

Introduction

This statement is made jointly by Arch Financial Holdings Australia Pty Ltd ABN 18 605 164 627, Arch LMI Pty Ltd, ABN 60 601 356 174 and Arch Lenders Mortgage Indemnity Limited ABN 60 074 042 934. This is our second Modern Slavery Statement for the financial year 1 January 2022 - 31 December 2022.

Our Corporate Structure

Arch Financial Holdings Australia Pty Ltd (“AFHA”) is an APRA-authorized non- operating holding company (“NOHC”). Arch LMI Pty Ltd (“Arch LMI”) and Arch Lenders Mortgage Indemnity Limited (“Arch Indemnity”) are subsidiaries of AFHA, and collectively, form the Level 2 insurance group (“Level 2 Group”).

Arch Indemnity is an APRA Authorised General Insurer and holder of an Australian Credit Licence. Arch LMI is no longer an APRA- Authorised General Insurer and provides services to Arch Indemnity and AFHA. Arch LMI intends to apply for an Australian Financial Services License in 2023.

AFHA is a wholly owned subsidiary of Arch Financial Holdings Europe III Limited (“Holdco III”), an Irish company. Holdco III is wholly owned by Arch Reinsurance Ltd (“Arch Re Bermuda”), a Bermuda company, which is wholly owned by Arch Capital Group Ltd. (“Arch Capital” or “ACGL”), a Bermuda company. Arch Capital is the parent holding company within the Arch group of companies (“Arch” or, the “Arch Group”).

Arch Capital is a publicly listed Bermuda exempted company that writes insurance, reinsurance and mortgage insurance on a worldwide basis. Arch Capital was formed in 2001 and now has over 5,000 staff globally and 35 employees within Australia.

Operations and Supply Chain

During the financial year 1 January 2022 to 31 December 2022, our principal business activity was the provision of Lenders Mortgage Insurance to Westpac Banking Corporation and other clients.

The Level 2 Group leverages the Arch Group’s capability where appropriate, including but not limited to:

- Information technology support;
- Investment management via Arch Investment Management Limited;
- Legal services;
- Human resources;
- Administration services; and
- Reinsurance via Arch Reinsurance Limited.

As an insurance provider, our external suppliers are generally limited to:

- Other professional service providers such as contractors and consultants;
- Information technology services;
- Hardware (equipment such as computer hardware, desktop and notebook PC's and routers);
- Software vendors (servers, firewalls, systems); and
- Office supplies.

Therefore the Level 2 Group's suppliers include products and services sourced in Australia and overseas (mainly located in the United States of America and provided by other Arch Group affiliates).

We do not operate as a producer or retailer of physical goods and have no supply chains relating to such activities.

We ensure that due diligence and control assessments are undertaken for any ongoing supplier and for individual purchases we use established businesses (those that have a reputation for a specific product, service, or process). The due diligence and control assessment include, but are not limited to, sanctions screening, financial viability assessment, and security assessments.

We are committed to working with suppliers that adhere to the same ethical and business standards as Arch. We will continue implementing new processes and developing our approach to evaluating supplier Environmental, Social and Governance ("ESG") performance and Anti-Modern Slavery practices.

Our Culture and Values

Honesty, integrity, and trustworthiness are core values that define our culture and drive our relationships with our customers, employees, business partners and suppliers.

As a result, the level 2 Group are committed to integrity in the conduct of our business in a way that is legal, ethical, and supports diversity and equal opportunity. We are guided by our parent company, ACGL, the principles expressed in the UN Universal Declaration of Human Rights, and we respect all internationally recognised human rights standards and modern slavery legislation by protecting our people, communities and people who entrust us with their business.

Our Policies

We have established or adopted the following policies to foster good business practice and behaviour, and mitigate the risk of Modern Slavery occurring within our business or suppliers:

- Arch Capital Group Code of Business Conduct
- Arch Capital Group Human Rights Policy
- Arch Capital Group Supplier Code of Conduct
- Arch Capital Group Third Party Service Provider Risk Management Policy
- Arch LMI Outsourcing Policy
- Arch LMI Whistleblower Policy

We review our policies annually and conduct assessment regularly to ensure incidents and issues related to Modern Slavery or Human Rights are identified and addressed as soon as possible.

We use ACGL's ESG program which focuses on five main pillars:

- Our People,
- Our Operations,
- Our Business,
- Our Responsible Investing and
- Our Commitment to Communities.

Through ACGL's sustainability reports, Arch shares the ESG strategy, priorities and the implementation of changes to simplify and prioritise key ESG topics. *Supply Chain Labor Standards* is one of Arch's key ESG priorities included in the ACGL sustainability report.

These pillars help us to communicate with our employees, customers, investors and communities to support our approach to combating Modern Slavery.

Our Risks and Actions

As part of our overall Risk Management Framework, we support our employees by providing training, clear policies and procedures, and performance monitoring and feedback.

Modern Slavery risks are identified and managed in line with the Level 2 Group's overarching Risk Management Framework. This includes identification of risks through targeted risk identification workshops, incident monitoring and external sources of information to help us better understand Modern Slavery risks.

Risks

Actions

As a financial Service Provider

As the provider of wholesale lenders mortgage insurance to banks and non-bank lenders, the risk that our customers’ activities that may involve modern slavery is considered relatively remote

We assess our customers’ corporate values and governance processes before entering into new arrangements. We rely on lenders conducting appropriate due diligence and risk assessments on their customers and will seek ongoing assurances from our customers that these processes are in place and operating effectively.

Prior to engaging new clients, we conduct a Due Diligence and Risk Assessment process that aims to understand the implications of working with new clients. Part of this process includes assessing their Modern Slavery Statements where available. The results of the due diligence undertaken by the Level 2 Group are presented to the Board for their consideration and acceptance or rejection in line with the business strategy prior to engagement.

Where Modern Slavery risks identified they will be highlighted for consideration as the appropriate level of controls if the provider is accepted. This may include an annual monitoring program.

As a purchaser of goods and services through our supply chain

There may be risk that the goods and services that we purchase have been created or provided with the use of modern slavery (Arch LMI and ALMI)

We have an Outsourcing Policy to ensure that due diligence is conducted before we select a service provider and monitor ongoing performance. We also have the ACGL Third Party Service Provider Risk Management Policy which is designed to identify and mitigate the risks associated with Arch’s use of and reliance on Third Parties.

We reserve the right to assess, audit, and investigate each supplier’s processes to ensure they are in line with our Supplier Code of Conduct. Suppliers must be able to provide timely and accurate proof of compliance with the Code on our request.

The Outsourcing Policy establishes the approach to the pre-implementation, and post-Implementation, processes for the selection, ongoing management, and monitoring of outsourced arrangements.

Prior to engaging with a new supplier, we complete and submit a SORT Form (Sourcing Onboarding Risk Tool) to the Arch Capital Group Centralized Vendor Management Group. The SORT reflects all required due diligence to be completed prior to execution of agreements and beginning of engagements. Once the SORT review process is finished, a Third Party Assessment Summary (TPAS) is provided, including the residual risk that the Third Party may pose to the Level 2 Group, any issues that were identified and any recommended remediation.

Risks	Actions
	<p>Sufficient resources are devoted to managing and monitoring each outsourcing relationship, depending on the importance of the activity. As part of the monitoring process, we have built a data base with all the contracts and suppliers. The purpose of this is having all the information in one place to allow the different teams to access the contracts when required.</p> <p>We also report on our contracts to Arch Capital Group, and we keep our data base up to date. As part of the reporting, the owners of contracts are notified of any changes, expirations, or renewals.</p>
As an employer	
<p>There is a risk that members within our workforce are involved in, or have been subject to, forced marriage, debt bondage or other modern slavery practices. (Arch LMI).</p>	<p>The Level 2 Group undertakes due diligence checks on new employees, including police and probity checks prior to them commencing their position. In addition, each employee must undertake mandatory Code of Conduct training.</p> <p>For employees in need, Arch Capital Group provides a number of support mechanisms including a confidential Employee Assistance Program. This service is available 24/7 and provides confidential counselling to all employees.</p> <p>Arch is in the process of reviewing its remuneration framework to ensure that all staff rights are provided in line with the law, and human rights practices in Australia. We take steps to ensure that individual employees are not exploited by working excess hours, and do not accrue excess untaken leave including through the use of a timesheet tracker of time-in-lieu and line manager discussions in using this time.</p>
As an investor	
<p>There may be a risk that the businesses we invest in use, are involved in or benefit from modern slavery. (The Level 2 Group).</p>	<p>Our Market and Investment Risk Policy requires us to provide oversight and monitoring of our investment portfolio. The AFHA’s Investment Management Agreement with Arch Investment Management Pty. Ltd requires suitable due diligence and oversight in accordance with the Outsourcing Policy and Market and Investment Risk Policy.</p> <p>We will continue to work with our investment manager through 2023 to better understand and mitigate Modern Slavery risks that may arise within our investment portfolio.</p>
As a supporter of the Community.	
<p>There may be a risk that the charities and/or that we support are involved in or benefit from modern slavery. (All entities)</p>	<p>Arch Group provides training and has a Community Giving Policy that only allows matching donations to tax exempt entities.</p>

Assessment of the effectiveness of actions

Arch aims to foster a culture where issues and incidents can be raised by staff without fear of retribution or reprisal. We maintain a Board approved Incident Management Policy and a Whistle Blower Policy in support of this aim. Ongoing monitoring and supervision of outsourced service providers also helps in the identification and management of Modern Slavery risks in our supply chain.

Reporting is provided to Management, and Boards at least quarterly to ensure effective understanding and management of risks, actions and any remediation required.

Where a potential incident has been reported, investigation is undertaken and if there is an incident a remediation plan developed and monitored until resolved. Where remediation needs to occur, we will endeavor to follow the UN Guiding principles.

We report at a Management level through our Risk Management Forum, Board and Board Risk Committees and reporting through to our parent company, the Arch Capital Group.

We will enhance our existing processes and reporting frameworks as we work to understand what additional assessment criteria might need to be developed to monitor our initiatives to combat Modern Slavery.

We will monitor our internal procedures and training attendance and we will review the outcomes of our business systems and processes to mitigate the risk of Modern Slavery occurring within our business, suppliers and business partners.

Currently, our Incident Reporting, Key Risk Indicators relating to training, incidents, material outsource providers, supplier assessments, and Whistleblower reporting have not revealed any instances of adverse Modern Slavery practices within the Level 2 Group or with our suppliers and service providers.

Consultation

AFHA has consulted with both its subsidiaries in establishing this Modern Slavery Statement. Each entity has endorsed this statement. AFHA has a centralised Risk and Compliance Function to ensure that proper identification, assessment and management of modern slavery risk are consistently practiced in all entities.

Continuous Improvement

A core Arch value is to continually pursue innovation and improvement. We believe that every product or process can be improved and always strive for improvement. We seek new ideas sparked by a diverse workforce and challenge ourselves and each other in a thoughtful, respectful manner. We commit to continually and proactively:

- a. Identify, assess and address Modern Slavery risk.
- b. Conduct regular training of our existing employees and new hires to foster high standards of business practice.
- c. Conduct due diligence and risk assessment of our supply chain, introducing new tools to assess the provision of services.
- d. Review and assess ongoing effectiveness and areas in which we can improve our risk management practice in modern slavery risk.
- e. Engage and collaborate with our stakeholders both internally and externally in preserving an appropriate and effective risk and compliance management practice in Modern Slavery.

As part of the continuous improvement in the outsourcing process for suppliers, we intend to enhance our Third Party Oversight Program to include General Monitoring Questionnaires to reduce the risk of Third Party non-compliance with relevant laws and regulations.

We will continuously work on revising and improving our actions to ensure integrity in the conduct of our business and strengthening the protection against modern slavery risks.

Other information

Arch Modern Slavery Progress to date

- **January 2021 to December 2021:** Introduction of Modern Slavery and Anti-Modern Slavery practices.
- **January 2022 to December 2022:** Implementation of new processes, including developing Australia specific all staff training that was delivered in March 2023 and will be updated annually, and strengthening of due diligence on suppliers by developing a Vendor Management Questionnaire to be implemented in 2023. We committed to review the outcomes of our business systems and processes to mitigate the risk of Modern Slavery occurring within our business, suppliers, and business partners.

During the Financial Year ended 31 December 2022, we monitored the effectiveness of our actions and conducted training to staff and we intend to implement new tools to assess the provision of services.

Approval of This Statement

This statement was approved by the Board of Arch Financial Holdings Australia Pty Ltd ("AFHA") and the Boards of its subsidiaries.

A handwritten signature in blue ink, appearing to read "Stephen Curley".

Stephen Curley – Chairman
Date: 29 June 2023

A handwritten signature in blue ink, appearing to read "D. P. Smith".

Damian Smith – Chief Executive Officer
Date: 29 June 2023