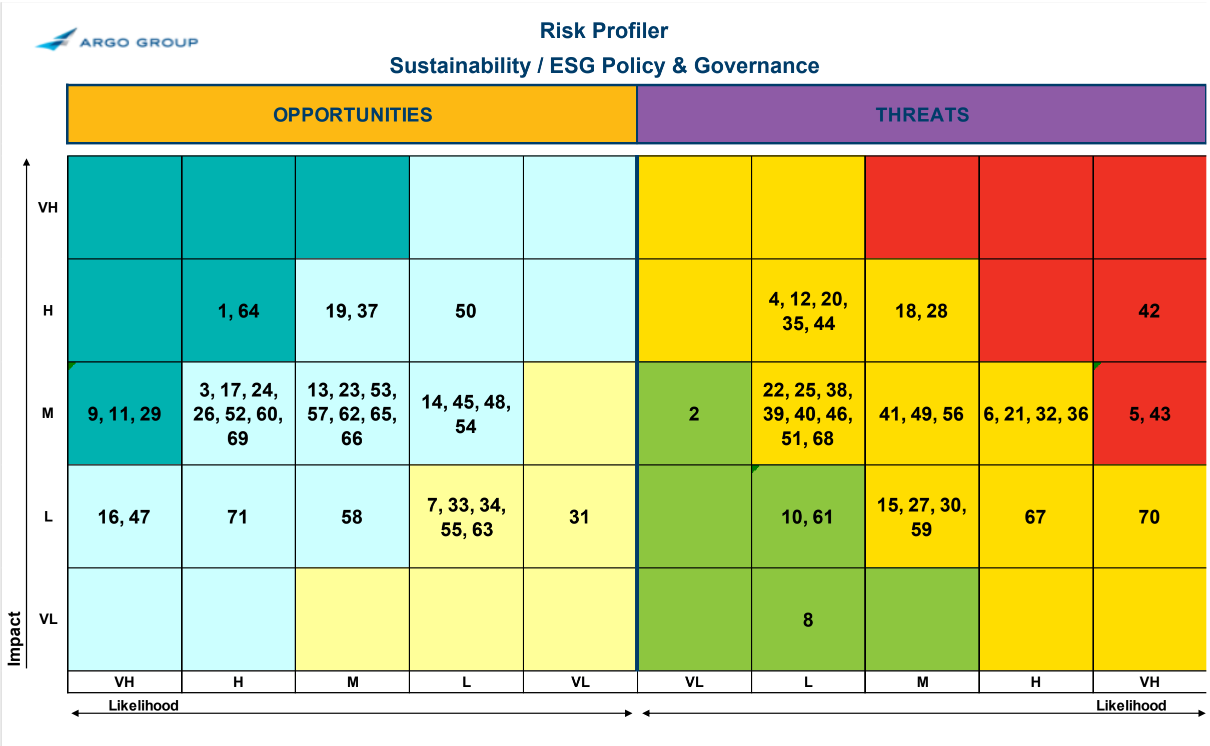

Figure 4 – Sustainable Threat & Opportunity Assessment

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).

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

A headline report is provided to the Board RCC.

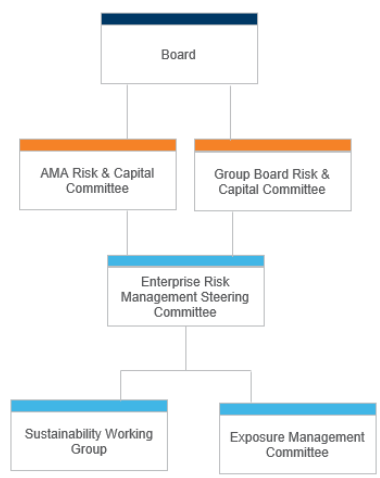

Figure 5 – ESG-Related Reporting Hierarchy

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. During 2020-2021, 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 disruption 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 is 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 was published in July 2021.

During 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 are working to secure 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 have worked with them to analyze the risks in our investment portfolio from a physical, transitional, and litigation risk in the past year. 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 US 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, increasing transition risk, and take appropriate action where necessary.

After this analysis of our portfolios, including back testing, we proposed three climate-related investment risk tolerances to the AMA RCC in October 2020, which were approved and subsequently formally incorporated into our Investment Guidelines and risk tolerance measures. The tolerances were chosen to cover three specific aspects: (1) Carbon Intensity as measured by tons of carbon dioxide emitted per dollar of sales, (2) Average portfolio ESG score, and (3) Level of assets termed ‘laggards,’ due to their lower ESG scores within the portfolio.

The work under AMA oversight, and hence also covered third-party Syndicate 1910 operations.

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 Assets under Management.

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 (Tons CO2/$mm sales) using the Morgan Stanley Capital International (MSCI) database to produce an overall carbon intensity figure.

Risk Metric	Tolerance
Average MSCI Carbon Intensity (Tons CO2/$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 6 – AMA Climate-Related Investment Risk Tolerances

Anticipated further developments for 2021-2022:

- 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 are extending the reach of our quarterly ESG performance and engagement meetings to a wider cross-section of investment managers.
- Additionally, we have drafted a Stewardship and Engagement Statement and are consulting internal and external stakeholders prior to implementing this across all our investment portfolios.

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

Liability 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 7 – 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 across 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 modeling 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 modeling. Allowance for uncertainty in climate change risk is provided by Argo Group's Stress & Scenario Testing Framework (“SSTF”) and economic capital modeling processes. Together with our approach to non-modeled 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.

We launched a project in early 2020 sponsored by the Group Exposure Management Committee (“GEMC”) to re-evaluate the approach we presently use. The starting point was to closely analyze the current use of proprietary catastrophe models. We determined how to adapt and develop their use to better reflect the changing nature and understanding of climate effects. The approach has been to apply adjustments to the data sets for certain perilous regions, changing the frequency and building vulnerability to hurricanes, for example, over the 'Long Term' rate forecast view provided by RMS, our model provider. The changes were then validated and approved by the Perils Committee.

Our plan during 2021 is to remove the current model adjustments and replace them with a more holistic approach based on moving first to the 'Medium Term' rate forecast modeled view, better reflecting recent windstorm activity. The intention is that the 2022 business plan will be based on this new methodology.

We are also working with RMS to evaluate their enhanced climate change models, which enable the projection of a range of climate-related scenarios. We have considered a range of scenarios, including the previous 'Long Term' view, 'Medium Term' view, and ‘active baseline’ as well as upper and lower bound data related to hurricane frequency. This approach is supported by an actuarial review of our recent historical loss experience.

We also license a proprietary U.S. flood model, KatRisk, considered to be market leading, to capture the nature of inland flooding. The Exposure Management team has worked through 2020 with ClimateWise to investigate heightened flood risk.

Our approach to wildfire analysis has changed as the result of the sale of our reinsurance business. We have determined that we have little or no appetite for wildfire exposure, and we are therefore seeking to mitigate exposure at source through risk selection and pricing. Therefore, our focus is shifting towards providing underwriters with risk selection and aggregation monitoring tools.

Anticipated further developments for 2021-2022:

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.

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.

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 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.

The analysis was also completed for Syndicate 1910.

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%**

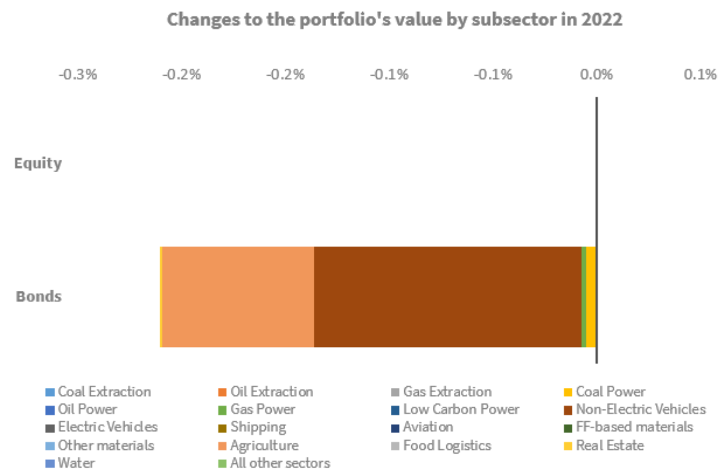

Figure 8 – Syndicate 1200 Climate Risk Scenario Impact Analysis

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 completed in Q3 2020 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 relatively 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 macro-economic factors to support realistic projections of asset returns. The ESG allows the model to undertake a wide range of risk management and asset-liability modeling activities.

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

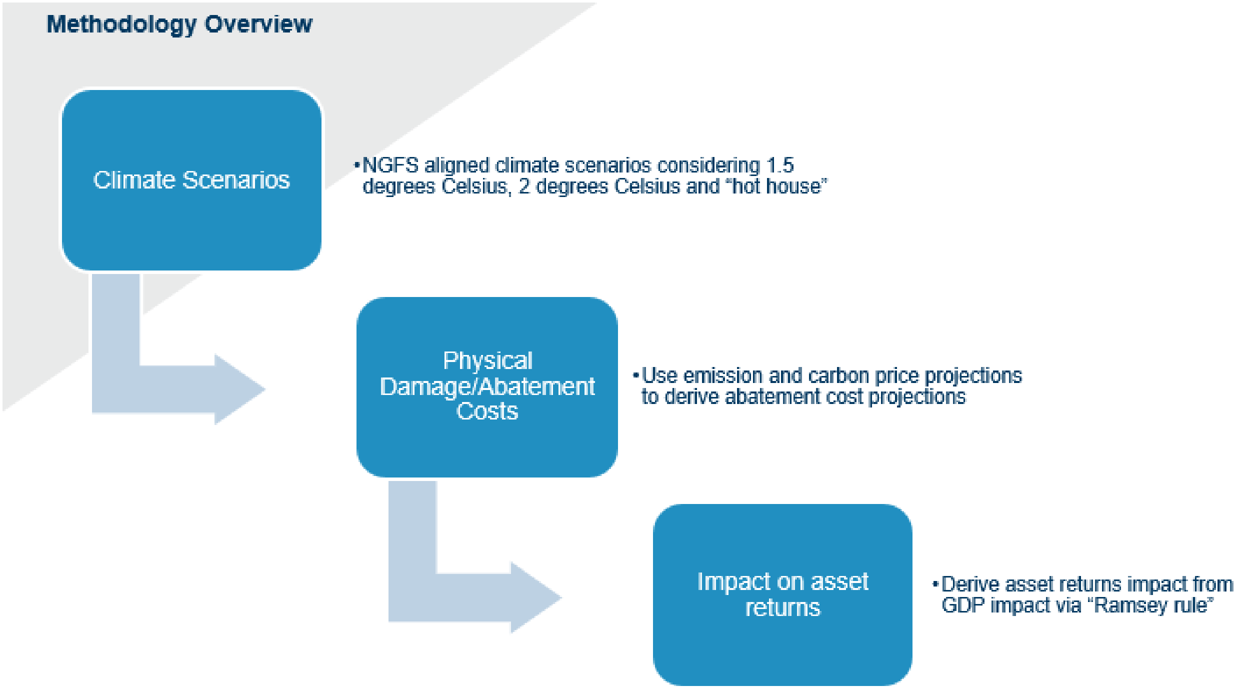

Figure 9 – Summary of Long-Term Scenario Methodology

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 2C with CDR (Orderly, Representative)
- Delayed 2C with limited CDR (Disorderly, Representative)
- Immediate 1.5C 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, whilst physical damage projections were based on a range of studies that explore the impact of warming on economic damages.

The analysis was also completed for Syndicate 1910.

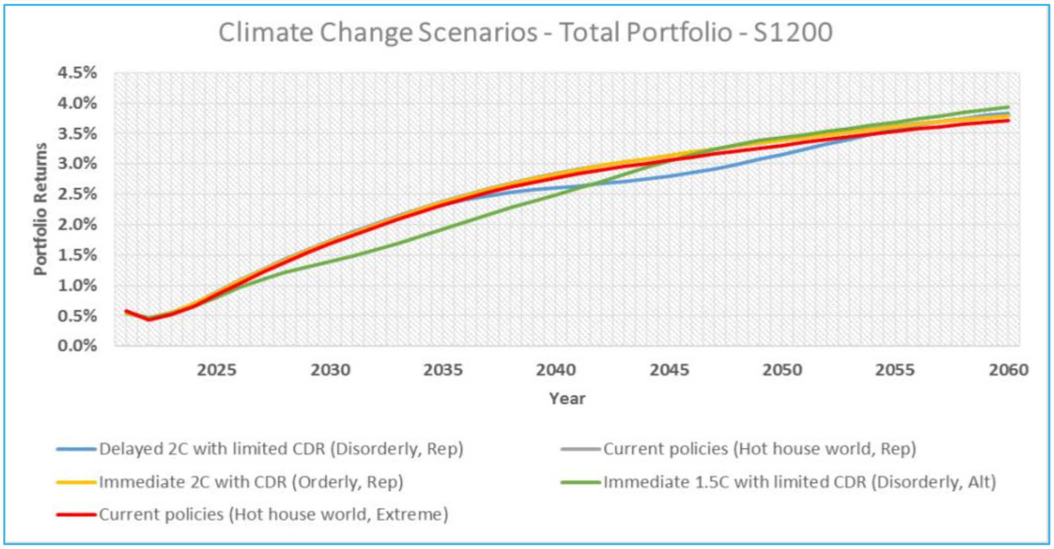

Figure 10 – Example of Long-Term Climate Scenario Projections

Anticipated further developments for 2021-2022:

We anticipate continuing to work with our investment managers and data providers to explore their developing modeling 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 to 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,"[12] as well as the Geneva Association paper on 'Climate Change Litigation – insights into the evolving global landscape'[13].

Our approach was to develop qualitative risk assessments based on a series of credible scenarios proposed by the publications outlined above.

12 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/

13 Climate Change Litigation – insights into the evolving global landscape
https://www.genevaassociation.org/research-topics/climate-change-and-emerging-environmental-topics/climate-litigation

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 points identified were included in the portfolio review process as described under Principle 3.2.

The analysis was also completed for Syndicate 1910, also under Argo Managing Agency oversight.

Anticipated further developments for 2021-2022:

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.

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 National Sustainable Development Goals ("SDGs") to each of the scenarios, considered and ranked them. This helped to complete a materiality assessment of the SDGs based on three considerations: (1) relevance to Argo's sustainability program, (2) priority drivers for Argo's sustainability program, and (3) urgency in terms of Argo's need to act.

This resulted in the SWG approving the setting of 3 SDGs as our priorities for our sustainability program.

- SDG 5 – Gender Equality
- SDG 11 – Sustainable Cities and Communities
- SDG 13 – Climate Action

These priorities have been communicated to employees internally through townhall meetings and feedback provided. It has also been communicated to external stakeholders[14], 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 some time ago 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 continues to review 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.

14UN Sustainable Development Goals https://www.argolimited.com/about/corporate-responsibility/sustainable-development-goals

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.

Anticipated further developments for 2021-2022:

Recognizing the impact of thermal coal and oil sand operations on climate change, the Board Risk & Committee continues to evaluate investments in companies that generate their revenues from fossil fuels and is implementing a Fossil Fuel Statement.

Stress Tests and Underwriting Management

The outcomes of our work on the physical impacts of climate change have been applied to evaluating our exposures to 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 Investor Update[15] in March 2021, we have taken action to significantly reduce the volatility that our business is exposed to through natural catastrophe perils and the associated physical impact of climate change. At that time, we signaled a planned 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. We reduced our Board-approved catastrophe risk appetite, as outlined under Principle 1.

Anticipated further developments for 2021-2022:

Recognizing the impact of thermal coal and oil sand operations on climate change, the Board Risk & Committee has approved a Fossil Fuel statement related to Underwriting, which is being implemented. We anticipate the statement being made public in due course.

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15 Argo Group Investor Update, March 2021
https://d1hks021254gle.cloudfront.net/wp-content/uploads/sites/20/2021/03/Argo-Investor-Presentation-March-2021-revised.pdf

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 modeling 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 internally with other associations that we collaborate with on this with scientific and mathematical data and 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/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 March 2021. The SWG focused on the movements in the top ten threats and opportunities. Trends which were felt to be most relevant included:

- Increasing regulatory and stock exchange expectations over ESG disclosures.
- Expectations rising related to 'Net Zero' commitments concerning operations and underwriting.
- Continued pressure from Non-Governmental Organizations on issues such as fossil fuels and climate change.
- Governance matters such as executive remuneration and board diversity.
- Need to enhance ESG vendor management due diligence process further.
- Ability to further improve articulation of Argo's sustainability strategy and policy to gain recognition from ESG rating agencies.
- Reductions in greenhouse gas emissions related to reduced business travel and real estate portfolio changes.
- Opportunities associated with post-COVID-19 future of work.
- Development of new products and solutions tailored to climate change transition.
- Opportunities to secure green financing such as debt instrument issuance.
- Environmental litigation trends associated with Director & Officer Liability coverage.

Anticipated further developments for 2021-2022:

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 as a result.

Environmental Management Policy

We have classified climate change as an emerging risk, and it is regularly monitored by the risk management function for 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 events increases. However, as climate change is also integral to climate variability and model calibration frequency adjustments, we recognize considerable uncertainty. We are unable to explicitly isolate the effect of climate change to quantify its effect on losses.

We recognize the impact of climate change on the global community, and that is why we consider climate change in both our modeling 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 the Company'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 review of the business's Property Insurance Strategy through 2020-2021. 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.

As a result, in February 2021, Argo Group significantly reduced its Board-approved risk appetite for natural catastrophe exposures and, through portfolio management actions, has reduced its exposures, coming into compliance with the new limits during 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 analysis is used to drill down to each business unit and each 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 active when appropriate and progress with previous actions reviewed.

Anticipated further developments for 2021-2022:

It is anticipated that the 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.

Investment Management

We have collaborated closely during 2020-2021 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.

We now engage with our major investment managers, representing over 60% of our assets under management 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 remediation and action plans, where appropriate.

Monitoring is an integral part of our ability to manage risk of loss of value or identify 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, as well as 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 the selection and ongoing performance monitoring of our external investment managers.

We will 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 2021-2022:

- Through our quarterly ESG meetings, we can engage with our investment managers on this topic, as outlined further under Principle 2.

- 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 extending the reach of our quarterly ESG performance and engagement meetings to a broader cross-section of investment managers.

Principle 3.2	*Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.*

Existing Products and Partnerships Addressing Climate Change

Our business strategy around adapting to climate-related issues relies on the development of new products.

Clean Energy Solutions

The Clean Energy team underwrites technology performance insurance and reinsurance products through Syndicate 1910. The team has developed and distributed insurance and risk financing solutions related to clean technologies that assist with the transition to a lower-carbon economy, including the following:

- **Solar Project/System Performance:** protect investors by covering long-term project cash flows through a Performance Ratio Guarantee or a MWh Guarantee (including irradiance risk, or solar, as a resource).

- **Fuel Cell System Performance:** provide the backstop for the manufacturer's original electrical and/or thermal performance warranties. This can be based on insuring manufacturers' total sales (corporate balance sheet protection) or dedicated customer sales or site locations.

- **Energy Storage Performance:** provide the backstop of the manufacturer's original performance warranties. Subject to the accuracy of the battery management system, protect utility, commercial and residential site applications, and the growing e-mobility market.

- **Bioconversion System Performance:** coverage is applicable to conversion of biomass or waste to:
  - Energy (electric power and/or heat)
  - Synthetic fuels
  - Other sustainable chemical products

Coverage is provided for both commissioning and operating periods to protect long-term investments with a guarantee of project output and quality of end-product performance, and hence manage operational and excessive maintenance risks.

Green Finance Solutions

The Credit and Political Risk[16] team within AMA provides $25 million in underwriting capacity to support a new managing general agency, Tierra Underwriting Limited[17], 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.

New Climate Change-focused Products and Partnerships Integrated into Business Planning

AMA has integrated consideration of ESG opportunities, including climate-related issues, into its production portfolio review process. Twice a year, the entire portfolio is reviewed by senior management. A specific requirement to identify ESG-related innovations is required as part of the review process, driving business plans for the subsequent year. 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. Risk registers analyzing the potential for climate-related litigation scenarios are being developed for Syndicate 1200 and Syndicate 1910, managed by AMA.

Argo Group operates an emerging risk process as outlined under Principle 2. During 2020-2021, the Emerging Risk Review Group received papers on climate change from a scientific perspective and a geopolitical aspect. This has extended to the potential for new product development opportunities. The Innovation team developed a Clean Energy business case due to these discussions, which has been presented to senior management for consideration. Argo Group's Innovation team also contributed to a ClimateWise thought leadership paper[18] related to climate product innovation.

Anticipated further developments for 2021-2022:

The business case for Clean Energy will continue to be evaluated and may be progressed through business planning.

- **Hydroponic Farming:** First mover advantage in supporting the development of liability insurance cover for non-marijuana hydroponic farming. There is potential for the Argo Casualty team (U.S.) to partner with hydroponics entrepreneurs

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16 Credit and Political Risk https://www.argolimited.com/international/product/trade-credit-and-political-risk/

17 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/

18 ClimateWise – Climate product innovation within the insurance sector https://www.cisl.cam.ac.uk/files/climatewise_climate_product_innovation.pdf

providing difficult-to-obtain liability insurance and securing entire digitally delivered insurance portfolios.

- **Political Violence and War:** AMA is exploring the potential for the Political Violence[19] team to provide terrorism insurance solutions for ESG investments associated with clean energy infrastructure.

Investment Management

This year, we have had more in-depth conversations with our external investment managers about our financial portfolio and engaged them to determine the nature of bespoke analysis and research that they are undertaking.

Anticipated further developments for 2021-2022:

We will continue to work with them to understand what opportunities exist to harness their work in managing our investment portfolio on our behalf.

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 Lloyd's Market Association ("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 2020, with another six planned for 2021. See Principle 5 for more details.

Attendance and interest are strong, along with continuing growing membership. 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

Argo Group has joined the recently formed Association of Bermuda Insurers and Reinsurers ("ABIR") Climate Risk Committee and uses this opportunity to share best practices and collectively respond to industry-wide initiatives, such as proposed new regulations. See Principle 5 for more details.

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19 Political Violence and War https://www.argolimited.com/international/product/international-political-violence-and-war-insurance/

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 supplies in our offices.

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 cost, and achieve greater levels of collaboration in the delivery of 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.

The Vendor Management Governance establishes vendor decision-making rights and creates accountabilities to ensure optimal performance, compliance, and risk mitigation to our business and the environment. The Vendor Management Office is responsible for overseeing the implementation and reviews of the vendor management reporting and the ongoing monitoring of performance and risk. For details of our Vendor Management Policy, see our website[20].

We have designed a new vendor questionnaire based on ISO 20400:2017, Sustainable procurement – Guidance. Our sustainable outsourcing is based on sustainable procurement principles outline in ISO 20400 and has been captured in the three components of:

- **Environment:** minimizing environmental footprint supported by sustainable sourcing.

[20] Vendor Management https://www.argolimited.com/about/corporate-responsibility/vendor-management/

- **Social & Employment Relationship:** create better procurement practices to build sustainable and better conditions.

- **Governance:** aligned to our approach to good corporate governance and transparency.

As we get a full-year data set of completed surveys, the answers will help us identify which suppliers are leaders and which are laggards in terms of their sustainability performance. This will gradually become an influencing decision factor, alongside costs and services, as to which vendors we will continue to do business with. The tracking of vendor performance metrics is integrated into the ESG KPI dashboard, outlined under Principle 2.

Anticipated further developments for 2021-2022:

We anticipate continuing to roll out our vendor management due diligence process in the coming year.

- Argo Group is currently restructuring and strengthening its Procurement function, and as such, is due to appoint a new Head of Procurement. The role description is intended to include a new responsibility of investigating and implementing the buying renewable sources of energy for our offices.

- We are also in the process of renegotiating a number of Information Technology service provision contracts and intend to include a requirement to provide information related to Greenhouse Gas ("GHG") emission performance in the service requirements. 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.

Principle 4.2	*Disclose our Scope 1, Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognized standard.*

Greenhouse Gas Emissions Data

In 2019, Argo Group launched a Group-wide initiative to capture, analyze, and report our GHG emissions and set public targets for reducing our emissions by 2021, based on 2019 as a baseline year.

In 2020, we continued to report on our GHG and were able to show year-on-year improvement. Further research and access to better data led to an update to our baseline report and triggered a recalculation, which we disclosed. This GHG inventory[21] and details on our methodology have been published on our external website.

The scope of our Scope 3 GHG emission data is currently limited to our own business travel. We also undertook an employee survey to understand our 2019 employee commuting travel footprint as part of the process of considering the future of the workplace, post-pandemic, as described under Principle 4.4.

We used 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 to quantify, monitor, report, and verify our Scope 1, 2, and 3 GHG emissions.

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 is beneficial for multi-national companies in different jurisdictions. Argo Group has full financial control of business activities and can implement policies to obtain economic advantages of the business activities conducted. This is the recommended consolidated approach for this assessment of equity share and financial control.

Anticipated further developments for 2021-2022:

- We anticipate continuing to improve the control of data quality over our Scope 1 and 2 GHG emissions as we revisit our office footprint as described under Principles 4.3 and 4.4. We expect to set forward-looking GHG emission reduction targets beyond our current 2021 objectives, in conjunction with plans to evaluate moving to renewable energy sourcing.

- We expect to start to broaden the boundary of our Scope 3 GHG emission analysis and reporting over time.

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21 Argo Group GHG Inventory – 2019 & 2020 https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/05/ARGO-GHG-Data.pdf

Non-comprehensive Water Footprint

In 2021, for the first time, we calculated our wastewater usage, for both 2019 and 2020, by doing a non-comprehensive water footprint report[22] 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 to improve our practices around more accurate disclosures and data collection. We did a sample analysis of the entire portfolio from the U.S., U.K., Brazil and Dubai. The calculations were based on researched average water consumption for an office building in the respective international location, headcount, and the assumption of 253 and 62 working days in 2019 and 2020. We had two locations in Bermuda where water data was available.

Anticipated further developments for 2021-2022:

- Having established a first baseline assessment of our water usage, we expect to drive improvement in data capture and analysis on a similar basis to our GHG emission data reporting.
- Once we have greater confidence over our water usage data, we will set reduction targets in line with changes in office footprint discussed under Principle 4.4.

All figures in the table below relate to Argo Group.

Scopes and categories	2019 Metric tons CO_2e	2020 Metric tons CO_2e
Scope 1 Direct		
fleet of cars	144.99	72.50
Scope 2 Indirect		
purchased electricity, heating, cooling from own use	3,195.10	2,634.72
Scope 3 Indirect		
business travel - air	6,767.46	1,302.63

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

business travel - rail	0.864	0.249
business travel - hotel stays	134.24	30.27
Total emissions (Scopes 1, 2, 3)	**10,242**	**4,040**
Water – annual consumption in m3	**20,598.234**	**5,547.664**

Figure 11 – Greenhouse Gas and Water usage summary

Historical Data

We have six years of historical for Scope 2 from AMA. It shows a steady increase year-over-year, except in 2018 where there was a reduction; where the organization moved into a new office space, resulting in an enhanced energy efficiency. The increase in electricity usage also correlates to the increase in employee count, as shown in the table below.

Historical Argo Managing Agency Data

Year	Scope 2: Indirect Emissions (t CO2e)	Argo Managing Agency Employee Count
2020	102.59	256
2019	118.98	234
2018	257.6	228
2017	270.7	224
2016	236.87	199
2015	186.16	181
2014	124.1	161

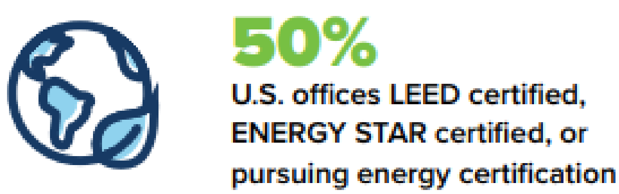
Principle 4.3	*Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.*

Sustainable Building Program

We recognize that buildings account for a significant proportion of GHG emissions through the use of heating and lighting. With this in mind, and our commitment to reducing our GHG footprint, the majority of buildings in our global portfolio that we lease have been equipped with environmentally aware and energy-saving features, including digital technology for video conferencing in meeting rooms.

- **U.K.**
    - BREEAM Refurbishment and Fit Out standard building with sustainable refurbishments installed to minimize our environmental impact.
    - There is also a cycle-to work scheme with on-site storage.
    - The office uses a high-efficiency variable refrigerant flow air conditioning system.

- **U.S.**
    - Half of the 14 office locations are LEED certified, ENERGY STAR certified or pursuing an energy certification.
    - Features include services that use green chemicals, hybrid parking stations, bike parking and LED lighting.



Anticipated further developments for 2021-2022:

We continue to assess how to improve our approach and do things better. We have included making sustainability performance a due diligence factor in selecting and reviewing our leased real estate. The offices that we will continue to lease will be evaluated for improvement opportunities to be more sustainable, energy-efficient and meet employee needs. This ongoing commitment is in line with our objective of supporting UN SDG 11: Sustainable Cities and Communities.

Impact on Internal Operations

The ability to track and report on GHG emission data has been highly beneficial in informing management decision-making over office and travel footprint.

The emissions and financial costs related to Scope 2 and 3 provoked conversations around setting reduction targets for the future. From our 2019 baseline year, reduction targets were set for emission rates, measured in metric tons of carbon dioxide (CO2) 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 we do not anticipate our travel level to return to pre-pandemic levels, given the change in business working patterns.

The Executive Committee has shown strong interest in tracking both the financial and environmental performance improvements achieved. The Executives has sent a clear message that they do not expect company travel to return to pre-pandemic levels. There is a conscious effort to operate differently and continue to utilize digital communication whenever possible.

We launched a new Travel and Entertainment Policy in 2021, which set out guidelines of which Company authorized travel tools are to be used when making reservations. The travel agents selected can capture data and expenses around travel, allowing us to better monitor and report on our progress achieved.

GHG emission performance has been included on the ESG KPI dashboard outlined under Principle 2.

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 the pandemic-related working from home arrangement was put into effect in March of 2020, we have evaluated alternative work arrangements. A steering committee was formed to consider the short and medium-term implications. A key element has been to ensure employee engagement in the process. There have been employee engagement surveys, pulse surveys, and global townhalls with open questions & answers using survey tools to allow a free exchange of information.

Post-pandemic, we believe that we will continue to have a significant number of employees working from home or operating on a hybrid basis between home and the office. We surveyed our employees, and all those planning to work remotely or in a long-term hybrid format have been issued with appropriate home office equipment.

This has led to a broader discussion of re-examining our real estate portfolio and reassessing which locations need to change to accommodate employees' needs and meet our future hybrid requirements. We expect this work will reduce our future GHG emissions.

The steering committee has been reassessing our business requirements around office space. A blended work environment with hot-desking mixed with traditional workspace will encourage people to move around the office and foster flexible work schedules while significantly reducing, and even replacing, the conventional commute. Return to Work and Remote Working groups are overseeing preparations, including employee engagement and planning.

These changes have created significant interest amongst Argo Group employees. A significant number of questions have been asked at global townhalls, demonstrating interest in how this enables improvements in our environmental performance. The new hybrid working arrangements and flexible workplace policy allow employees greater autonomy over their work schedules and allows them to choose greener commuting options that might not have previously been considered.

Employee Commuter Survey

Before transitioning to remote working in 2020 as a result of the COVID-19 pandemic, more than 800 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. Multiply 3.04 emissions per employee by 1,470 total Argo employees, and the result is 4,468.8 metric tons of carbon dioxide emitted by Argo each year in commuting alone.

Emissions shall be retroactively recalculated to reflect any changes that would otherwise compromise the consistency and relevance of our reported GHG emissions information.

Since conducting the survey, the pandemic has reduced Argo Group's footprint substantially, and that 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.

Philanthropy and Community Outreach

Argo Group employees give their time and money generously to good causes, including climate-related donations. Argo Group's Matching Gifts Program is committed to helping employees give back to 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, benefitting more than 1,500 groups each year. Since introducing 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 990 hours of volunteer service in their communities.

Recycling Programs & Innovative Ideas

We have recycling programs in our offices to support in-office recycling of waste streams 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. We partnered with Digitunity, a national donation technology platform, to repurpose our used electronics and IT equipment safely and securely. On our behalf, Digitunity coordinates with a network of local non-profits to provide repurposed computers and electronics to those in need. All retired digital devices have a second chance to be repurposed, keeping them out of landfills. We plan to have metrics to report on next year regarding the number of recycled devices.

We provide employee engagement materials on priority topics and use internal communication platforms to share best practices on innovative solutions for workplace issues. We have a digital platform, Argo Innovates, where employees can submit ideas on improving existing processes or products, reducing costs, or solving emerging risks in the industry. One such idea was around companies' supplies; we had discussions on tracking paper use, and we can do this by switching the way we order supplies. Employees can also vote and comment on their favorite ideas, track their progress and receive rewards for their efforts.

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.*

During 2020-2021, Argo Group made a conscious decision to increase its outreach and engagement with industry bodies, peer groups and academia. We have sought to be proactive in our communication whilst recognizing that we need to collaborate with others to make substantial progress.

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 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 the production of a paper entitled 'climate product innovation within the insurance sector,'[23] to which Argo Group's innovation team contributed as outlined under Principle 3.

Risk Officer Sustainability Forum

Argo Group was directly involved in the creation of a Risk Officer Sustainability Forum[24] ("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), and
- enabling open discussion amongst risk executives in financial services with Chief Risk Officer Senior Manager Functional accountability on how best to oversee and lead sustainability programs within their organizations.

Since its formation in 2021, the ROSF group has met twice and continues to develop its program. The initial meetings have considered the different Operating Models whereby the risk management function is involved in the sustainability program.

23 ClimateWise paper https://www.cisl.cam.ac.uk/news/new-climatewise-report-calls-greater-collaboration-across-insurance-industry-and-government

24 Risk Officer Sustainability Forum https://www.riskcoalition.org.uk/rosf

A presentation of the findings was made at the Risk Minds Conference in June 2021 under the title, *'The sustainable future: How can the CRO take a leading role in the discussions?'*[25]

Argo Group also contributed a blog post to the Risk Coalition on '*What is the relevance of the rise of ESG to Chief Risk Officers?*'[26] in March 2021.

Chapter Zero

Chapter Zero[27] is a directors' climate forum that engages discussions around climate change-related risks and opportunities and members to take the dialogue back to their boardrooms. Chapter Zero's initiative to help businesses 'build back better' post-COVID-19 has parallel concepts to our objective of 'going back better.' Our CR&SO is a member of Chapter Zero and prepared a video blog[28] to share thoughts and insight around the challenges of setting up our ESG program. Our Sustainability team is an active participant in webinars and roundtables organized by Chapter Zero, and this helps to inform our future work plans.

International Society of Catastrophe Managers – Climate Risk Event

In May 2021, the Lloyd's Market Association ("LMA") organized a speaking engagement on climate change, discussing the frequency and severity of extreme weather events and how this may affect the accuracy of natural catastrophe models in the insurance industry.

The LMA Exposure Management Working Group, in conjunction with the International Society of Catastrophe Managers, put together a panel of senior industry technical speakers, to which our CR&SO contributed. He presented on the importance of setting an overall ESG strategy, the need to put considerations of climate change into context and the value of reporting frameworks, such as TCFD.

The Chancery Lane Project and InsuranceERM

The Chancery Lane Project and InsuranceERM magazine co-hosted an event where industry experts collaborated on drafting clauses that support the insurance industry's transition to net zero emissions. Our CR&SO took part in a series of meetings and provided his insights and experience, as part of this market-wide initiative.

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25 Risk Minds Conference presentation https://informaconnect.com/riskminds-in-focus/speakers/alex-duncan-/#riskminds-in-focus-managing-climate-change-risk-and-esg_the-sustainable-future-how-can-the-cro-take-a-leading-role-in-the-discussions

26 Risk Coalition blog https://www.riskcoalition.org.uk/blog-posts/what-is-the-relevance-of-the-rise-of-esg-to-chief-risk-officers-x765a

27 Chapter Zero website https://www.chapterzero.org.uk/about-us/

28 Video Blog for Chapter Zero https://www.youtube.com/watch?v=tOnslHV2wIM

Interviews with A.M. Best and Insurance Day

In March 2021, A.M. Best hosted an interview with our CR&SO to discuss the nature of ESG disclosure frameworks. The interview touched on the importance of disclosure in driving change.

Argo Group also provided an article to Insurance Day on the topic of '*Focus: The Market's Approach to ESG Must be Strategic, as Well as Authentic.'*[29]

ORIC International

The ORIC International[30]-sponsored Operational Risk Best Practice Forum comprises members from over 50 international financial services firms that discuss critical priorities during the year. The Argo 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.

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.

Sustainability4Good

Argo Group has been supporting a mentoring scheme for young sustainability and environmental management professionals, managed by Principal People and through a charity organization called 'Sustainability4Good.' This involves the CR&SO participating in monthly mentoring meetings with four young professionals to help them become more effective in their roles to drive the adoption of climate change policies in their organizations.

Building Internal Capability

Argo Group has a strong commitment to personal and professional development. During the reporting period, the team associated with sustainability and Climate Risk have been developing their skills and qualifications.

As the executive lead for sustainability, the CR&SO has taken the opportunity to follow several distance programs related to sustainability to enable to articulate the case internally. These included two short courses, 'Business Sustainability Leadership' and 'Sustainable Finance,' provided by the Cambridge Institute for Sustainability Leadership.

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29 Insurance Day https://www.argolimited.com/the-markets-approach-to-esg/

30 ORIC International https://www.oricinternational.com

At the same time, the Sustainability Manager is participating in the master's program in Sustainability at Harvard University.

The Senior Risk Manager, charged with leading the Climate Risk Management framework development to address PRA requirements, completed the Sustainability and Climate Risk ("SCR") Certificate provided by the Global Association of Risk Professionals ("GARP").

Anticipated further developments for 2021-2022:

- Argo Group will continue to partner with other organizations, including industry associations, to progress the discussion of public policy matters related to climate change in the coming year, such as the development of the Risk Office Sustainability Forum agenda.

- The CR&SO is currently studying the Chartered Financial Analysis ("CFA") Institute Certificate in ESG Investment to support ongoing work on Responsible Investment.

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 working in collaboration with peers and stakeholders.

Association of Bermuda Insurers and Reinsurers ("ABIR")

Argo Group is a member of ABIR, and the CR&SO joined their newly formed Climate Risk Committee as outlined under Principle 3. As such, 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 Secto*r' and '*Environmental Policy*.'
- Bermuda Monetary Authority consultation on the application of ESG consideration of prudential regulation in the Bermuda insurance market.
- Insurance Development Forum programs aligned to United Nations Climate Change COP26 Conference.
- Responding to the European Insurance and Occupational Pensions Authority pilot dashboard on insurance protection gap for natural catastrophes.
- Responding to the Canadian Office of the Superintendent of Financial Institutions consultation on climate-related risks in the financial sector.
- Responding to the U.S. Securities and Exchange Commission consultation on enhanced climate change disclosure requirements.
- Responding to the New York State Department of Financial Services consultation on proposed climate change guidance.

Lloyd's Market Association

Argo Group has been chairing a Lloyd's market ESG Committee, as outlined under Principle 3. This committee has specifically considered best practices in climate risk reporting and disclosures, evaluating the relative benefits and challenges of operating under the GRI, SASB and TCFD standards.

Argo Group is also represented on the LMA Climate Risk Committee, which has specifically reviewed approaches to addressing Climate Biennial Exploratory Scenario in line with PRA expectations. This committee receives presentations from a range of consultants and industry experts on this topic and, working with Willis Towers Watson, undertook a market-wide survey of climate readiness aligned to TCFD. Additionally, they have received presentations from several natural catastrophe model providers on efforts to develop climate-related scenario analysis and stress tests.

Signatory UK Business Group Alliance for Net Zero

As part of the Cambridge Institute for Sustainability Leadership network, AMA supported a letter from business CEOs to the UK Government on a sustainable, resilient recovery for the UK. The letter calls on the UK Government to ensure that the economic recovery is aligned with the UK's broader goals and delivers clean, just improvements that create quality employment and build a more sustainable, inclusive, and resilient UK economy for the future. The letter is a joint initiative from the UK Business Group Alliance for Net Zero, which includes the Confederation of British Industry, The Prince of Wales's Corporate Leaders Group, Aldersgate Group, The Climate Group, and many more UK business groups.

Investment Management Analysis and Scenario Development

As outlined under Principle 2.2, AMA partnered with one of our investment managers to develop stress and scenario analysis related to climate change in line with PRA expectations under their Policy Statement PS11/19.

Anticipated further developments for 2021-2022:

- We continue to work with our investment managers and economic scenario generator providers to keep abreast of developing practices in this area and understand how we can partner with them to apply these tools and techniques to better manage our investment portfolio exposures.

- As outlined under Principle 3, we now meet with our major investment managers every quarter to discuss ESG matters. 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.

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.

Communicating our Climate Change Position

Our climate risk management position is shared with our clients through our external Corporate Responsibility webpage, which notably features content on our entire ESG program. We have a dedicated section on climate change and environmental issues.

This is the second 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 2021 Annual ESG Report.

We have shared two years of data with respect to Scope 1, 2, and 3 greenhouse gas emissions[31], along with a non-comprehensive water footprint report[32].

In 2020, we launched a new quarterly ESG-specific newsletter that is distributed to all employees and a targeted audience of 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, where individuals can subscribe using the form on our main Corporate Responsibility[33] webpage. Since its initial 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 issue the newsletter each quarter.

Customer conversations

During 2020-2021, Argo Group has increased its outreach to customers and business partners concerning sustainability as interest in the topic has grown substantially.

With respect to the AMA partnership with Tierra Underwriting Limited[34], 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 our sustainability program was being integrated over time into our business strategy. AMA was also able to respond satisfactorily to ESG due diligence surveys from specific Tierra banking clients.

31 Argo Group GHG Inventory https://d1hks021254gle.cloudfront.net/wp-content/uploads/2021/07/2021-GHG-Data-for-Entire-Portfolio.pdf

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

33 Corporate Responsibility newsletter enrolment https://www.argolimited.com/about/corporate-responsibility/

34 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/

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.

While they are less frequent, we have also started conversations with our insurance broker and reinsurance partners regarding sustainability.

National Association of Insurance Commissioners Climate Risk Disclosures Survey

Companies that have reached a certain threshold in earned premium are required to report annually on the financial implications of climate change to their businesses. The NAIC Survey[35] is sent annually to insurance companies that are licensed on their list of participating states, which in our case is in California. We intend to submit 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 also share climate-related information through our social media channels: LinkedIn (Argo Group), Instagram (@lifeatargogroup), Facebook (Argo Group), and Twitter (@argo_group). For example, on our Instagram feed[36] 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[37], climate-related posts about World Earth Day, and our response to reducing our office footprint.

Public Disclosures

We understand that customers, business partners, as well as investors, the public, potential new talent, and other stakeholders are interested in understanding how a company is performing when it comes to 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

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35 NAIC Survey https://interactive.web.insurance.ca.gov/apex_extprd/f?p=201:3:::NO:RP:P3_NAIC_YEAR:2019%20%2019801&cs=1230F7A5F884C4406FF7A597B4BE48872

36 @lifeatargogroup Instagram https://www.instagram.com/lifeatargogroup/

37 Argo Group Community webpage https://www.argolimited.com/about/community/

- MSCI
- S&P Global Market Intelligence
- ICE ESG Reference Data
- Institutional Shareholder Services (ISS)
- Sustainalytics

Our PRI transparency report, which includes climate-change related questions, is scheduled to be published on www.unpri.org and then on our Corporate Responsibility webpage in July/August 2021.

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

In compliance with U.K. government non-insurance financial reporting requirements, we disclosed our total greenhouse gas emissions for our London operations. Our carbon footprint for 2019 and 2020 was reported in accordance with SECR on behalf of AMA.

We are also in compliance with the reporting requirements under the U.K. ESOS regulations, which applies to all large organizations.

Building Energy Use

		Unit	2019	2020
10 Fenchurch Avenue	Electricity (Purchased)	kWh	354,305	330,044
	Cooling Electricity	kWh	52,848	37,789
	Heating Electricity	kWh	103,190	72,207
	Total	kWh	**510,343**	**440,040**

		2019	2020
Total Scope 2: Indirect Emissions	**MTCO2e**	**118.98**	**102.59**
Total Scope 3: Indirect Emissions	**MTCO2e**	**1,352.59**	**124.82**

Emission Factors

Country	Prodution 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

Anticipated further developments for 2021-2022:

- We believe that stakeholder expectations, including those of clients, will continue to increase with respect to the need for insurers to articulate an ESG strategy and provide evidence of performance improvement over time.
  - As such, Argo Group is committed to building on our work over recent years on climate risk analysis and management.
  - We intend to enhance our disclosures and publish our achievements publicly in our next annual ESG Report in early 2022.
  - By disclosing more, we will create further awareness to our clients around the Company’s position and how we intend to shape our product offerings over time.

- In 2021, we made our first PRI disclosures, and we are committed to widening our stakeholder communication.

- We intend to add the PSI to our list of disclosures for 2022. Reporting against their aspirational Principles is another exercise to measure ourselves against an additional set of criteria that can further identify areas for new opportunities for improvements.

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.*

External Communication

We help our clients understand and navigate climate-related risks through our published research and by way of our products and services. We are committed to making improvements. As we make strides incorporating climate with our investments and the scenario analysis, we will publish our disclosures on our stance and research.

Evidence in Principles 2 & 3.

Anticipated further developments for 2021-2022:

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[38] has identified that the lack of historical loss data is 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.

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

Principle 7

Enhanced reporting

Principle 7.1	*Submission against the ClimateWise Principles.*

Submitted Against All Principles

AMA is a proud founding member of ClimateWise, and we are delighted that Argo Group is officially a full reporting member. The research and guidance provided to the insurance industry by ClimateWise is valuable in supporting members in making strides forward in responding to the risks and opportunities of climate change and how they relate 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

The ClimateWise Principles has been made publicly available on our website and we will continue to do so.

Publishing our annual ESG Report[39] is now part of our business planning along with our annual disclosures in our Form 10-K[40] to the U.S. Securities and Exchange Commission.

39 Argo Group 2021 ESG Report https://www.argolimited.com/reports/2021-esg-report/

40 2020 Annual Form 10-K https://d18rn0p25nwr6d.cloudfront.net/CIK-0001091748/3bab2e05-36d4-4ab7-8467-1e234f0a7505.html

ARGO GROUP

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