Directors' Report *(continued)*

Energy and Carbon Reporting

The environmental impact of our people, our offices and our business operations is important to us. Our facilities team continuously works on finding ways to reduce the impact our operations have on the environment, such as shifting to compostable coffee cups, energy efficient lighting and a move to digitalisation of our filing system.

In line with the Streamlined Energy and Carbon Reporting ("SECR") reporting requirements, the Company has classified its carbon emissions into three categories:

- Scope 1 – Direct emissions
- Scope 2 – Indirect emissions
- Scope 3 – Other indirect emissions

Each of these has been discussed in turn below.

Scope 1 – Direct emissions

The principle activity of the Company is to underwrite Energy, Property and Casualty insurance business. There are no direct emissions relating to the underwriting of insurance business and the Company does not control or own any of the utilities it consumes. The Company therefore considers its direct tonnes of carbon dioxide equivalent ("tCO_2e") emissions to be nil.

Scope 2 – Indirect emissions

The Company business is conducted from two London-based offices, as well as across seventeen regional office locations. Whilst the Company itself has no direct employees and no lease agreement under its own name, it procures services, such as employees and office space, from its subsidiary, AEIS. The Company therefore defines its indirect emissions as the portion of AEIS' total emissions attributable to the Company's operations.

AEIS provides services to a number of Group entities. However, the regional offices leased by AEIS operate almost exclusively on behalf of the Company. Therefore, the carbon emissions of the regional offices have been 100% attributable to the Company. The carbon emissions of the two London-based offices have been allocated to the Company in line with headcount.

Applying this methodology, shows the Company used 337,528 KWh of utilities during the 2020 financial year, equating to tCO_2e emission of 78.69. As this is the first year the Company has measured its carbon emission, no comparatives have been provided.

Scope 3 – Other indirect emissions

The Company's other indirect emissions consist of emissions from business travel, both in rental cars and employee owned vehicles where the Company is responsible for reimbursing the fuel costs.

Due to the COVID-19 pandemic, business travel was highly restricted during the 2020 financial year. As a result, the Company's other indirect emissions were negligible.

As the restrictions imposed by the government in response to the COVID-19 pandemic are lifted, the Company is expecting to start producing other indirect emissions and is therefore expecting to see a significant jump in this metric for the 2021 financial year.

Intensity metric

The Board of Directors has considered which metric would be most appropriate to measure the Company's carbon footprint going forward. Due to the fact that the Company's business operations are not directly linked to carbon emissions, the Directors concluded that tCO_2e emission per full-time employee equivalent ("FTE") is the most appropriate measure.

Directors' Report *(continued)*

The tCO_2e per FTE for the 2020 financial year was 0.25, due to the offices remaining shut for the majority of the year in line with government guidance. The Company will continue to monitor its tCO_2e per FTE on an ongoing basis.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Company annual report and annual accounts in accordance with applicable law and regulations, including Financial Reporting Standard 102 "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" ("FRS 102"), and Financial Reporting Standard 103 "*Insurance Contracts*" ("FRS 103").

In preparing the Company annual accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, including FRSs 102 and 103, subject to any material departures disclosed and explained in the annual accounts; and
- Prepare the annual accounts on the basis that the Company will continue to write future business, unless it is inappropriate to presume that the Company will do so.

The Directors confirm they have complied with the above requirements in preparing the annual accounts.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Disclosure of Information to Auditors

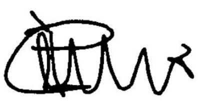
Each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as the Director is aware, there is no information relevant to the audit of the Company's annual accounts for the year ended 31 December 2020 of which the auditors are unaware; and
- The Director has taken all the steps that they ought to have taken in their duty as a Director of the Company in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed to the Board for approval at a future Board meeting.

Approved by the Board and signed on behalf of the Board by:



Pasquale Leoni
Director
Arch Insurance (UK) Limited
25 March 2021