

**“ACCESS TO
JUSTICE
FOR ALL IS
FUNDAMENTAL
TO OUR
SOCIETY.”**

– Dr. Dr. h. c. Paul-Otto Faßbender –





Dear Readers,

My grandfather Heinrich Faßbender could not have known the significance of sustainability for us today. After all, the word has only been on everyone's lips since the Rio Conference on Environment and Development a mere 30 years ago. What is certain, however, is that he embraced the idea of responsible action: In 1935, he founded ARAG Rechtsschutzversicherung with the aim of giving everyone equal opportunities before the law, regardless of their financial situation.

This is a visionary business model and an attitude that is as relevant today as it was almost 90 years ago. A look at the Sustainable Development Goals (SDGs) of the United Nations is enough to prove this. There, ARAG's corporate purpose is reflected in SDG 16: That goal calls for the rule of law and access to justice for all people. As an internationally successful family enterprise, ARAG is also sustainable to its core. It has the wellbeing of the future generations in mind. And yet it is no longer enough for sustainability to be part of the ARAG DNA. Against the backdrop of new regulatory requirements and the growing demands for transparency and efficiency, we have rethought the issue and for the first time developed a binding Group-wide ARAG sustainability strategy. The basis is our founding principle, which clearly sets us apart from the other market players. The revised corporate principles, the ARAG Essentials, also played an important role in the democratic development process of the strategy.

This new sustainability strategy fleshes out and supplements the sustainability goals of the Group strategy and provides orientation. It defines what the Group wants to achieve in the three areas of environment, social and governance (ESG) in order to be sustainable. We place particular emphasis on the "S" in ESG. That lies at the heart of our business: Access to justice for all is a fundamentally social idea. We put this into action on ARAG Day, when we offer free legal advice on specific topics to people in need at all our locations worldwide.

The core values of integrity, appreciation and responsibility are deeply rooted in the ARAG Group and determine our relationship with customers and employees. As a family-friendly, international and cosmopolitan enterprise, we stand for equal opportunities and promote diversity and equality.

The new ARAG sustainability strategy describes our responsibility and ambition to make a significant contribution to sustainable transformation. It is not an end point, but a new beginning.

I wish you an interesting read, yours,

A handwritten signature in blue ink that reads "Paul-Otto Faßbender". The signature is written in a cursive, flowing style.

Dr. Dr. h. c. Paul-Otto Faßbender

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SUCCESSFUL THROUGH SUSTAINABILITY AND DIVERSITY

INTERVIEW

Dr. Shiva Meyer is the first woman on the Board of Management in the history of ARAG. In this interview, the psychologist and economist reveals what motivates her and what she would like to change.



KATHRIN KÖHLER



THILO SCHMÜLGEN

You started working for ARAG in 2020 and quickly climbed the career ladder. Was that the plan?

DR. SHIVA MEYER When talks with ARAG began and I took up my new position, I was totally focused on my function as Head of Human Resources Group. The substantive challenge was the determining factor for me.

What exactly was the challenge?

DR. SHIVA MEYER To give the HR work of a family-owned global insurance group a more international orientation. Six months later, it became clear that more responsibility was also planned in connection with me and the HR function. I therefore had six months until July 2021 to prepare myself personally and professionally for additional

responsibilities as a member of the Board of Management of ARAG Krankenversicherung.

What encouraged you?

DR. SHIVA MEYER Even during the application phase, I was struck by the care and foresight with which ARAG conducts its personnel planning and makes internal personnel decisions – that is certainly one of ARAG's success factors and, in my view, also a characteristic that sets family enterprises apart from other types of companies.

What is the current ARAG management board structure in terms of the number of women and people with a migration background?

DR. SHIVA MEYER The ARAG Group has a total of 17 board positions in four German

companies. There are three of us at Board level who have an immigrant background. In fact, in July 2021, I was also the first woman to hold a Board position. Since April 2023, two more women have joined the Board: One colleague on the Board of Management of ARAG Krankenversicherungs-AG and one on the Board of Management of ARAG Allgemeine and Interlloyd.

Could you explain how this proportion is represented internationally?

DR. SHIVA MEYER In our international subsidiaries and companies, more than a third of management positions have already been held by women for several years. In Germany, we have a 32.2 percent share of women at the first level below the Board of Management, and top management positions in market and customer-related func-



tions such as sales, product development and customer service are also filled by outstanding internal female candidates – a development that we will systematically continue in the coming years.

What have been the motivational factors along your professional career path so far?

DR. SHIVA MEYER In the first five years after starting my career, I was gripped by career zeal when things suddenly started to take off after the first big projects. In the following five years, it was more substantive motivation that came to the fore as I gained more and more insight into the “mechanics” of an organization – that’s where you learn respect for what you still need to understand in order to be able to make a real impact on the issues important to you. In

recent years, the idea of holding a top position began to appeal to me again, but from a different perspective than at the beginning of my career. I simply realized that the added value of my work is much greater when I can link my HR contribution directly to business issues.

How has everyday life changed as a board member?

DR. SHIVA MEYER De facto, the work on a committee with colleagues from the Board of Management is the major change. The year is packed with meetings of the Board of Management, the Supervisory Board and other committees in the department for which I am responsible. Decisions are made even less often on one’s own than in the past; after all, corporate responsibility is shared.



Dr. Shiva Meyer

The graduate psychologist and doctor of economics was born in 1983. She started her professional career at the Haniel Group in 2007. In 2012, she moved to Thyssenkrupp, where she was initially responsible for senior management development at Group headquarters before taking over as Head of Human Resources for the European business of the elevator division. In 2018, she became Senior Vice President Human Resources at the energy company Uniper. Since July 2020, she has been Head of Group Human Resources at ARAG SE. From October 2020 to June 2021, she was also General Representative of ARAG Krankenversicherungs-AG, Munich, and subsequently a member of the Board of Management of ARAG Krankenversicherungs-AG from July 2021 to April 1, 2023. There she was responsible for Human Resources and Social Services, Auditing and Data Protection. The Supervisory Board of ARAG SE has appointed Dr. Shiva Meyer to the Board of Management of ARAG SE with effect as of April 2, 2023. She has assumed responsibility for Group Human Resources/Group Internal Audit.

“ARAG has an enormous amount to offer as an employer. As a newcomer almost three years ago, I myself quickly sensed what the ‘yellow blood’ was all about.”

Dr. Shiva Meyer | Member of the Board of Management of ARAG SE

With your appointment to the Board of Management, you have added other tasks to your previous ones. How do you manage to find time for everything?

DR. SHIVA MEYER In fact, just as I was appointed to the Board of Management of ARAG Krankenversicherung in July 2021, we undertook the restructuring of our Human Resources division. None of this can be accomplished alone. For our numerous projects to succeed, a powerful team is needed. Fortunately, I have that in my new role as Group Board Member for Human Resources/ Group Internal Audit. Of course, I have also had to reorganize and recalibrate myself for the role so that I can continue to make a lot of things happen while remaining happy and level-headed.

What goals have you set yourself for the coming months and years?

DR. SHIVA MEYER ARAG has an enormous amount to offer as an employer. As a newcomer just under three years ago,

I quickly sensed what the “yellow blood” is all about and how the enormous average length of service comes about. The “social glue” that binds us together as an ARAG family is one thing – the other is the exciting substantive challenges of an independent mid-size company, where you can quickly become effective and get to work. We need to make this core asset of our employer brand even better known and anchor it in the talent market. This also includes getting even more potential out of our recruitment process so that the candidate experience from the first point of contact also delivers what the employer brand promises.

Other key objectives are the diversity of our workforce and fair access to development opportunities. As a legal insurer, it is ultimately our responsibility to be consistent in upholding our promise of equal opportunity internally as well. In addition, we need to manage generational change both nationally and internationally and build future competencies that are critical to success. If the pandemic and geopolitical impacts of recent years have taught us one thing, it is

that we must be resilient and adaptable. We therefore need the attitudes and skills to meet ever-changing demands. These include digital curiosity, innovative spirit and learning agility.

What do you understand by sustainable employee management?

DR. SHIVA MEYER As a family enterprise, we have been a living example of sustainability from the very beginning: Since its founding in 1935, ARAG has been thinking in terms of future generations, acting with prudence and foresight, trusting and building on the strength and success of its employees. Our new, forward-looking leadership principles, the “Leadership Essentials,” also provide support and orientation, especially in today’s complex corporate world, which many employees perceive as increasingly fast-paced and demanding. The three core principles “Know your family,” “Make your family grow” and “Make your family win” explicitly highlight the most important aspects of leadership and collaboration in our ARAG family: Central to this is a unique team spirit characterized by trust and respect, to strengthen innovation and diversity through leadership and to serve as an inspiring role model for change. Sustainable and at the same time modern management thus requires, above all, strong, self-reliant teams with a high level of cohesion and shared goals. As a leader, it is of key importance to take care of these teams, to recognize potential, to promote strengths, and overall to nurture motivating and productive interactions. A manager must be present in person and take responsibility for shaping each transformation.

Is this a competitive advantage for a company?

DR. SHIVA MEYER Sure. Leadership is a key factor in business success. This is especially true in today's highly competitive talent market. Studies consistently flag up the most common reason for quitting: People don't leave the company, they leave their supervisor! In addition to modern and sustainable leadership, modern framework conditions are crucial for attracting and retaining employees for a company. I am referring, for example, to attractive working time and work location models. Overall, many of these so-called "people issues" contribute directly to the strategic goals of our Group - in particular the goals "Essential Growth" and "Winning Spirit".

But isn't that a given?

DR. SHIVA MEYER The framework conditions for leadership and collaboration have changed significantly at ARAG in recent years. New Work - conditioned and accelerated by the Smart Insurer program and the COVID 19 pandemic - has given rise to new forms of working and thus also hybrid leadership. The ARAG Leadership Essentials take these changes into account and provide a reliable framework for shaping them. Shaping our (collaborative) work is our "Hybrid Work" model, which enables our employees to work flexibly from home or in the office. Specifically, ARAG supports this through the company agreement on mobile work. But how can we as managers help our employees in a hybrid work environment?

A healthy and safe working environment is essential for positive work performance and the wellbeing of our employees. That's why we take care to provide our employees with appropriate resources and support, for example through the offerings made under ARAGcare. To appraise the success of our measures, we analyze the data on employee satisfaction, which allows us to draw conclusions about employees' needs and concerns. This model encompasses satisfaction and the willingness to perform and is directly related to our Group goals.

Thank you for the interview

SUSTAINABLE LEADERSHIP IS NOT A FAD

Sustainable leaders know how companies benefit from Sustainable Leadership.

When it comes to employee management, there is currently more and more talk of "sustainable leadership". But what does that actually mean? One definition is that sustainable leaders look beyond the immediate, short-term benefits and see the role of their organization in a broader context. Sustainable leadership also requires a shift in the mindset of leaders. For example, it was formerly believed that employees were motivated to perform primarily by monetary rewards. This theory has become increasingly obsolete: It is becoming apparent that all employees fundamentally enjoy giving of their best if the overriding goals are considered meaningful. So it is not only financial incentives that boost performance; above all, the contribution made must be appreciated and perceived as valuable by the employee as well. Dr. Shiva Meyer: "I believe that sustainable leadership relies on independent employees who are capable of taking action. It is oriented toward the future, toward corporate goals, and develops

people and their potential. ARAG's new leadership principles, the ARAG Leadership Essentials, get to the heart of how we want to lead and work together at ARAG. Everything revolves around the three core principles 'Know your family', 'Make your family grow' and 'Make your family win'. The ARAG Leadership Essentials provide managers with modern leadership principles that enable them to translate the familiar fundamental values, the ARAG Essentials, directly into leadership action. Currently, the ARAG Leadership Essentials are being further integrated into everyday work: For example, in the new management and potential development, in the selection and onboarding of new employees and in staffing decisions. In the end, however, it comes down to our managers themselves: Only they can continue to breathe life into the unique corporate culture of the ARAG family, which is characterized by trust, respect and the will to perform, be inspiring role models in times of change and promote innovation, diversity and development. And thus continue to steer the ARAG Group family independently and successfully through challenging times in the future."

Separate combined non-financial report

Compliance with the CSR Directive Implementation Act

ARAG Holding SE has produced this separate combined non-financial report to meet the requirements of the EU CSR Directive (2014/95/EU) and of the German CSR Directive Implementation Act (CSR-RUG), which came into force in April 2017, and in accordance with section 341a (1a) in conjunction with sections 289b (3) and 341j (4) in conjunction with sections 315b (3) and 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB). The report applies to both the ARAG Group and ARAG Holding SE ('ARAG'). The non-financial disclosures relate to the reporting period from January 1 to December 31, 2022. The report encompasses all subsidiaries that are fully consolidated in the consolidated financial statements. Any deviations have been highlighted accordingly.

At the same time, the report also satisfies the reporting requirements for all subsidiaries subject to the same obligation (where such subsidiaries have included in their management reports a cross-reference to this sustainability report and the exemption this thus confers in respect of their own reporting obligation).

Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation

The EU Taxonomy Regulation defines a uniform classification system that enables investors and companies to assess whether specific economic activities can be classed as sustainable under the Taxonomy Regulation.

Article 8 of the EU Taxonomy Regulation provides that companies that fall within the scope of the EU Taxonomy Regulation and are required to publish a non-financial statement must disclose information on how and to what extent their economic activities are associated with the economic activities defined as sustainable in the EU Regulation. For insurance companies, this covers information relating to investing activities and to activities associated with the underwriting of risks. The first year's reporting for 2021 will focus on taxonomy eligibility and the disclosure of relevant qualitative information. Taxonomy alignment (checked against technical screening criteria) will only be relevant from 2023 onward. The regulatory requirements are published for the first time on page 31 onward in this separate non-financial report.

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Defining the relevant concerns and details

Specific non-financial aspects must be included in non-financial reporting – taking into account double materiality – in accordance with the German Commercial Code (HGB). To this end, ARAG most recently performed a materiality analysis in 2020. The auditing firm KPMG – in accordance with its mandate from the Supervisory Board – supported and reviewed the process of identifying the material topics as well as the findings of this process. Since then, the results of this materiality analysis have been reviewed once a year; the next full materiality analysis is scheduled for 2023.

For the 2022 report, the potentially material topics for ARAG were reviewed again by each department to ensure that they were up to date. Their positioning was also tested for plausibility and adjusted where appropriate. In this process, 16 topics were identified that are relevant to understanding the Company’s business performance, its position, and the effects of its activities on non-financial aspects under section 289c (2) HGB. The topics ‘Occupational health and safety’ and ‘Training and education’ were no longer considered material while ‘Ensuring access to the law’ was classed as material for 2022. In accordance with its mandate from the Supervisory Board, the auditing firm KPMG supported and reviewed the process of identifying the material topics and updating the findings for 2022.

The results were then presented to the Management Board of ARAG Holding SE.

Non-financial aspects pursuant to section 289c (2) HGB	Non-financial topics/ areas for action	Section of non-financial report
Social concerns	Corporate and management culture	1. Business model, governance, and compliance
	Ensuring access to the law	
	Guidelines and remuneration systems based on sustainability	
	Digital transformation	
	Customer focus and innovative customer offerings	2. Products, sales, and customer relationships
	Transparent products and services	
	Using sustainability criteria in investment	3. Asset and risk management
	Incorporating environmental, social, and corporate governance (ESG) risks into risk identification, management, and control	
	Using sustainability criteria in the underwriting policy and when setting insurance rates	
	Cyber risks and data protection	
	Social value generated	4. Corporate social responsibility
	Taxes	
Social and political engagement		
Employee concerns	Diversity, equal opportunity, and protection from discrimination	5. Employee concerns
Environmental matters	Climate-friendly operations	6. Environmental matters affecting operations
Prevention of bribery and corruption	Ethical governance and compliance	1. Business model, governance, and compliance
Respect for human rights	No relevant matters under CSR-RUG	

While the topic of human rights was not identified as having double materiality during the materiality analysis, it is of great importance to ARAG as an aspect of its corporate responsibility. This is reflected in the Company's HR policy, for example, and in its exclusion criteria for the management of investments. An analysis of possible reportable risks in connection with non-financial aspects found that after applying the net method and factoring in risk limitation measures, no material risks – as defined by section 289c (3) sentence 1 nos. 3 and 4 HGB – associated with the Company's business activities, business relationships, products, or services were identified that have or will have a very likely serious negative impact on the aspects referred to above.

The separate combined non-financial report has been voluntarily prepared in accordance with the Global Reporting Initiative (GRI) standards. It includes further non-financial information and performance indicators based on the GRI standards that are not required to be reported here. Cross-references to information not contained in this separate combined non-financial report and the management report constitute voluntary, supplementary information and do not form an integral part of the separate combined non-financial report.

The disclosures in the separate combined non-financial report were reviewed in accordance with ISAE 3000 (Revised) by KPMG AG Wirtschaftsprüfungsgesellschaft under a limited assurance engagement. The auditor's report is set out in the section 'Limited assurance report of the independent auditor regarding the separate combined non-financial report'.

1. Business model, governance, and compliance

Business model

ARAG is a provider of innovative, high-quality insurance, offering its customers not only its core legal insurance policies but also needs-based products and services in casualty and property insurance and health insurance business. It offers comprehensive services and risk cover with the aim of preventing and managing risks, for example in litigation, health, and pension provision. ARAG is the world's leading provider in its core business of legal insurance. ARAG's business model is described in more detail in section I. 'Group Fundamentals' in the group management report and forms the basis for the details set out below. Information on taxes, levies, wages, salaries, and pension payments, which also form part of ARAG's valuable contribution to society, can be found within the notes to the consolidated financial statements in the annual report. The consolidated balance sheet and consolidated income statement provided in the 2022 annual report present ARAG's economic performance (see the section 'Consolidated Financial Statements').

Corporate and management culture

ARAG relies on a robust corporate and management culture that provides orientation across the organization, sets targets, and thus ensures everyone is pulling in the same direction. This 'ARAG spirit' has become an important competitive factor. It has a positive impact on employees' motivation and performance, and thus makes an important contribution to the Group's business success. In 2021, a groupwide survey of the corporate culture was carried out. Its findings were presented in the reporting year and confirm how strongly the workforce identifies with the Company and its targets.

This corporate culture is enshrined in the ARAG Essentials and the associated ARAG Leadership Essentials. The ARAG Leadership Essentials encapsulate the requirements of modern leadership. The ARAG Essentials define the Company's principles and highlight the shared endeavors of ARAG's employees, managers, and owners. These guidelines include the Company's founding principles, self-image, corporate mission, and corporate values. The ARAG Essentials help employees to shape the Company's future with the customer in mind. The new ARAG Leadership Essentials were rolled out across the Group in 2022 along with new skills models.

Ethical governance and compliance

For ARAG as an insurance company, compliance with all legal and regulatory provisions is a fundamental prerequisite for retaining its business license and the trust placed in ARAG by customers and other stakeholders. For this reason, compliance has top priority in the Group and across the entire value chain. ARAG has put numerous internal regulations and processes in place to minimize compliance risk and avoid reputational damage and legal sanctions. The Compliance Guideline in particular provides important information on applicable external and internal requirements. Centralized and decentralized compliance functions are designed to ensure that the Company always acts in accordance with applicable regulatory requirements. Compliance topics are also regularly addressed as part of training measures. Senior managers are instructed according to the 'train the trainer' principle and are required to pass on the course content to their staff.

ARAG produces a compliance plan with appropriate measures that is based on an annual compliance risk analysis. Substantial compliance risks are identified through continuous monitoring of the regulatory environment and department-specific surveys at home and abroad, and then documented and presented in the management committees.

In the reporting year, the compliance function created a central depositary for all of the Group's policies and guidance. This will make it easier in the future to find and communicate all groupwide rules and regulations across all international branches and subsidiaries.

In 2022, the compliance function focused on financial sanctions imposed due to the war in Ukraine in order to ensure that no business relationships exist with natural persons or legal entities that are subject to sanctions.

In the reporting period, all employees in the German companies also undertook mandatory training on the topics of conflicts of interest, fair competition, antitrust law, and information security for the first time. One of the aims of the training was to familiarize all employees with how to deal with gifts and hospitality and to make them aware of all requirements concerning the disclosure of conflicts of interest. The sharing of information that could be of relevance from an antitrust perspective and the ramifications of such sharing were also covered by the new compliance training. Following the training, a list of antitrust dos and don'ts for dealing with business partners and events hosted by associations was published.

The annual compliance report informs the Management Board of the progress of implementation. The report also sets out what notifications were received through the whistleblowing system. ARAG employees can report suspected criminal behavior within the Group via whistleblowing platforms in Germany and at international ARAG offices. Whistleblowers can choose to remain anonymous.

In 2022, a new whistleblowing portal was set up in line with the Whistleblowing Directive (EU) 2019/1937. Reports can also be made anonymously via this portal in the future. Furthermore, complaints or concerns can be submitted to the German Federal Financial Supervisory Authority (BaFin) and to the ombudsman. Information about these options is set out on ARAG's website.

Ensuring access to the law

Access to the law

As the leading legal insurer worldwide, the ARAG Group believes it is its duty to facilitate easy access to the law for all. By upholding its founding principle to ensure and protect the equality of all people before the law, ARAG has been contributing to sustainable development – and especially to goal 16 of the United Nations' sustainable development goals – throughout its history. Building on that history and guided by its values set out in the ARAG Essentials – farsightedness, openness, discipline, drive, pioneering spirit, and fairness – ARAG continues to pursue its sustainable development.

With its innovative legal insurance products, it makes a significant difference in helping customers to obtain affordable legal protection and access to the law. ARAG aims to further improve this access as part of the sustainable transformation and thereby maintain democratic structures in the long term.

The sustainable transformation of the economy and society can only be successful if it is achieved on the basis of social and political stability. As a risk carrier, ARAG has a clear responsibility to make future and/or new risks manageable financially for every consumer. Legal insurance already makes a substantial contribution to ensuring equality of opportunity and broad access to the law. In order to achieve this aim, ARAG supports consumers in safeguarding and asserting their rights.

ARAG boosts consumers' rights in the essential areas of work, the home, physical and mental health, education and participation, equal treatment, and privacy, whether analog or digital. In addition, legal insurance can support consumers in legal proceedings relating to environmental offenses, for example proceedings against companies that do not meet sustainability requirements or do not comply with or meet related value propositions. Legal insurance is therefore a highly effective instrument for ensuring that consumers can have a direct influence on sustainable transformation processes. ARAG has also set itself the goal of integrating a sustainability review into its product development process. Reviewing whether to include sustainable benefits, services, or pricing features when revamping or designing legal insurance products will become a firmly established part of product development to ensure the new features are a meaningful addition to the product portfolio and offer added value for ARAG's customers.

Mediation – out-of-court conflict resolution

More than 85 years of experience as a legal insurer has shown that conflicts do not always have to be resolved in court. Mediation is a proven and forward-looking method of conflict resolution, which ARAG has offered since 2008 and continues to expand. ARAG's team of mediators comprises attorneys who have undertaken additional training to become a mediator. Experienced ARAG mediators attach great importance to avoiding legal disputes between the parties involved and to finding paths that can lead to an out-of-court resolution of the conflict. All legal provisions (the German Mediation Act [MediationsG]) are complied with and employees receive regular training.

Mediation is an established feature in all of the legal insurance products offered by ARAG. And non-customers can also make use of this service. ARAG offers mediation both in person and by telephone.

A major advantage of mediation is the time and expense that it saves. Customer satisfaction analyses show that more than 90 percent of participants in mediation proceedings are satisfied with the process and outcome, whereas the figure for court proceedings is just 30 percent. Furthermore, in conflicts involving employment law, mediation leads to a much quicker resolution. Its popularity with customers is also reflected in the number of such processes carried out in the past.

ARAG believes that, given the positive trend in recent years, there is potential for expansion of its mediation services. Where mediation is an option in conflicts, court proceedings can be avoided and the burden on the judiciary reduced. This quick and affordable method of dealing with conflicts is a significant step toward achieving the targets defined by the UN for SDG 16.

Justice Leaders – collaboration with a non-profit organization

In order to achieve the target set out in SDG 16.3 of access to justice for all, ARAG organized an initial meeting with the independent, non-profit organization Justice Leaders. The organization was founded in The Hague in 2015. It comprises around a dozen distinguished figures whose objective is to support governments and justice leaders to bring about change in legal systems and to promote the strengthening of the rule of law. As the leading legal insurer worldwide, ARAG strives to actively promote the rule of law. For ARAG's business model to work, a well functioning legal system – where conflicts are resolved, rights are asserted, frustrations are channeled, and violence is prevented – is essential. These factors forge society's trust in the legal system. Its existence is becoming ever more important in a world where climate change and sustainability are triggering far-reaching change that will inevitably require entire economies and communities to adapt.

This complex and critical challenge is too big, however, to leave to the ministries of justice, the courts, the bar associations, and the legal aid organizations alone. It requires new ways of collaborating, new functions, and new ways of working.

It calls for the innovative power, the wealth of ideas, and the capital of the private legal sector. In its first meeting with Justice Leaders, ARAG therefore sounded out new forms of collaboration between those responsible for applying the law and the private sector that can help to ensure access to the law for all. By deploying its innovative strength and collaborating more closely with Justice Leaders going forward, ARAG believes it is on the right path for developing innovative products and services tailored to the needs of customers, thereby helping to achieve the goals of the UN.

Guidelines and remuneration systems based on sustainability

Responsible remuneration management is an important part of ethical governance and is of particular importance to all companies within the ARAG Group. Competitive, performance-related remuneration is an important factor in attracting and retaining skilled staff and managers. At the same time, ARAG's remuneration policy incentivizes ethical behavior and minimizes risks or misincentives that could damage the Company and, by extension, its stakeholders too.

ARAG's remuneration policy is set out in guidelines for the Group and for the individual companies as well as in the remuneration management handbook. These guidelines apply to all international branches and subsidiaries. The remuneration management handbook sets out the general principles of the remuneration policy, the remuneration structure of the various function groups, the culture of salary adjustments, and the related processes. Targets play a central role in the remuneration systems, including with regard to variable remuneration components. Of the variable remuneration for Management Board members, 40 percent is linked to the attainment of short-term economic targets and 60 percent to the attainment of long-term economic targets. Performance is not only measured against economic targets, as social aspects such as fairness, openness, and farsightedness are also important. These criteria are based on the ARAG Essentials and are incorporated into the individual target agreements as qualitative assessment criteria.

Every year, the Group Human Resources Central Department examines the appropriateness of the target agreement system on behalf of the relevant Supervisory Boards. The findings of the review are presented to the Supervisory Board of the respective company, which can then form an opinion of the system taking into account the German Insurance Supervision Act (VAG).

To better reflect the objectives described above, the Total Rewards Department was established in 2021 as part of the restructuring of Group Human Resources. The department examines all matters of remuneration in a systematic manner.

Digital transformation

Digitalization is a key topic for ARAG that permeates all aspects of business activity and plays an important role in the Company's development. The digital transformation and the changes it entails are an integral part of ARAG's business in Germany and abroad.

For ARAG, digitalization is a customer-focused program of development that is supported by new technological possibilities. ARAG is investing in the expansion of its data analytics capacity in order to continuously improve data-driven decision-making for the customers' benefit and to position the Company as a pioneer of smart data. The findings of the Data Analytics department, for example, are used in the cost calculations for the latest generation of products.

In 2022, ARAG brought its Smart Insurer Program to a close. The program provided the central digitalization agenda for key development priorities, targets, and responsibilities in the Company's digital transformation. Its primary aim was to further enhance the customer experience through the use of digital technologies, particularly by streamlining

application and checking processes and by increasing transparency. The Group devolved the implementation and made a conscious choice to give individual responsibility to the management teams and the international branches and subsidiaries. Progress was measured by specific indicators tailored to the particular challenges and objectives.

The new strategy program ARAG **5-30** (ARAG Five to Thirty) marks the next major leap in the Group's development in the period up to 2030. It defines five areas of action with specific targets for the next eight years and provides a framework for all German and international ARAG offices. One of the five areas of action is Smart Insurer, the next stage of ARAG's digital journey. ARAG is forging ahead with a digital by default approach. The idea is to take a digital first approach for processes and to only use analog processes where they offer an advantage for the customer. For example, a solution was established for the legal insurance portfolio, which comprises more than 1.8 million policies, that makes it possible to provide multiple legal insurance customers with individual offers to upgrade their existing policies. The offers were for the latest rate scale incorporating innovative benefits. This customer campaign works for any division and is efficient and seamless, i.e. it does not depend on the format used.

Once they have registered, customers across all divisions can access almost all documents relating to their contracts via the 'Meine ARAG' online portal. For example, they can see their certificates of insurance, invoices, and correspondence for each contract and claim. Various services are available, enabling customers to quickly and easily register a change of address or bank details, report a claim, check the status of a reported claim, or access the online legal service and contact the relevant sales partner. Besides the option to register using a password sent by post, ARAG has offered its customers a fully digital registration process since November 2022. To register, a customer only needs to download the app from ARAG's service provider, Nect, scan their ID card, and take a short selfie video (liveness check). Following verification, a password is sent by text message and the customer can then register and start to enjoy the benefits of 'Meine ARAG' right away. Over 187,000 customers already use the customer portal, and an average of 140 new registrations are added every day. The advisory app launched in 2019 is continuously improved and enhanced with new features. In 2022, eleven updates were made to improve the user experience and the overall offering. The growing number of ARAG health app users is further proof that more and more customers are using digital services. At the end of 2022, the number of health app users reached around 227,000, which is 33,000 more than a year earlier. A total of 58 percent of all submissions – such as bills, prescriptions, and treatment and payment plans – are made via the app, and the fully automated processing of submissions only takes a few minutes.

Digitalization is also progressing in the divisions and business units. A range of chatbots are in use across the Group to ensure that queries from customers, brokers, and business partners are processed with greater speed and efficiency. Live online chats are also becoming more popular, and a new concierge bot connects customers to the right chat team.

Digital solutions also facilitate internal and external collaboration. For example, they allow sales partners who work exclusively for ARAG to manage the entire sales process digitally using their iPad, and to access all necessary information via a communications platform.

2. Products, sales, and customer relationships

Customer focus and innovative customer offerings

ARAG is a multifaceted provider of high-quality, innovative insurance, offering its customers in Germany not only its core legal insurance policies but also products and services in the casualty and property insurance and health insurance segments. The Company places great value on providing an innovative, needs-based product portfolio. All its business activities are focused on the interests of the customer, whether this is during the advisory stage, when the policy is being sold, when a claim is being made, or when managing contracts. The objective is to provide customers with optimum, personalized support at all stages.

Responsibility for product innovations lies primarily with the Sales, Products and Innovation function. New products undergo a clearly defined development process, during which ARAG incorporates, among other things, insights from sales, the claims and legal service, customer service, and the needs and wishes of customers. ARAG makes sure that it meets new legal and market requirements by following an end-to-end process encompassing all the departments involved. The process is subdivided into an upstream product pipeline process and a downstream product introduction process, an approach that has been consistently and efficiently refined. The product oversight and governance (POG) requirements are directed primarily at the manufacturers of insurance products (ARAG products). Under these requirements, ARAG must carry out a product approval process for all newly developed or extensively modified insurance products. By complying with the requirements, ARAG aims to ensure that all insurance products presented for sale satisfy the requirements of the specific target market. This prevents or reduces risks for customers at an early stage.

ARAG is also obliged to carry out suitable tests on insurance products and to regularly monitor and review these products. It does this, for example, by carrying out surveys of customers and sales partners, and by monitoring portfolio changes and claims ratios.

ARAG also monitors the success of its product innovations using sales revenue and profitability metrics, and participates in independent tests and ratings to ensure that its offerings are reviewed on a regular basis. The Group's products, services, and customer advice have won many awards that are testament to their quality. In 2022, for example, €uro-Magazin (published by Finanzen Verlag) awarded ARAG a Goldener Bulle for its ARAG Aktiv legal insurance.

Transparent products and services

ARAG is committed to ensuring that its products and services comply with all applicable national and international legislation and regulations and that product marketing meets all legal requirements. Among the most important regulatory requirements are the German Insurance Contracts Act (VVG), the German Insurance Supervision Act (VAG), legislation to implement the EU's General Data Protection Regulation (GDPR), the EU's Insurance Distribution Directive (IDD), and the guidelines published by the German Federal Financial Supervisory Authority (BaFin).

ARAG firmly believes that the transparency of its management and its clear and easily understandable products and services secure the trust of customers and employees and thus boost the Company's credibility and competitive position. The Company therefore attaches great importance to open communication in all its interactions with customers and staff. This fundamental position is enshrined in the ARAG Essentials and ARAG Leadership Essentials. All board-level departments at ARAG ensure that management and services are transparent. The Group Sales, Products and Innovation Department is responsible for the transparency of product information. ARAG uses various processes to ensure that it achieves its transparency objectives, including monitoring processes, legal checks to ensure compliance with key laws and regulations in Germany and abroad, and stringent approval processes in product development.

Making information about products and services understandable is one of the main challenges faced by the insurance industry. ARAG aspires to make its product information and contractual terms as straightforward as possible. It does so by explaining any necessary legal terminology through simple examples that are understandable for the layperson. As part of its standard practice, the Company also optimizes its insurance terms and conditions, brochures, and product information based on the criteria of the Hohenheim comprehensibility index (HVI).

Two new rate scale calculators were developed and implemented for ARAG Austria. The calculators are aimed at SMEs and at addressing legal risks in management. They provide even more transparency in risk identification.

3. Asset and risk management

Using sustainability criteria in investment

ARAG aims to live up to its reputation as a responsible company in its asset management activities, too, and therefore factors environmental, social, and corporate governance (ESG) criteria into all its investment decisions. As these bring an additional perspective into the risk assessment, they help the Company to gain a more rounded assessment of the risk/return profile of an investment.

A new, expanded version of ARAG's policy on using sustainability criteria in investment was adopted by the Management Boards of all ARAG insurance companies in 2022 and ensures a standardized approach to ESG criteria. The policy sets out ARAG's strategic aims regarding these criteria. ARAG aims to make its investment portfolio greenhouse gas-neutral by 2050 and thereby help to limit global warming to 1.5 °C in the long term. It has also set itself an interim target of cutting the carbon intensity (scopes 1 and 2) of equities and corporate bonds in the investment portfolio by 25 percent by 2025 and by 50 percent by 2030 compared with 2021.

Furthermore, the policy prescribes a negative screening filter that rejects investments from individual issuers and countries on the basis of certain standards, values, and sales revenue.

The negative list is based on the following criteria:

Standards-based: entities responsible for serious violations in the following areas:

- International Labour Organization (ILO) standards, including in respect of child labor and forced labor
- Human rights abuses
- Governance violations (including bribery and fraud)

Values-based: entities operating in contentious fields of business, specifically:

- Controversial weapons (entities that have any connection whatsoever to cluster munitions, landmines, biological/chemical weapons, depleted-uranium weapons, blinding laser weapons, incendiary weapons, and/or weapons with non-detectable fragments that are subject to UN conventions)

Sales revenue-based: entities operating in fields of business that are particularly harmful to the climate:

- Thermal coal mining (more than 10 percent of sales revenue)
- Non-conventional oil and gas extraction (more than 10 percent of sales revenue)

Countries and entities based in countries that meet at least three out of the five criteria are placed on an exclusion list; this does not apply to supranational issuers such as multi-lateral development banks. A strict ban applies, which means that any relevant securities in the portfolio are sold and no new investments may be made.

The exclusion list for countries is based on the following criteria:

- Corruption: Corruption Perceptions Index (CPI) (weak management flag)
- Democracy and human rights: Freedom House Index (not free status)
- Global Peace Index status (weak management flag)

The exclusion list is stored in the ARAG portfolio system to enable adherence to be permanently monitored. Any securities in the portfolio that are on the latest negative list but not subject to an immediate requirement to sell are monitored using portfolio limits. Further purchases are excluded using business limits. Existing holdings affected by the negative list must be disposed of within a transitional period ending in 2025 or held until maturity but not beyond 2030 at the latest. The investment management company HSBC INKA monitors funds' compliance with the negative list and country exclusion list. The negative list and the country exclusion list are applied directly to ARAG's fungible investments (direct investments and institutional funds).

ARAG's revised policy on using sustainability criteria in investment also stipulates that climate risks must be monitored in the new investment process for direct investments. Sustainability is now also an independent assessment criterion in the asset manager selection process. In the first quarter of 2022, ARAG signed up a new ESG data provider for this process. Investment in sustainable infrastructure projects is set to be further expanded as part of the current alternative investment program. Group Asset Management is responsible for implementing the policy.

The target reported in prior years for achieving the minimum sustainability standards for direct investments is not included in the new version of the policy and is therefore no longer disclosed as of 2022. This is due to the new and expanded catalog of criteria, the extended area of application, and the alignment with and focus on a greenhouse gas-neutral investment portfolio.

In line with the aim of continuously refining their approach to sustainable investment, the Management Boards of the ARAG insurance companies conduct a regular review of the current investment policies. No need for change was identified during the review for 2022, which was carried out in November 2022.

Incorporating ESG risks into risk identification, management, and control

As a company that takes the long view, ARAG attaches great importance to forward-looking risk management that takes emerging risks into account too. These include risks caused by climate change. Irrespective of their additional classification as sustainability risks, material risks are identified, analyzed, measured, and managed by the process owner as part of the existing risk management process. ARAG also takes sustainability risks into account in its own risk and solvency assessment (ORSA).

Sustainability risk was documented as part of the ORSA process and analyzed for the primary insurance companies and the Group in 2022. The insurance companies are impacted by sustainability risk to varying degrees, depending on their segment. Sustainability risk at Group level is classed as 'low' overall. Reputational risk is currently the most important aspect in this regard. The following other factors may be influenced by sustainability effects: credit and counterparty risk, market risk, liquidity risk, operational risk, underwriting risk, and strategic risk. The risk assessment is gradually being expanded by carefully considering sustainability effects in various risk categories on the basis of projection and scenario calculations. In the 2022 ORSA report, for example, scenario analyses were carried out for all subsidiaries on the potential impact of climate change on investments. The risk management approach is designed to ensure that any potential impact from sustainability criteria is fully incorporated into the solvency assessment based on current knowledge. To date, the impact of sustainability risk has not led to any significant changes in income or expenditure. Further developments will be closely monitored.

Using sustainability criteria in the underwriting policy and when setting insurance rates

Long-term corporate governance involves setting adequate insurance rates and the associated profitability of new business and portfolios. ARAG regularly reviews the calculation of its premiums and the profitability in the product lifecycle. Steps are taken as a result of the reviews where necessary.

ARAG takes sustainability risks into account across many areas in its underwriting policy and when setting insurance rates. The underwriting guidelines define ARAG's appetite for risk, for example, and which risks are not underwritten or only under certain conditions. The underwriting policy is further broken down by contracting guidelines at product level. Climate risk, for example, has a particular influence on the contracting policy and insurance rate setting of ARAG Krankenversicherungs-AG. It is likely that incidence rates of diseases such as allergies and asthma will increase due to shifting environmental influences brought on by climate change. Considerably higher temperatures can cause health issues such as heat stroke, heat exhaustion, or dehydration. Climate change also encourages other diseases, such as Lyme disease and skin cancer. These factors are taken into account when assessing risk.

In underwriting, ARAG attaches great importance to its (business) customers maintaining ESG standards. As a result, ARAG's underwriting policy dovetails with its sustainability strategy. ARAG does not work with partners that are known to disregard standards of human rights, decent working conditions, or equal opportunities, or that cannot document any steps they have taken to transform the ESG impact of their business.

Through a focused, appropriate, and up-to-date risk assessment, ARAG safeguards the risk structure of the existing collective and preserves capital to the benefit of all policyholders. The large number, and complexity, of current and planned regulatory changes requires more resources to be dedicated to staying up to date and to implementing regulations in reasonable time. Since the majority of the regulations are continually evolving, there is significant uncertainty among insurance companies when it comes to planning their implementation.

ARAG has also been considering sustainability when it comes to its products. At the moment, it is difficult to gauge the extent of sustainability-related opportunities on the product side. Nevertheless, ARAG's new products already have such a focus. ARAG's Top Special Service Package, for example, offers discounts for customers with electric cars and for those who use a season ticket for public transportation.

Cyber risks and data protection

As a result of increasing digitalization, ARAG is focusing more and more on data protection and on protection against cyber risks. It is therefore of the utmost importance to ARAG that it safeguards the confidentiality and security of the data it processes in order to maintain the trust of existing and potential customers, business partners, and employees. ARAG's comprehensive data protection management is based on a set of policies and written procedures that includes the ARAG Information Security Guidelines, the ARAG Information Security Standard, the ARAG Data Protection Guideline, and the ARAG Data Protection Management Policy. These rules are binding for all of the Company's employees. They are updated at regular intervals and can be accessed via the intranet.

In the digital age, data protection is an interdisciplinary function for which all departments need to take responsibility. The departments are supported by the data protection organization, which is led by the Chief Information Security Officer. In the 'three lines of defense' model, the Company's Chief Information Security Officer and Group Audit (third line of defense) monitor compliance with all data protection requirements on an ongoing basis. Independent auditors periodically check that the data processing programs are being used in compliance with the applicable requirements. The regular IT security inspections help to identify shortcomings in the IT security architecture so that appropriate measures for improvement can be initiated.

ARAG has been in compliance with the stricter rules on data protection that have been in place since the EU's General Data Protection Regulation (GDPR) came into force on May 25, 2018. This was certified in 2019 as part of an external review conducted by an auditor, which rated the overall implementation of the GDPR as "good to above average" in terms of how the mechanisms and processes are set up and organized. In addition to the binding provisions of the GDPR, ARAG also voluntarily complies with the German insurance industry's code of conduct for processing personal data.

In 2022, ARAG continued to work intensively on the implementation of the German Insurance Supervisory Requirements for IT (VAIT) and on the changes brought about by the EU's Digital Operational Resilience Act (DORA), which came into force in January 2023.

ARAG is continually adapting its business practices at its EU and non-EU locations to meet all applicable regulations governing data protection. In 2021, for example, the European Commission published new standard contractual clauses for data transfers between EU and non-EU countries. And in June 2021, the European Data Protection Board (EDPB) published the final version of its 'Recommendations on supplementary measures', which prescribes additional safeguards for personal data if it is transferred to non-EU countries with a level of data protection that the EU considers inadequate.

In 2021 and 2022, ARAG worked with an external law firm to check where the Group was still using old standard contractual clauses that lost their validity on December 28, 2022. This review was concluded on schedule on December 27, 2022. The identified contracts were first examined to see whether they had been transferred to a non-EU country. If that was the case, the underlying contracts were assessed against the new standard contractual clauses and a decision was made as to whether they were adequate. Steps were taken where shortcomings were identified. ARAG's privacy policy on its website was reviewed with an external law firm and brought into line with the latest requirements of the German Telecommunications and Telemedia Data Protection Act (TTDSG).

ARAG monitors data protection complaints on an ongoing basis and keeps track of the numbers so that it can assess the extent of compliance with data protection regulations in the Company's day-to-day business operations. In the event of a suspected breach of data protection, the first step for the data subject is to lodge a complaint with the relevant department. Approaching the Company's Chief Information Security Officer or the responsible data protection supervisory body directly is also an option.

Every two weeks, the member of the Management Board responsible for data protection is informed about the latest developments in data protection. In the event of reportable data protection violations, the relevant members of the Management Board are involved in the final review and approval of the report in accordance with the data protection management policy.

General and departmental training and information are used to raise employees' awareness of data protection and thereby continuously improve the level of data protection. The Chief Information Security Officer is responsible for highlighting data protection issues and does so by providing individual advice and training for employees. This is complemented by measures

to make employees aware of the issues, mandatory staff training, and the use of internal channels to communicate the latest information. In summer 2022, the basic data protection training that had been updated in 2021 became mandatory for all employees working in Germany. Most employees have now completed the training. Modules for employees working in data protection and modules on breaches of data protection have been added to the basic data protection training. Insights from the current training are collected and analyzed with a view to optimizing future training.

Training employees and making them more aware of the issues is also becoming more important in the context of the rising threat of cyberattacks. Employees are regularly informed of risks and attack scenarios, and shown how these attacks can be identified and blocked. Awareness of IT security is also raised through information on the intranet and an annual Security Day. ARAG's first national and international awareness campaign about phishing emails was launched across the Group in 2022. All employees will be informed about this widespread form of attack and offered training in their local language. A follow-up campaign using detailed scenarios has already kicked off. It will be complemented by a mandatory training program in 2023.

To ensure the security of its IT infrastructure, ARAG uses a range of systems, including firewalls, antivirus programs on servers and client systems, security features for software packages, and extended protection programs. ARAG is continually expanding its security infrastructure and has added tools such as Windows Defender ATP, Microsoft Defender for Endpoint, and Sentinel (SIEM). Other standard safeguards include regular updates to the operating systems and related software and databases. Business-critical processes are also reviewed and revised annually, and the majority of approvals require verification by a second member of staff. This has so far avoided any incidents of critical disruption to business operations.

4. Corporate social responsibility

Social value generated

In Düsseldorf, where it has its headquarters, the ARAG Group is a leading employer with more than 1,600 employees. The Company's activities also indirectly support many jobs in the supply chain and in sales. ARAG has a positive impact on the region's employment rate and plays a role in improving the attractiveness of Düsseldorf as a business location. As an employer, the Company also generates value for society at its international locations by providing stable, future-focused jobs. In Germany, ARAG hires the majority of managers for both of its main offices locally, i.e. from the federal states of North Rhine-Westphalia and Bavaria. The administrative offices of ARAG's international branches and subsidiaries are mostly located in major industry hubs. ARAG is able to recruit locally here too. No data on this is collected, however.

ARAG also promotes economic growth and employment in the regions where its international offices are based. In Spain, Italy, and Scandinavia, for example, ARAG is highly regarded as a market-leading company in the legal insurance segment. In the Netherlands, ARAG is one of the leading employers in the legal sector.

Taxes

Policyholders expect ARAG to conduct itself in accordance with its contracts and the law. With regard to its tax-related obligations, ARAG aims to meet them on time, correctly, and in full. ARAG's tax strategy is documented in internal guidelines and updated regularly. The senior management team at ARAG reviews and approves the tax strategy.

ARAG has organizational measures in place to ensure that it properly fulfills its tax obligations. The tax compliance system, which complements ARAG's existing compliance culture and organizational structure, plays an important role here.

ARAG's tax compliance system is defined as an internal control system. It structures tax procedures and processes. In addition, it identifies, documents, and assesses tax risks. Responsibility for this lies with the Tax Department, the Legal Department, and the Management Board.

As part of the compliance organization, the members of the Management Board responsible for each area regularly receive information on current tax matters from the heads of the Tax and the Legal Departments. Interfaces with tax risks are analyzed on an ongoing basis, and matters involving risk are assessed, documented, and passed on to the Management Board as required. Once a year, the Tax Department reviews the checks of the tax compliance system, which itself is monitored by the internal audit function.

The Tax Department at ARAG SE is responsible for ensuring that all German Group companies comply with the applicable tax regulations. The international branches and subsidiaries are responsible for compliance with local tax regulations. The tax situation at the international branches and subsidiaries is assessed using an annual tax compliance questionnaire. This questionnaire complements the tax compliance system implemented in Germany. The non-German Group entities are supported by tax consultancy firms in their respective countries to ensure compliance with local tax regulations.

ARAG makes the country-by-country reporting available to the German Federal Central Tax Office to the extent required. The tax reports for each country are not published as this is not required by German law.

Social and political engagement

As a family enterprise, ARAG places great value on linking corporate and social responsibility, especially where government agencies are not always able to step in with help where it is really needed. Based on these values, ARAG is involved in a range of development programs and initiatives. It aims to have a positive impact on quality of life and the economic climate in the local area.

For example, the 'Conflict Management in Schools' program was established in 2014 with the support of the Ministry for Education and Schools of North Rhine-Westphalia. The project focuses on the introduction of universal quality standards for conflict management, preventive measures, and intervention techniques. Nine training cycles have been carried out so far, with a total of 405 school mediators at 131 high schools and vocational colleges in different school districts across North Rhine-Westphalia taking part. Another cycle began at the end of 2022 with 24 participants from five new schools being trained as school mediators.

The proactive protection of children and young people against online threats is another key focus of corporate social responsibility at ARAG. Prevention covers developing media literacy, providing information and education, and raising awareness about the consequences of bullying. Since 2019, for example, ARAG has provided comprehensive, up-to-date information on this issue on the [hass-streichen.de](https://www.hass-streichen.de) ('crossing out hate') website. ARAG also supports the German Children and Youth Foundation (DKJS) in the field of digital education. Together, ARAG and DKJS launched the [bildung.digital](https://www.bildung.digital) ('digital education') program in 2017, which helps schools to develop their own digital education strategies and ensure that they become firmly established. The school development networks initiated by [bildung.digital](https://www.bildung.digital) in 2021 were completed on schedule in 2022. A total of 50 schools from eight federal states, including North Rhine-Westphalia, were selected to participate in cross-state networks and in networks aimed at strengthening education on European issues and fostering Europe-related knowledge and skills. This brought the second phase of the [bildung.digital](https://www.bildung.digital) program to a close. Overall, 173 people from 90 schools and eleven apprenticeship companies were directly involved in [bildung.digital](https://www.bildung.digital) offerings in 2022. A third phase is scheduled for 2023 and will be used to set up development networks in schools, grow the [bildung.digital](https://www.bildung.digital) brand, and establish new formats. The new formats will include coaching on microlearning and getting students involved.

As part of its corporate citizenship, ARAG strives to strengthen democratic institutions and maintain a dialogue with authorities and policymakers, as developments in the political and regulatory context have a considerable influence on the Company's business activities. ARAG SE manages the dialogue with policymakers on behalf of ARAG Holding SE through the Speaker of the Management Board and the Chief Representative. The purpose of the dialogue is to identify topics of relevance to both sides so that different points

of view can be identified and discussed at an early stage. Like the Group companies in Germany, the international subsidiaries are usually members of the relevant trade associations in their country, through which they provide input into policymaking. ARAG's political commitment includes donations to parties represented in parliament at federal and state level in Germany. The total amount of financial contributions to these parties came to €90 thousand in the reporting year.

5. Employee concerns

Diversity, equal opportunity, and protection from discrimination

Fairness and openness are key corporate values at ARAG. Its corporate culture is founded on inclusion and family-friendly structures. This mindset ensures that ARAG can remain fully compliant with the German General Equal Treatment Act (AGG), for example, and thereby avoid reputational risk.

Diversity is one of the five strategic areas of action on which ARAG will focus as a Group in the period up to 2030 (ARAG ~~5-30~~). Diversity and equal opportunities have long been enshrined in the corporate strategy and the corporate values. On this basis, ARAG aims to offer all employees the same opportunities for professional development, irrespective of age, nationality, marital status, or other personal circumstances.

The operational strategies of the Human Resources and Corporate Communications Departments specify measures to promote diversity and equal opportunities. ARAG offers flexible arrangements for all stages of employees' lives. This includes allowing them to work from home or elsewhere and allowing managers to work part time. The company agreement on remote working that came into effect in 2021 once again allowed ARAG employees in Germany to work flexibly from anywhere in 2022. Under the agreement, employees can work from home at least 40 percent of the time.

The representatives for employees with a severe disability and the anti-bullying officer at ARAG have specific areas of responsibility that help to promote equality within the Group. Employees can approach these representatives or the Works Council with any concerns. Representatives were also appointed at the Düsseldorf and Munich branches in 2022. Awareness of equal opportunities and protection from discrimination is raised among all managers with responsibility for staff as part of the training programs. In 2017, ARAG became a signatory to the corporate diversity initiative Charta der Vielfalt, which promotes diversity in companies and institutions and which has the former German chancellor Angela Merkel as its patron.

ARAG is an independent, family-owned insurer and bases its values-led culture on the Integrity Guideline that it introduced in 2022. This guideline defines the expectations for collaboration in the Group. It fleshes out the ARAG Essentials and supplements ARAG's Compliance Guideline. Mandatory training on the Integrity Guideline has been created for all German companies that explains the content in detail in a clear and interactive manner.

At the midpoint of 2022, the percentage of women at the first management level (F1) fell to 32 percent, while the proportion at the second level (F2) remained the same at 36 percent.

ARAG intends to increase the proportion of women in leadership positions until a gender balance has been achieved. To this end, it focuses on specifically including high-potential female staff in its succession planning.

Every year, ARAG performs a review to ascertain whether men and women have equal opportunities in the Group. It looks, for example, at the uptake of continuing professional development (CPD) and collects socio-demographic data from CPD measures, such as participants' age, gender, years of service, and hierarchy level.

6. Environmental matters affecting operations

Climate-friendly operations

ARAG factors environmental criteria into its investments and aims to continually reduce energy consumption and the associated greenhouse gas emissions in its own operations. ARAG aims to make its insurance investment portfolio greenhouse gas-neutral by 2050. The overarching aim is to limit global warming in the long term, ideally to 1.5 °C. ARAG has set itself interim targets of cutting the carbon intensity (scopes 1 and 2) of equities and corporate bonds in the investment portfolio by 25 percent by 2025 and by 50 percent by 2030 compared with 2021. The Company is thus helping to combat climate change and fulfilling its duty to use resources carefully and responsibly.

ARAG calculates its total emissions, covering all branches in Germany and abroad. To make the collection of individual consumption data more effective and user-friendly, ARAG digitalized the calculation of emissions in 2022. It now uses software from service provider ClimatePartner GmbH. The calculated figures are also made available to the international ARAG subsidiaries. Under the new digital method of collecting data, emissions sources are reported by scope 1, 2, and 3. The scope 3 categories that are analyzed are purchased goods and services, waste generated in operations, business travel, and employee commuting. Thus ARAG exceeds the legal requirements for calculating greenhouse gas emissions.

In 2021, the ARAG Group reported unusually low consumption and emissions figures due to the COVID-19 pandemic and hence 2021 is only of limited use as a reference year for comparisons with 2022.

In the reporting year, energy consumption in Germany came to 15,394 MWh. Greenhouse gas emissions (scopes 1 and 2) amounted to 2,594 tonnes of carbon dioxide equivalent (t CO₂e). Globally, ARAG's energy consumption totaled 24,673 MWh and greenhouse gas emissions (scopes 1 and 2) stood at 4,861 t CO₂e. As the method of collecting and analyzing data was changed in the reporting year, the prior-year figures cannot be directly compared with those of the reporting year.

As an internal service provider, Facility Management largely controls energy consumption and the associated CO₂ emissions. In Germany, the Purchasing Department is responsible for buying in energy and for putting all related services out to tender in the market. ARAG knows that energy consumption and emissions can only be cut with a concerted effort from all employees and managers. The Company therefore hosts regular training events in Germany in cooperation with external specialist companies and experts to address topics such as lighting and lighting technology, ventilation and air conditioning, heating, elevator technology, soundproofing, and emission protection in office environments.

For the ARAG Tower, the company-owned head office building in Düsseldorf, ARAG commissioned a review in 2007 to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Conservation Ordinance (EnEV). The energy benchmark shows that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings from the same period. ARAG endeavors to improve these figures continuously and conducts optimization measures to this effect in Düsseldorf and at other sites. These focus in particular on building operations and encouraging climate-friendly travel.

ARAG's international subsidiaries also strive to reduce energy consumption at their locations. The circumstances under which they do so vary greatly from country to country. In some places, there is very little scope for action because office premises are rented and ARAG is therefore limited in its ability to influence energy saving measures.

International subsidiaries nevertheless frequently find ways of lowering consumption. ARAG Italy, for example, joined forces with a consultancy to analyze traffic flows for employees' commutes to and from work in 2021. Recommendations were derived from the analysis and implemented as part of the ARAG Smart Working Policy. They include a guideline on working from home that aims to reduce greenhouse gas emissions generated by commuting.

Regular energy audits are also carried out at 27 subsidiaries in line with applicable laws. They are used to identify and implement improvement measures.

In 2021, ARAG SE and its subsidiaries in Germany took part in an energy audit for the second time. The audit is carried out every four years in accordance with the German Energy Services Act (EDL-G). Among other things, the audit records and describes a company's current energy footprint and its main consumers of energy. It also identifies opportunities for savings and evaluates measures in terms of costs and energy saved.

The audit's findings also reveal that the buildings and facilities run by ARAG are in very good condition. Checks and maintenance are carried out reliably and at regular intervals. Capital-intensive measures to reduce energy consumption are systematically implemented.

Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation

Under Article 8 of Regulation (EU) 2020/852 (EU Taxonomy Regulation), companies that are required to publish a non-financial statement (Non-Financial Reporting Directive [NFRD] obligation) must disclose key performance indicators (KPIs) relating to their taxonomy-related economic activities.

For insurance and reinsurance companies, this includes both investing activities and underwriting activities. The underwriting activities are only relevant to non-life and reinsurance business. At present, the EU has published requirements for environmentally sustainable economic activities for two environmental targets and determined which economic activities are taxonomy-eligible. When assessing taxonomy alignment, the technical screening criteria (TSC) for the relevant economic activities apply.

As in 2022, the disclosures in 2023 will be limited to information about taxonomy eligibility. Information on taxonomy alignment will follow from 2024 onward, beginning with the 2023 financial year.

There is growing public interest in sustainable investments, and they are closely associated with the EU taxonomy. ARAG plans to integrate the new regulatory requirements of the EU taxonomy in full into its sustainability and ESG strategies, and into its product design. In the first few years of reporting, ARAG primarily focused on implementing the regulatory requirements.

Insurance

Insurance activities that fall under the EU Taxonomy Regulation and cover climate-related hazards are called taxonomy-eligible, while activities that also meet granular technical screening criteria and other requirements are called taxonomy-aligned.

The extent to which ARAG's insurance activities are considered taxonomy-eligible is determined by the ratio of taxonomy-eligible gross premiums from non-life insurance business to total gross premiums from non-life insurance business. The bulk of gross non-life premiums written are for legal insurance, which is taxonomy-non-eligible according to the EU Taxonomy Regulation. Gross premiums considered taxonomy-eligible relate to certain

insurance activities (except life insurance) from specific lines of business (LoBs)⁵⁾ that can be classified under NACE code K.65.12 and are related to the cover of specific climate-related hazards. In this case, it is a taxonomy-eligible, enabling economic activity. Accordingly, the proportion of taxonomy-eligible gross premiums in the non-life business amounts to approximately 9.4 percent, and the proportion of taxonomy-non-eligible gross premiums in the non-life business to 90.6 percent.

Products are considered taxonomy-eligible if they have both a direct and an indirect link to climate-related hazards in the insurance terms and conditions.⁶⁾ The Climate Delegated Act⁷⁾ contains a list of climate-related hazards, which is an indicative, non-exhaustive list of the most widespread hazards. Following the publication of the act, the individual features⁸⁾ of ARAG's products were analyzed with regard to their coverage of climate-related hazards involving temperature, wind, water, or solid mass. The analysis is based on data for the premiums of individual product features provided by the Finance and Accounting Department or extracted directly from the SAP systems. Additional information provided by the international units was also factored in. The allocation of gross premiums from Spain and Portugal to the individual product features was based on the related sales revenue. Once all the required data had been made available, it was validated by the central project team and then analyzed according to the criteria outlined above.

⁵⁾ The following insurance activities belonging to NACE class K.65.12 (non-life insurance) are potentially taxonomy-eligible activities:

- LoB 1: medical expense insurance
- LoB 2: income protection insurance
- LoB 3: workers' compensation insurance
- LoB 4: motor vehicle liability insurance
- LoB 5: other motor insurance
- LoB 6: marine, aviation and transport insurance
- LoB 7: fire and other damage to property insurance
- LoB 11: assistance

LoBs 3 and 6 are not part of the ARAG portfolio.

⁶⁾ The European Commission has confirmed the view of the umbrella organization Insurance Europe, so the definition of taxonomy eligibility applies to those insurance products that implicitly or explicitly cover climate-related hazards. The associated premium income should be put in the context of the total gross premium from the non-life insurance business. Source: https://finance.ec.europa.eu/system/files/2022-01/sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en.pdf

⁷⁾ Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

⁸⁾ The analysis of the individual product features has been carried out at cost-unit level. This is a conservative approach, as a product can comprise more than one cost unit. Accordingly, this approach is more granular than an analysis based on product classes.

Investments

In the first few years of EU Taxonomy Regulation reporting, insurance companies are publishing information about how and to what extent their activities are associated with economic activities that can potentially be considered environmentally sustainable. In addition to the qualitative and quantitative information on the insurance activities, disclosures should also be provided regarding any investments made. Information is disclosed on whether investments are directed at funding taxonomy-eligible economic activities. Under the rules of the EU Taxonomy Regulation, exposures to central governments, central banks, and supranational issuers are excluded from the numerator and denominator when calculating the KPIs. Certain investments (e.g. derivatives, companies that are not obliged to publish a non-financial statement) are also excluded from the numerator.

The calculation of the KPIs for the taxonomy eligibility of investments is carried out in line with Article 10 of Delegated Regulation 2021/2178 supplementing Article 8 of the Taxonomy Regulation. Total investments are defined according to Annex IX of the Delegated Regulation.

The following asset classes were included in the calculation of the proportion of taxonomy-eligible investments.

Stocks (direct/indirect)	Real estate (direct)	Infrastructure funds
Bonds, excluding government bonds (direct/indirect)	Real estate funds	Equity investments in infrastructure
Government bonds (direct/indirect)	Equity investments in real estate	Infrastructure loans
Green bonds (direct/indirect)	Real estate loans (personal)	Loans on policies
Derivatives	Real estate loans (business)	Intangible assets
Equity investments	Equipment	Other asset items: cash, receivables, etc.

Calculation base

For all assets that fall within the scope, the carrying amounts from the consolidated financial statements prepared in accordance with the German Commercial Code (HGB) are used. The basis of consolidation used for ARAG Holding SE is the one defined in the consolidated financial statements.

Use of mandatory published information

Due to a lack of data, investments in companies that are not obliged to publish a non-financial statement are excluded from the numerator. The KPIs disclosed are based on the data published by investee companies. To calculate their own KPIs, financial undertakings use the most recent data and KPIs available from their counterparties. As a result, no estimates are made in this context.

Cash and receivables are not included in the calculation of the numerator for all KPIs as it has not been clarified whether these asset classes are suitable for funding environmentally sustainable economic activities. The asset classes are included in the denominators.

The published data of the individual counterparties that is required for assessing the taxonomy eligibility of liquid assets in the public markets segment was obtained from the relevant data provider. Where data was not available, other associated data providers or relevant publications were used. Only data available by February 28, 2023 was used as the basis for the assessment. Investments for which no information can be ascertained regarding the issuer's obligation to publish a non-financial statement were assigned to the category 'Companies not obliged to publish a non-financial statement'. Where companies are obliged to publish a non-financial statement but no further data is available about the company, the category 'Companies obliged to publish a non-financial statement – data unavailable' is used and the relevant proportion of the investment is assigned to the non-taxonomy-eligible exposure. In the case of investments in investment funds that ARAG held as of December 31, 2022, a review of the individual assets within the funds and the issuers behind them was carried out and the availability of data on taxonomy eligibility checked.

Obtaining data for non-liquid assets, which at the ARAG Group include real estate (direct investments, loans, equity investments/funds) and infrastructure investments (equity investments/funds), is still difficult and incomplete. ARAG's own analyses and external data procurement via partners (including external asset managers), counterparties, departments (including scores for 'real estate' and 'infrastructure'), co-investors (in the case of investments via funds and investment vehicles), trade associations/initiatives (BVI, BAI, PRI, ECORE, ZIA, etc.), and public data sources are all included. Each asset manager and portfolio manager was asked about the availability of relevant information.

Calculation of KPIs

The purpose of the KPIs disclosed by the insurer is to illustrate the extent to which the insurer supports or funds taxonomy-eligible economic activities. Unlike for the other KPIs, the denominator for KPI 3 is calculated using total investments including government bonds in order to increase the informative value of KPI 3.

Process steps for calculating taxonomy KPIs

- Calculation of holdings at the level of individual assets in the management system on the reporting date
- Addition of published taxonomy data points supplied by the data provider for each asset to existing data
- Review and validation of the obligation to publish a non-financial statement and of taxonomy data from the data provider using random samples; incorrect data is corrected and any missing data is added

- Categorization of assets by
 - Financials
 - Central governments/banks
 - Derivatives
 - Cash
 - Liquid assets
- Filtering of special cases, such as land
- Quality assurance of data
- Aggregation and consolidation of the data for ARAG Holding SE for the calculation of taxonomy KPIs at Group level
- Calculation of taxonomy KPIs
- Validation of the calculations

Taxonomy KPIs for the assets (2022)		(%)
KPI 1.1	Proportion (as a percentage of total investments excluding government bonds) of risk exposures for taxonomy-eligible economic activities (sales revenue-based)	14.5 %
KPI 1.2	Proportion (as a percentage of total investments excluding government bonds) of risk exposures for taxonomy-eligible economic activities (CapEx-based)	16.6 %
KPI 2.1	Proportion (as a percentage of total investments excluding government bonds) of risk exposures for non-taxonomy-eligible economic activities (sales revenue-based) *	46.4 %
KPI 2.2	Proportion (as a percentage of total investments excluding government bonds) of risk exposures for non-taxonomy-eligible economic activities (CapEx-based) *	44.5 %
KPI 3	Proportion (as a percentage of total investments) of risk exposures to central governments, central banks, and supranational issuers not included in the numerator and denominator	27.2 %
KPI 4	Proportion (as a percentage of total investments excluding government bonds) of derivatives not included in the numerator	0.1 %
KPI 5	Proportion (as a percentage of total investments excluding government bonds) of risk exposures to companies that are not obliged to publish a non-financial statement under EU law, and are not included in the numerator	32.4 %

* Of which 1.3% are in the category 'Companies obliged to publish a non-financial statement – data unavailable'.

Limited assurance report of the independent auditor

To the Supervisory Board of ARAG Holding SE, Düsseldorf

We have performed a limited assurance engagement on the separate combined non-financial report of ARAG Holding SE and the ARAG Group ('the Company') for the period from January 1 to December 31, 2022.

Responsibility of the legal representatives

The legal representatives of the Company are responsible for the preparation of the separate combined non-financial report in accordance with sections 341a (1a) and 341j (4) in conjunction with 315c (3) as well as sections 289c to 289e of the German Commercial Code (HGB) and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ('EU Taxonomy Regulation') and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in the 'Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation' section of the separate combined non-financial report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the separate combined non-financial report and the use of assumptions and estimates for individual non-financial disclosures that are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls that they deem necessary for the preparation of a separate combined non-financial report that is free from material misstatements, whether due to fraud (manipulation of the separate combined non-financial report) or error.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. In the 'Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation' section of the separate combined non-financial report, the legal representatives have therefore included a description of their interpretation of the EU Taxonomy Regulation and the supplementing Delegated Acts. They are responsible for the tenability of this interpretation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of this interpretation is subject to uncertainty.

Independence and quality assurance on the part of the auditing firm

In performing this engagement, we complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner's responsibility

It is our responsibility to express a conclusion on the separate combined non-financial report based on our work performed within a limited assurance engagement.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' published by the International Auditing and Assurance Standards Board (IAASB). Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the separate combined non-financial report of the Company has not been prepared, in all material aspects, in accordance with sections 341a (1a) and 341j (4) in conjunction with section 315c and sections 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the legal representatives' interpretation as disclosed in the 'Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation' section of the separate combined non-financial report.

As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgment.

Within the scope of our engagement, we performed – among others – the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for ARAG Holding SE
- A risk analysis, including media research, to identify relevant information on ARAG Holding SE's sustainability performance in the reporting period
- Evaluation of the design and implementation of systems and processes for the collection, processing, and monitoring of disclosures – including data consolidation – on environmental, employee, and social matters, respect for human rights, and combating corruption and bribery
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions, and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends for quantitative disclosures as reported at Group level by all sites
- Assessment of the overall presentation of the disclosures
- Inquiries of responsible employees at Group level to obtain an understanding of the approach used to identify relevant economic activities in accordance with the EU taxonomy
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the separate combined non-financial report

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that cause us to believe that the separate combined non-financial report of ARAG Holding SE for the period from January 1 to December 31, 2022 has not been prepared, in all material aspects, in accordance with sections 341a (1a) and 341j (4) in conjunction with section 315c and sections 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation as disclosed in the 'Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation' section of the separate combined non-financial report.

Restriction of use/General Engagement Terms

This assurance report is issued for the purposes of the Supervisory Board of ARAG Holding SE, Düsseldorf, only.

Our assignment for the Supervisory Board of ARAG Holding SE, Düsseldorf, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, April 28, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Winner
Wirtschaftsprüfer
(German Public Auditor)

Müller
Wirtschaftsprüfer
(German Public Auditor)

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General disclosures

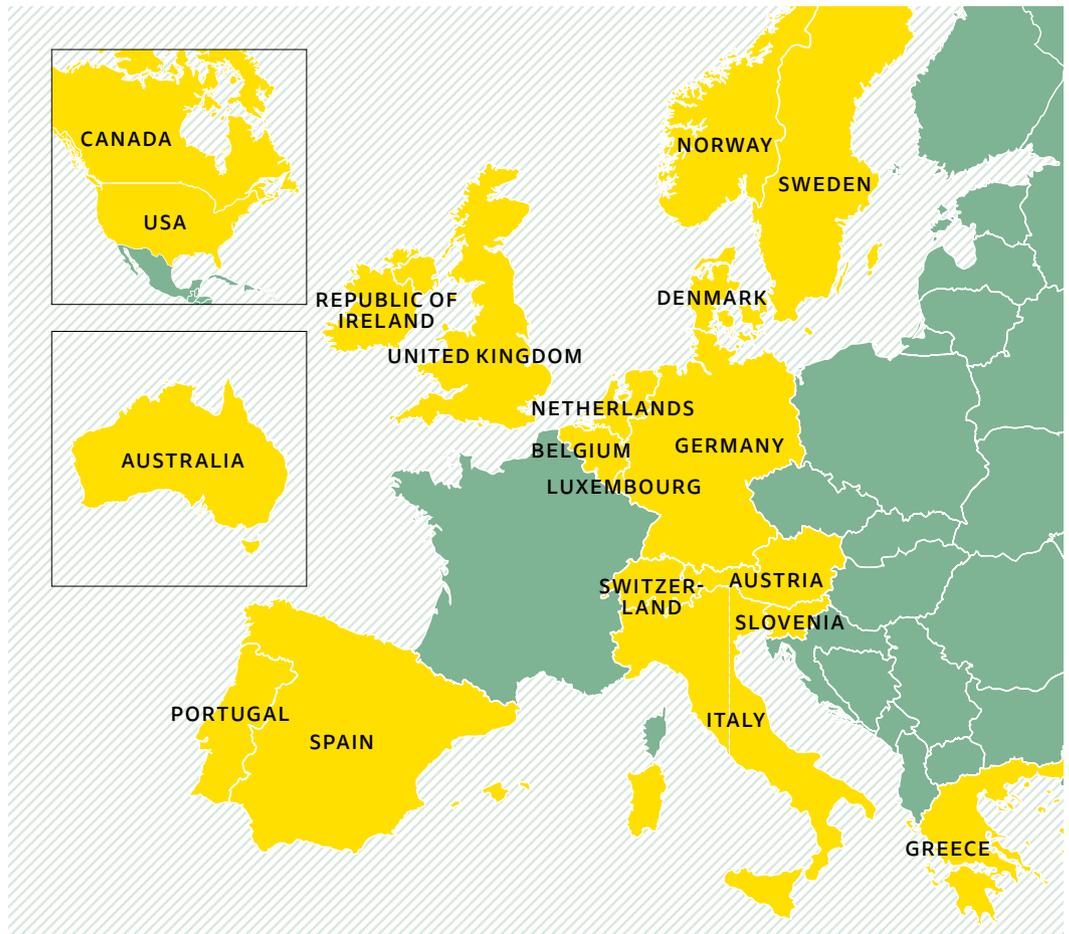
The organization and its reporting practices

GRI 2-1 Organizational details

ARAG Holding SE (also referred to as the Company or the ARAG Group) is the ultimate parent company of the ARAG Group. ARAG Holding SE is headquartered in Düsseldorf, Germany. ARAG SE is the largest equity investment of ARAG Holding SE and is responsible for operational Group management and the legal insurance operating business.

GRI 2-2 Entities included in the organization’s sustainability reporting

The map shows the countries in which the ARAG Group operates:



A list of ARAG SE's main affiliated companies and associates is provided in the ARAG SE solvency and financial condition report under 'Description of the main affiliated companies and associates'.

Relevant reporting information is collected by the Corporate Communications/Sustainability Department. The individual Group companies fill in questionnaires on workforce metrics, environmental statistics, and general developments in sustainability.

GRI 2-3 Reporting period, frequency and contact point

This report was published as of April 30, 2023 and covers the period from January 1, 2022 to December 31, 2022 (same period as for financial reporting). ARAG Holding SE publishes a sustainability report annually. The contact point for questions is Kathrin Köhler, Chief Sustainability Officer & Corporate Responsibility, +49 (0)211 963 2225.

GRI 2-4 Restatements of information

No information had to be restated for this sustainability report.

GRI 2-5 External assurance

This sustainability report has not been reviewed by an external party.

Activities and workers

GRI 2-6 Activities, value chain and other business relationships

ARAG Holding SE operates in the fields of legal insurance, casualty and property insurance, and health insurance (the latter is only in Germany). It focuses on insurance products and services aimed at both private and small business customers. Internationally, ARAG Holding SE is targeting potential growth areas in the legal insurance sector.

In Germany, ARAG Holding SE buys around €96 million worth of services from 588 suppliers¹⁾. These services are currently categorized into 21 product groups, which include IT, marketing and communications, facilities management, travel and events, financial services, and professional services such as external claims handlers and auditors. The sourcing of services is the responsibility of Group Procurement. The services defined in the purchasing policy, however, can be procured directly by the departments.

¹⁾ Includes all creditors of ARAG SE in Germany, of ARAG Allgemeine Versicherungs-AG, of ARAG Krankenversicherungs-AG, and of ARAG IT GmbH that have a purchasing volume of greater than or equal to €1.5 thousand. This largely excludes smaller expenditures made by individual employees, for example on business trips. Data for the international branches and insurance companies is not comparable, so it is not taken into account here.

For further information on activities, the value chain, and other business relationships, please see the 2022 annual report of ARAG Holding SE (consolidated financial statements) and the 2022 annual reports of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG (single-entity financial statements).

GRI 2-7	Employees
GRI 2-8	Workers who are not employees

Workforce broken down by employment contract and working hours*

Number of persons broken down by gender,
December 31, 2022¹⁾

	Germany		International		Total
	Men	Women	Men	Women	
Workforce broken down by employment contract	957	1,143	925	1,463	4,488
Permanent	916	1,098	873	1,358	4,245
Temporary	41	45	52	105	243
Workforce broken down by working hours²⁾	916	1,098	873	1,358	4,245
Full-time	866	747	778	971	3,362
Part-time	50	351	95	387	883

¹⁾ Not including 72 interns and trainees and not including inactive employees.

²⁾ Including permanent staff only.

* The data is based on all Group companies in Germany as well as on the branches/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, the Republic of Ireland, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the United Kingdom, and the United States.

ARAG Holding SE has 116 workers who are not employees. The majority work as IT consultants on a project basis.

Governance

GRI 2-9	Governance structure and composition
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The ARAG Group has structured its system of governance in such a way that its business activities can be managed soundly and conservatively in line with the business and risk strategies.

Management Board

The Management Board manages the business of ARAG Holding SE in accordance with legal requirements and the Company's articles of incorporation. As part of its overall responsibilities, the Management Board ensures that there is an orderly system of governance in place, so that it:

- Is effective, is fit for purpose, and – in terms of its nature, scope, and complexity – is commensurate with the Company's business activities
- Ensures compliance with laws, regulations, and regulatory requirements
- Ensures sound and prudent management of the Company
- Has an adequate, transparent organizational structure with clearly allocated and separated responsibilities
- Has an effective inhouse communications system
- Is regularly reviewed

As of December 31, 2022, the Management Board of ARAG Holding SE had three members with the following responsibilities:

- Dr. Dr. h. c. Paul-Otto Faßbender: CEO/Equity Investments/Group Audit/Legal/Compliance
- Klaus Heiermann: Brand and Communications/Risk Management and Sustainability Management
- Dr. Sven Wolf: Data Security/Finance/Accounting and Tax

The Management Board as a whole is responsible for meeting the targets set in the sustainability strategy.

An overview of the members of the Management Board of ARAG Holding SE is available at <https://www.arag.com/en/company/management/>

Currently, neither ARAG Holding SE nor ARAG SE, the operating management company, has an independent remuneration committee within the meaning of Article 275 (1) (f) of Delegated Regulation (EU) 2015/35 (the Delegated Regulation). The size of the ARAG Group, its business organization, and its legal structure mean that, at the moment, the organization itself is able to help the Management Board and the Supervisory Board supervise the remuneration guidelines and policies as well as the way they are put into practice and how they function.

Supervisory Board

The Supervisory Board is responsible for appointing and monitoring the Company's Management Board. As of December 31, 2022, the members of the Supervisory Board were as follows:

- Gerd Peskes (Chairman)
- Dr. Tobias Bürgers (Deputy Chairman)
- Professor Emeritus Dr. Brigitte Grass

All Supervisory Board members are non-executive members and are unrelated parties in terms of business relationships and family ties.

ARAG Group

Asset and investment management

ARAG Holding SE

Operating management company

ARAG SE

and legal insurance

Speaker of the Management Board and Central Group Functions

Group Sales, Products and Innovation

Group Finance

Group IT and Operations

Group Risk Management and Group Controlling

Group Human Resources/ Group Internal Audit

Operating insurance companies

ARAG Allgemeine Versicherungs-AG

(Casualty and property insurance)

ARAG Krankenversicherungs-AG

(Health insurance)

Interlloyd Versicherungs-AG

(Specialized in broker sales)

International companies

(Legal insurance/ legal services)

Service companies

ARAG IT GmbH

(IT services for the ARAG Group)

Cura Versicherungsvermittlung GmbH

(Brokerage firm)

ARAG Service Center GmbH

(Emergency telephone service)

For further information, please see the 2022 annual report of ARAG Holding SE (consolidated financial statements).

GRI 2-10	Nomination and selection of the highest governance body
GRI 2-11	Chair of the highest governance body
GRI 2-17	Collective knowledge of the highest governance body

The members of the Supervisory Board must have the necessary knowledge, skills, and experience to be able to perform their monitoring role. They must always have the expertise needed to adequately monitor and oversee the Management Board of the ARAG Group and to actively support the Company's growth. Each member must therefore understand the Company's business and be able to assess the relevant risks. They must also be familiar with the main statutory requirements applicable to the Company. The individual members are not required to have specialist knowledge. However, they must be capable of identifying when they need to take advice and of obtaining this advice. In any case, the expertise of the Supervisory Board as a whole must cover investments, underwriting, financial reporting, auditing, and sustainability. Having the necessary professional suitability entails undertaking continuing professional development. Before the Annual General Meeting appoints someone to the Supervisory Board, both the potential Supervisory Board member and the Supervisory Board that proposed the candidate are expected to make sure that the potential member is sufficiently qualified. The special requirements published by the German Federal Financial Supervisory Authority (BaFin) apply to employee representatives.

In addition to the expertise referred to above, the members of the Supervisory Board of ARAG Holding SE must possess adequate knowledge of the ARAG Group's internal organization and further knowledge that enables them to assess the activities carried out by the Management Board of ARAG Holding SE related to satisfying Group-related obligations and requirements. Other knowledge that is required includes regulatory requirements in relation to the management of environmental and social affairs, such as reporting requirements for these issues. The Management Board member responsible for sustainability regularly attends the meetings of the Supervisory Board, at which they inform Supervisory Board members about forthcoming regulatory obligations and sustainability management custom and practice in the insurance industry.

All Supervisory Board members, including the chairman, are non-executive members of the Supervisory Board and are not part of the Company's management.

GRI 2-12	Role of the highest governance body in overseeing the management of impacts
GRI 2-13	Delegation of responsibility for managing impacts

The Supervisory Board monitors and oversees the ARAG Group's senior management team. The Supervisory Board is responsible for all matters for which it is responsible by law or in accordance with the articles of incorporation and which it has not delegated.

Unless otherwise stipulated by the law or articles of incorporation, the Supervisory Board delegates management of the ARAG Group in its entirety to the Management Board, which is assisted in this task by the other members of management in accordance with its rules of procedure. The Management Board remains responsible to the Supervisory Board.

The Supervisory Board ensures that, by electing suitable members, the highest governing body has a high level of expertise in relation to sustainability and especially the environment, social matters, and corporate governance. It ensures that the governing body continues to learn on the basis of its wide range of experience. The Supervisory Board monitors the impact of the Company on an annual basis as part of its strategy review. It adopts suitable measures and instructs the Management Board to implement them on its behalf.

Sustainability plays a major role at ARAG. The Management Board takes suitable steps to ensure that all employees are familiar with the strategic and operational sustainability goals that feed into the Company's overall strategy and that they understand how they can personally play their part in achieving them.

GRI 2-14

Role of the highest governance body in sustainability reporting

The Supervisory Board makes use of the option provided by law to have the content of the non-financial statement reviewed externally. Furthermore, the Supervisory Board examines the results of the review and inspects the annual sustainability report upon completion. As part of its inspection of the annual sustainability report, the Supervisory Board also approves the materiality analysis and the material topics identified for the ARAG Group.

GRI 2-15

Conflicts of interest

Compliance with all statutory and regulatory requirements is of vital importance to ARAG because of its focus on legal insurance. The Company is therefore obliged to avoid conflicts of interest and anti-competitive behavior. The Company takes measures that exceed the legal requirements and, in doing so, underlines its commitment to fair competition.

Dealing with conflicts of interest is described in the 'Internal control system' section of the ARAG Group's 2022 Solvency and Financial Condition Report.

GRI 2-16	Communication of critical concerns
	<p>The Management Board is responsible for managing the ARAG Group. It deals with all relevant topics, makes decisions where it is authorized to do so, and reports to the Supervisory Board on critical concerns and incidents that have the potential to adversely impact stakeholders, the environment, or society.</p>
GRI 2-18	Evaluation of the performance of the highest governance body
	<p>Once a year, the Supervisory Board carries out a self-assessment to ascertain the professional suitability and good repute of members of the administrative and supervisory bodies in accordance with the German Insurance Supervision Act (VAG). The last such assessment was performed in November 2022. The next self-assessment of the Supervisory Board and its committees is scheduled for 2023.</p>
GRI 2-19	Remuneration policies
	<p>Responsible remuneration management is an integral part of corporate governance and is therefore also of particular importance to all companies within the ARAG Group. Competitive, performance-related remuneration is also an important factor in attracting and retaining skilled staff and managers. Having employees and executives who are motivated and whose performance is rewarded lays the foundation for ARAG to achieve sustained business success. At the same time, ARAG's remuneration policy incentivizes ethical behavior and minimizes risks or misincentives that could damage the Company and, by extension, its stakeholders too.</p> <p>Furthermore, a core aspect of the Group's system of governance is that the remuneration of the members of the governing bodies – and that of everyone else working in any of the entities in the Group – adheres to the principles of appropriateness and transparency and is focused on sustainability. For ARAG, appropriateness means that the remuneration of members of governing bodies and employees is consistent with market rates and individual performance. Moreover, those responsible for remuneration in the Company monitor remuneration levels in the relevant market and make any necessary changes, taking account of the performance of the individual employees and members of the governing bodies. Transparency means that the principles of the remuneration policy are disclosed to all employees and are as understandable as possible. For ARAG, transparency also means that remuneration structures should be designed to be only as complex as necessary and as simple as possible.</p>

Sustainability is ensured by adequately aligning the remuneration structure with the individual Group company's business strategy and risk profile. As a company that takes the long view, ARAG attaches great importance to forward-looking risk management that takes both existing and emerging risks into account. It ensures that any events or circumstances that could have a substantially negative effect on the assets, profitability, or reputation of ARAG are identified, analyzed, and assessed through the risk management process that is in place and that is managed by designated process owners. This includes ensuring that risks for the Company arising in relation to remuneration are managed effectively. The Company relies in part on the structure of remuneration as a whole to achieve this, for example the proportion of fixed salary to variable remuneration at the relevant management levels, the structure of variable remuneration (target categories, close caps on target achievement, etc.), and related governance measures.

Supervisory Board members receive fixed remuneration for their work. Where members do other work within the Group, individual arrangements are in place to determine whether remuneration for this work is offset against their Supervisory Board remuneration.

The remuneration of Management Board members comprises a fixed basic salary and a variable element (a percentage of the basic salary). The basic salary is set at a level that ensures the Management Board members are not heavily reliant on the variable component and the variable component is set so as not to create such a significant incentive that it could encourage actions counter to the interests of the Company. No share plans or share option programs are offered anywhere in the ARAG Group. With a view to ensuring that the Company offers attractive, market-level remuneration, the variable element of the remuneration for Management Board members is set at a maximum of 60 percent of basic salary and is subdivided into short-term and long-term components. In the case of insurance companies and ARAG Holding SE, the long-term component currently equates to 60.0 percent of the relevant variable remuneration and is deferred to take into account the outcome of a review to establish whether there is any requirement for a potential downward adjustment as a result of exposure to current or future risks. The targets relevant to variable remuneration are based on objective Group and company key performance indicators drawn from the strategic planning and on individual targets for each member of the governing body. The weighting of the targets is defined beforehand. Unless employees of insurance companies in the Group are granted variable remuneration components under a pay agreement or other collective agreement on a non-discretionary basis, employees only receive such variable remuneration when they reach a certain management level. The variable remuneration for these managers is based on annual target agreements, which comprise objective Group and division key performance indicators and individual targets. Social aspects such as fairness, openness, and farsightedness are also taken into account in addition to the economic targets. These

aspects are based on the ARAG Essentials and are incorporated into the individual target agreements as qualitative assessment criteria. The variable element is equivalent to a percentage of the basic salary and varies depending on management level and function. The variable remuneration never exceeds the relevant basic salary. Target achievement is capped at predefined limits. The basic salary for the postholders concerned is set at an appropriate level to ensure that they are not substantially dependent on the variable remuneration components. Once again, the variable remuneration must encourage good performance but not create such a significant incentive that it could encourage actions counter to the interests of the Company. Any conflicts of interest that could arise between the individual tasks assigned to an employee and their remuneration structure are avoided as far as possible. Suitable measures are also put in place to prevent such risks materializing.

GRI 2-20 Process to determine remuneration

ARAG's remuneration policy is set out in guidelines for the Group and for the individual companies as well as in the remuneration management handbook. These guidelines apply to all international branches and subsidiaries. The remuneration management handbook sets out the general principles of the remuneration policy, the remuneration structure of the various function groups, the culture of salary adjustments, and the related processes. The processes involved in managing remuneration are based on systematic market comparisons that are continuously updated. The remuneration of the Group's governing bodies and employees is based initially on the governing law applicable to the relevant entity in the Group. The Management Board of ARAG Holding SE is responsible for the Group remuneration policy.

Remuneration falls under the remit of Group Human Resources. Whereas Group Human Resources acts on behalf of the Management Board in respect of remuneration in the individual companies, it acts on behalf of the Supervisory Boards in respect of the remuneration for the individual Management Boards. The international branches and subsidiaries can also specify additional remuneration rules that are specific to their market. The Total Rewards Department was established as part of the restructuring of Group Human Resources. The department deals with all matters relating to remuneration and, in particular, the achievement of ARAG Holding SE's remuneration objectives.

GRI 2-21 Annual total compensation ratio

The ratio of the annual total compensation for the members of the Management Board to the median annual total compensation for all employees is sensitive business information that, as a family enterprise, the ARAG Group does not report.

Strategy, policies, and practices

GRI 2-22 Statement on sustainable development strategy

ARAG 5→30

Being a family enterprise, ARAG consciously makes long-term plans in order to secure the independence of the Group now and in the future. The new development program (ARAG Five to Thirty) sets out the course of the Group in the period up to 2030. The program specifies five key areas of action that will shape how the Group evolves going forward:

1. Essential Growth: Gross premiums written are budgeted to increase by €1 billion to reach €3 billion on the back of strong organic growth, which ARAG intends to supplement through strategic acquisitions. At the same time, eligible own funds (EOF) are budgeted to rise to €2.8 billion, equating to an increase of €1 billion. This ensures that growth is not achieved to the detriment of the Group's net asset value.

2. Winning Spirit: ARAG is nothing without its employees. They support and assist customers day in day out. It is therefore essential to continually improve ARAG's appeal as an employer, which will boost the performance culture within the Group. ARAG places a particular focus on promoting equal opportunities and diversity within the Group. Employees' willingness to recommend ARAG as a good employer is a key benchmark in this regard.

3. Embracing Clients: Customer satisfaction is a key driver of ARAG's success. The ARAG Group therefore intends to continually increase the proportion of customers in the satisfied and very satisfied categories. Innovation campaigns for products and services and enhanced customer focus will provide key impetus for its efforts. Globally, the Group will expand and step up its activities to gauge customers' satisfaction and willingness to recommend ARAG.

4. Driving Purpose: Building on its founding principles, the Group supports access to the law around the world, thereby strengthening democratic structures in the long term. ARAG has a once-in-a-lifetime opportunity to give its business model new relevance. The Group is simultaneously reducing its carbon footprint by cutting the carbon intensity of its investment portfolio by 50 percent by 2030 and making all of its administrative offices carbon-neutral by 2025 (see the section 'ARAG sustainability strategy').

5. Smart Insurer: ARAG is embarking on the next stage of its digital journey. As a Smart Insurer, it plans to enhance its speed and agility through two new targets. In the future, all core processes will be digital by default. Analog procedures will be used only where they offer advantages for a customer or partner's specific circumstances. The Group aims to streamline its processes through the increased use of artificial intelligence (AI) in product and service innovations.

The strategy is being implemented in four phases, in which ARAG employees will play a crucial role. In the ramp-up phase (2022/2023), employees will specify the targets for their departments and assign responsibilities. In the step-up phase, Horizon 1 (until 2025), ARAG intends to achieve the first subgoals and flesh out the targets for the next two phases. In the accelerate phase, Horizon 2 (until 2028), more subgoals are to be fast-tracked and the final phase prepared. In the final strengthen phase (until 2030), the focus will be on final implementation of the remaining subgoals.

ARAG sustainability strategy

As an internationally successful family enterprise, the ARAG Group understands the importance of the sustainable transformation of the economy and society. For ARAG, sustainable development and structures are the basis of social, economic, and environmental stability. As the leading legal insurer worldwide, ARAG can play a valuable and active part in supporting and driving forward the societal change needed for this sustainable transformation. In pursuit of these targets, ARAG adopted a groupwide sustainability strategy in the reporting year, which defines specific targets relating to the environment, social matters, and corporate governance. The Group is guided in its efforts by the 17 sustainable development goals (SDGs) of the UN Global Compact. ARAG can make its biggest contribution to SDG 16 – Promote the rule of law at the national and international levels and ensure equal access to justice for all. Access to the law based on equality of opportunity dovetails with the Group’s visionary founding principle when it was established more than 87 years ago and lies at the heart of the ARAG Essentials. The various sustainable development goals are also reflected in the environmental, social, and corporate governance (ESG) principles. Consideration of ESG aspects has become established in legislation (section 289a of the German Commercial Code [HGB]) and is also the organizational principle of the EU taxonomy. The ARAG Group therefore follows the ESG principles when describing its strategic goals.

Environment

The ARAG Group fulfills the obligations incumbent on it as an investor, risk carrier, and operator of its own sites to use all natural resources sustainably. It expressly adheres to the provisions of the Paris Agreement on climate change to limit global warming to 1.5 degrees Celsius. Through active portfolio management and an increase in the volume of sustainable investments, ARAG aims to make its investment portfolio greenhouse gas-neutral by 2050. This will be achieved using interim targets. Compared with 2021, active portfolio management is expected to cut the carbon intensity (scopes 1 and 2) of equities and corporate bonds in the investment portfolio by 25 percent by 2025 and by 50 percent by 2030. The interim targets will be reviewed regularly and specified in more detail as the science progresses and data becomes available. Another aspect in the drive to make ARAG’s investments more climate-friendly is the increase in sustainable investments that mitigate climate change. As a risk carrier, ARAG endeavors to help consumers

and businesses to achieve and comply with environmental goals and standards. ARAG consciously incorporates sustainable benefits, services, and pricing features when creating its products. In underwriting, ARAG attaches great importance to its (business) customers maintaining ESG standards. The Group aims to check a customer's fulfillment of ESG standards when performing its risk assessment.

At all its administrative sites around the world, ARAG intends to be net zero carbon by 2025. In terms of customer communication, ARAG will go mainly digital in its provision of policy documents and information sheets and in its correspondence. There will be exceptions where the law requires communications to be in paper form.

Social

The sustainable transformation of the economy and society can only be achieved on the basis of social and political stability. Legal insurance already makes a substantial contribution to ensuring equality of opportunity and access to the law. ARAG boosts its customers' rights in the essential areas of work, the home, physical and mental health, education and participation, equal treatment, and privacy, whether analog or digital. In addition, legal insurance can support consumers in legal proceedings relating to environmental offenses, for example proceedings against companies that do not meet sustainability requirements or do not comply with or meet related value propositions.

Legal insurance plays a major role in promoting access to justice around the world. Aware of its role as an international company, ARAG has decided to hold an ARAG Day in all of its legal insurance markets from 2023 onward, during which consumers – particularly those in greatest need – can obtain free legal guidance on certain aspects of the law.

In addition, ARAG aims to give its legal insurance customers around the world access to the law more than two million times per year by 2030. The Group intends to progressively expand its out-of-court conflict mediation services for its customers.

In its underwriting business, ARAG avoids taking on exposures that are known to contravene standards of human rights, decent working conditions, or equal opportunities, or where the customer cannot document any steps it has taken to transform the ESG impact of its business. The same applies to asset management. ARAG does not support those seeking to raise capital through investments that contravene standards of human rights, decent working conditions, or equal opportunities, or where the business cannot document any steps it has taken to decarbonize its carbon-based business model. In order to review its investment decisions, ARAG uses exclusion lists and integrated ESG approaches in asset and risk management.

A key indicator of whether we are living up to our ambitions is the satisfaction of our customers. ARAG will always strive to enhance the quality of its work in the interests of its customers. The Group therefore continually measures customer satisfaction and customers' willingness to recommend ARAG and uses the insights it gains to guide its business strategy. ARAG uses a net customer satisfaction score to gauge its customer's satisfaction and a net promoter score to establish customers' willingness to recommend ARAG. ARAG applies the same standards to its capital.

As a provider of legal insurance, the principle of equality of opportunity lies at the heart of ARAG's business model. And promoting equal opportunities and diversity within the Group itself is therefore naturally also one of ARAG's guiding principles. All employees are offered the same opportunities for professional development, irrespective of age, gender, nationality, marital status, or other personal circumstances. The proportion of female managers has been rising continuously at ARAG SE for many years. The proportion of women at the first management level is 34 percent (2021), while at the second management level it is 36 percent (2021). ARAG will continue to progressively increase the number of women in managerial positions until it achieves a balanced gender ratio.

Corporate governance

As an international insurance company, the ARAG Group is subject to extensive regulation by German and international supervisory authorities. Comprehensive reporting obligations ensure that business activities are recorded transparently and in detail.

For ARAG, the principle of good corporate governance goes beyond the statutory requirements. Since 2006, its corporate principles, the ARAG Essentials, have set out its aims and principles for good and successful corporate governance. The ARAG Leadership Essentials translate those corporate principles into leadership behavior. Compliance with the ARAG Essentials is an integral component of management remuneration and accounts for 25 percent of annual performance appraisals.

ARAG is the leading legal insurer worldwide and therefore attaches great importance to compliance. Centralized and decentralized compliance functions serve to ensure that the Company always acts in accordance with regulatory requirements. The compliance function examines groupwide implementation as part of an annual reporting process. ARAG has a zero-tolerance policy as regards infringements of the law or mandatory regulations. The work of the compliance function is included in the annual information published in the non-financial statement for the Group.

The corporate principles – the ARAG Essentials – outline the Company’s objectives and the causes that ARAG’s employees, managers, and owners champion. In 2020, the principles were revised and implemented by all teams around the world, and an online communication program was launched to facilitate this. In virtual sessions, the workforce examined the role of the corporate principles in day-to-day work and documented their ideas for implementation in digital logbooks. An evaluation of the 364 international and German logbooks showed that employees across the Group identified strongly with ARAG. It was also clear that they very much agreed with the family enterprise’s corporate principles. These principles include the founding principles and the Company’s self-image, corporate mission, and corporate values. The ARAG Essentials help employees to shape the Company’s future with the customer in mind. The ARAG Essentials are handed out to every new employee and are discussed in workshops. An online tool on the Group website – available in all the 13 languages used in the Group – conveys the core messages of the ARAG Essentials and provides information on the international branch offices.

Derived from the ARAG Essentials, the ARAG Leadership Essentials set out the requirements for managers at ARAG and support the implementation of the principles in day-to-day business. They were rolled out across the Group in 2022 along with new skills models and manager training courses. Implementation included workshops with all participants as part of the Group Management Conference in August 2022 and the provision of digital information and live online sessions on a digital platform.

ARAG is an independent, family-owned insurer and bases its values-led culture on the Integrity Guideline that it introduced in 2022. This guideline defines the expectations for collaboration in the Group. It fleshes out the ARAG Essentials and supplements ARAG’s Compliance Guideline. Mandatory training on the Integrity Guideline has been created for all German companies and Integrity Guideline champions have been appointed at the Düsseldorf and Munich branches.

In 2017, ARAG became a signatory to the corporate diversity initiative Charta der Vielfalt, which promotes diversity in companies and institutions and which has the former German chancellor Angela Merkel as its patron.

Germany’s new Supply Chain Due Diligence Act (LkSG) comes into force on January 1, 2024. In 2022, ARAG launched a project with the aim of implementing all measures required for compliance with LkSG by the end of 2023. The Management Board is also set to adopt a declaration on ARAG’s human rights strategy in 2023, having appointed a human rights officer at the end of 2022.

GRI 2-24	Embedding policy commitments
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ARAG Holding SE uses various instruments to embed the corporate principles and policies dealt with under GRI 2-23, including internal platforms, workshops, and contractual arrangements. *Please see GRI 2-23 for further information.*

GRI 2-25	Processes to remediate negative impacts
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The ARAG Group’s system of governance facilitates sound, prudent management of the insurance business and is commensurate with the nature, scope, and complexity of the Group’s activities. It is regularly reviewed and modified, if required. The Group has an appropriate organizational structure and an effective information system with clear lines of reporting. There are written guidelines covering the key elements of the system of governance and also detailed descriptions of the key functions, including the roles of the Management Board and Supervisory Board. In addition, the system of governance includes an appropriate remuneration system, business continuity plans, the implementation of the ‘fit and proper’ requirements, a risk management system (including the own risk and solvency assessment), an internal control system, the establishment of key functions, and rules governing outsourcing.

As a company that takes the long view, ARAG attaches great importance to forward-looking risk management that takes both existing and emerging risks into account. It ensures that any events or circumstances that could have a substantially negative effect on the assets, profitability, or reputation of ARAG are identified, analyzed, and assessed through the risk management process that is in place and that is managed by designated process owners. ARAG equally sees it as its duty to prevent environmental risks and has implemented environmental management plans at the Company’s various locations. These provide the basis for ARAG’s measures to ensure the conservation and efficient use of resources (energy, water, paper). Sustainable asset management is also playing an increasingly important role for ARAG in its role as an insurance company. Here, the Company works with internal guidelines that were refined in the reporting year.

Further information can be found on page 80 onward (‘Asset and risk management’) and on page 102 onward (‘Environmental matters affecting operations’) in this report.

GRI 2-26	Mechanisms for seeking advice and raising concerns
	<p>In 2022, a new whistleblowing portal was set up in line with the Whistleblowing Directive (EU) 2019/1937. Reports will also be able to be made anonymously via this portal in the future. An external, independent law firm manages the portal. Furthermore, complaints or concerns can be submitted to the German Federal Financial Supervisory Authority (BaFin) and to the ombudsman. Information about these options is set out on ARAG's website.</p>
GRI 2-27	Compliance with laws and regulations
	<p>No penalties or fines for non-compliance were imposed on ARAG SE in Germany in 2022.</p>
GRI 2-28	Membership of associations
	<ul style="list-style-type: none"> • ARAG is a member of the German Insurance Association (GDV). • ARAG is also a member of the Insurance Industry Working Group of the regional government of North Rhine-Westphalia. • ARAG is involved in the Munich Financial Center Initiative. • Furthermore, the international branches and subsidiaries are normally members of the trade associations within their respective countries. • ARAG is also a founding member of InsurLab Germany, the largest networking initiative in Germany for insurance companies and for insurtechs, which develop digital products for the insurance industry. • Furthermore, ARAG is a member of the German Sustainability Network (GSN). The initiative provides companies in the insurance industry with a collaboration platform for interactive discussions and the clarification of issues relating to sustainability. The GSN's varied program and the resulting efficiencies support the transition to a more sustainable insurance industry. • In 2022, ARAG signed up to the Düsseldorf Climate Pact with Business. The initiative, set up by the City of Düsseldorf, the Düsseldorf Chamber of Industry and Commerce, the Chamber of Skilled Trades, and the District Chamber of Skilled Trades in Düsseldorf, aims to work together to cut city-wide carbon emissions to an average of two tonnes per capita per year by 2035.

Stakeholder engagement

GRI 2-29 Approach to stakeholder engagement

The most important stakeholder groups at ARAG include customers, ARAG Sales Partners, brokers, and employees. Other important stakeholders are business partners, suppliers, industry associations, regulatory bodies, and media organizations.

ARAG has a close relationship with stakeholders who have considerable influence on the Company's success and who in turn are heavily influenced by ARAG's commercial activities. They include, in particular, customers and employees. Ongoing survey measures, ad hoc feedback requests, and anonymous internal employee surveys are used to learn more about their disposition toward ARAG and their opinion of the Company. In addition, data provided by stakeholders is collected and analyzed for the purpose of improving the service offering.

ARAG positions itself as the internationally successful, innovative quality insurer – independent and family-owned. The Company derives a strong sense of social responsibility from this philosophy and is highly committed to its social causes. Since it was founded by Heinrich Faßbender, ARAG has had a clear objective: All citizens should be able to assert their legal rights – irrespective of their financial situation. This vision espoused by the Company's founder – equality of opportunity before the law – means that corporate social responsibility is firmly and directly enshrined in the ARAG business model.

In accordance with this corporate mission, ARAG is committed to dealing responsibly with employees and business partners and putting the customer and their needs first. The Company gauges customer satisfaction and expectations on an ongoing basis. Feedback questionnaires and an online platform are used to conduct customer surveys. For market research, it uses focus groups and comparative studies of holders of multiple policies. Qualitative and quantitative studies are carried out in collaboration with market research companies in order to answer specific questions.

In 2021, ARAG ran a survey on the user-friendliness of the ARAG customer portal and worked with a research institute to run a usability test for a service app that is still in the planning stage. Working with another external institute, the Company adopted a qualitative research approach to explore consumer expectations regarding supplementary dental insurance. In September 2021, the global workforce took part in a second employee survey on the corporate culture. The results of this survey were analyzed in 2022 and the individual countries' results were presented in virtual meetings at the relevant international branches. The survey had a response rate of 60 percent in Germany and 69 percent internationally, which equates to some 3,000 employee responses around the world. The analysis showed a very positive and homogeneous result, confirming the strong and

thriving corporate culture throughout the Group. The Market Research Department's online community called ARAG Denkraum ('thinking space') – which was created in 2016 and revamped in the reporting year – allows employees to engage in direct dialogue with customers and work with them on innovations. The platform is used to conduct surveys on specific topics, products, and processes, for example, and to discuss these with customers in a forum. In 2022, for example, members of the community were asked to test an application relating to the pursuit of travel claims. LegalAI's application checks whether there is a potential claim against a travel provider. Feedback from the participants was very helpful and led to numerous suggestions for improvement being implemented. Customers are able to openly express their opinions and share their experiences, which gives ARAG a direct insight into customer expectations and needs that it then uses to optimize products, services, and internal processes.

GRI 2-30 **Collective bargaining agreements**

Collective pay agreements cover 64 percent of employees at the Group companies in Germany. The proportion for ARAG SE in Germany is 72 percent.

Disclosures on the material topics

GRI 3-1 **Process to determine material topics**

The principles for determining report content and quality have been applied to the entire reporting process. The positioning of the material topics on the basis of a comprehensive materiality analysis conducted in 2020 was reviewed in a workshop with the relevant decision-makers at ARAG in 2022 and adjusted where relevant.

Besides checking and updating the content of the material topics, the presentation of the material topics in the materiality matrix was also revised. In the most recent full analysis, materiality was identified in the three dimensions 'Impact on sustainable development', 'Stakeholder relevance', and 'Impact on long-term business success'. In the materiality matrix, the dimensions 'Impact on sustainable development' and 'Stakeholder relevance' were selected as the two key axes for the material topics in a GRI report based on the GRI Standards 2016. According to the GRI Standards 2021, materiality for GRI reporting is now only based on the impact of the topics on the sustainable development of the environment, society, and the economy. The 'Stakeholder relevance' dimension has therefore not been included in the materiality matrix; it has been replaced by 'Impact on long-term business success' as the second dimension of relevance. This allows ARAG to show more clearly what topics are also relevant in line with the requirements of the non-financial statement.

The topics that are relevant in the context of the German CSR Directive Implementation Act (CSR-RUG) are those that are required for an understanding of the Company's business performance and the Company's influence on these topics. *The separate combined non-financial report of ARAG Holding SE can be found on page 8 of this report.* Based on the GRI Standards 2021, all topics where ARAG has a substantial impact on sustainable development are relevant for GRI reporting. This GRI report therefore focuses on those topics.

Impacts on the sustainable development of the environment, society, and the economy high medium low	<ul style="list-style-type: none"> • Protection of human rights in the supply chain 	<ul style="list-style-type: none"> • Identification and disclosure of climate-related impacts in asset management 	<ul style="list-style-type: none"> • Customer focus and innovative customer offerings • Using sustainability criteria in the underwriting policy (including country- and industry-specific sustainability risks) and when setting insurance rates • Transparent products and services • Corporate and management culture • Guidelines and remuneration systems based on sustainability • Ethical governance and compliance • Digital transformation • Using sustainability criteria in investment • Incorporating ESG risks into risk identification, management, and control • Cyber risks and data protection • Diversity, equal opportunity, and protection from discrimination • Social value generated • Taxes • Social and political engagement • Climate-friendly operations • Ensuring access to the law
		<ul style="list-style-type: none"> • Using sustainability-related opportunities in the development and modification of products • Investments with specific environmental or social impact (e.g. sustainable infrastructure, green technology) • Development of expertise in ESG risks and opportunities across all Group divisions • Resource-efficient operations 	<ul style="list-style-type: none"> • Changing demographics, social structures, and lifestyles • Fair competition and avoidance of conflicts of interest • Economic value generated • Internal communications/communication between Management Board and employees • Occupational health and safety • Training and education • Consideration of sustainability risks in actuarial assessments
	low	medium	high
	Impact on long-term business success		

Material topics

Governance and compliance

Economic value generated	
GRI 3-3	<p>Management of material topics</p> <p>Independence shapes all areas of the business The ARAG Group is the largest family-managed insurance company in Germany and the leading legal insurer worldwide by premium income. As a family enterprise without external shareholders, independence is at the heart of ARAG’s identity. ARAG pursues a long-term strategy and focuses on profitable growth through a conservative risk and solvency policy. Independence is a guiding principle in all areas of its business activities and enables ARAG to dedicate its full attention to its customers, the most important stakeholders. The Company’s resources are mainly used to provide customers with the best possible service and to fulfill its value proposition. One example of this is ARAG’s conservative dividend policy. Most of the profits made are reinvested into the Company in order to strengthen its financial foundations and ability to invest.</p> <p>Growth targets in legal, property, and health insurance In the German market, the ARAG Group is maintaining its focus on further developing its legal and health insurance businesses. Internationally, the Company is targeting further strong growth in the legal insurance sector. The sales revenue and profit targets derived from this two-pronged growth strategy are broken down for each Group entity. A variety of tools contribute to ARAG achieving its growth and profit targets. These include the three-year plan for all Group companies, the target agreement system, the comprehensive risk management system as per Solvency II using a partial internal risk model, and the internal control system (ICS). The positive outlook of the ARAG Group was fully validated in 2022. Despite the economic uncertainty stemming from the war in Ukraine and the ongoing pandemic, gross premiums written rose by 9.0 percent to €2.2 billion with a net increase of 91,000 customers in the reporting year.</p> <p>Success through market expansion, digitalization, and innovation The ARAG Group and its international subsidiaries operate in highly competitive markets. In certain areas, ARAG faces increased competition from new providers, though these have so far not been able to build up any significant competitive pressure. Recently, mergers and acquisitions have also had an impact on the competitive environment in some markets.</p>

ARAG has initiated a large number of digital processes and products in recent years, including in the year under review. For example, a solution was established for the legal insurance portfolio, which comprises more than 1.8 million policies, that makes it possible to provide multiple legal insurance customers with individual offers to upgrade their existing policies. This includes upgrades to the latest rate scales with innovative benefits. This new customer campaign works for any division and is efficient and seamless, i.e. it does not depend on the format used. The Smart Insurer Program, which was launched in 2018, was brought to a close in 2022.

Further information on the Smart Insurer Program can be found on page 77 onward in this report ('Digital transformation').

GRI 201-1

Direct economic value generated and distributed

See ARAG Holding SE 2022 annual report (consolidated financial statements).

**Corporate and management culture –
ethical governance and compliance**

GRI 3-3

Management of material topics

Corporate culture encourages top performance

ARAG operates in fiercely competitive markets, which is why the Company focuses on quality and innovation for its customers. ARAG revamped numerous insurance products to include new benefits in 2022. This success is testimony to the motivation of ARAG employees and the Group's unwavering customer centricity. The clear focus on the customer is the result of a robust corporate and management culture at ARAG that provides orientation across the organization and defines the Group's actions in the customer's interest. This 'ARAG spirit' has become an important competitive factor, as it has a positive impact on employees' motivation and performance. And it was evident in the key figures for 2022, which again improved significantly thanks to the Group's record growth. This would not have been possible without the outstanding performance of a highly motivated workforce.

The corporate culture is based on the ARAG Essentials and the ARAG Leadership Essentials. The ARAG Essentials have provided a clear action and leadership framework for the entire Group since 2006. The ARAG Leadership Essentials were rolled out across the Group in 2022. Derived from the ARAG Essentials, the ARAG Leadership Essentials set out the changing requirements for managers at ARAG. The ARAG Leadership Essentials set out the Group's vision of management and collaboration at ARAG and provide direction for senior managers in their actions and their personal development, and the personal development of their teams. The ARAG Leadership Essentials were rolled out across the Group in 2022 along with new skills models. Implementation workshops were held with all participants at the Group Management Conference in August 2022. Digital information and live online sessions were also available for managers.

Regular employee involvement

ARAG attaches great importance to getting employees on board when making any changes to the corporate culture. In September 2021, the global workforce took part in a second employee survey on the corporate culture. The results of this survey were analyzed in 2022 and the individual countries' results were presented in virtual meetings at the relevant international branches. The survey had a response rate of 60 percent in Germany and 69 percent internationally, which equates to some 3,000 employee responses around the world. The analysis showed a very positive and homogeneous result, confirming the strong and thriving corporate culture throughout the Group. A number of factors, such as the revised ARAG Essentials, have had a positive effect in recent years. In spite of the significantly improved results compared with the 2019 survey, ARAG believes there is still some room for improvement. The Group has already made a start by introducing an internal work shadowing program aimed at promoting networking between the different ARAG locations.

Ethical governance and compliance

For ARAG as an insurance company, compliance with all legal and regulatory provisions is a fundamental prerequisite for the retention of its business license and is the bedrock of the trust placed in ARAG by customers and other stakeholders. For this reason, compliance has top priority in the Group and across the entire value chain. ARAG has put numerous internal regulations and processes in place to minimize compliance risk and avoid reputational damage and legal sanctions. The Compliance Guideline in particular provides important information on applicable external and internal requirements. Centralized and decentralized compliance functions are designed to ensure that the Company always acts in accordance with applicable regulatory requirements. Compliance topics are also regularly addressed as part of training measures. Senior managers are instructed according to the 'train the trainer' principle and are required to pass on the course content to their staff. ARAG Italy revised its code of ethics and integrity guidelines in 2022. The updated ethics policies were published on its website and intranet and serve to strengthen implementation of the overarching ARAG code of conduct.

Compliance risk analysis

ARAG performs an annual compliance risk analysis and uses it to produce a compliance plan with appropriate measures. Key compliance risks are identified through continuous monitoring of the regulatory environment and department-specific surveys at home and abroad. They are documented and presented in the management committees.

Annual progress review

The annual compliance report informs the Management Board of the progress of implementation. The report also makes reference to analyses from the complaints management system. The extent to which compliance efforts have been successful is indicated by the complaints received and the number of compliance breaches identified. ARAG employees can report complaints anonymously via a dedicated whistleblowing platform in Germany and at international ARAG offices. Employees in Germany also have the option of submitting complaints to the Federal Financial Supervisory Authority (BaFin) and to the ombudsman. ARAG informs its employees of these options on its website.

Ensuring access to the law

GRI 3-3 Management of material topics

Access to the law

As the leading legal insurer worldwide, the ARAG Group believes it is its duty to facilitate easy access to the law for all. By upholding its founding principle to ensure and protect the equality of all people before the law, ARAG has been contributing to sustainable development – and especially to goal 16 of the United Nations’ sustainable development goals – throughout its history. Building on that history and guided by its values set out in the ARAG Essentials – farsightedness, openness, discipline, drive, pioneering spirit, and fairness – ARAG continues to pursue its sustainable development.

With its innovative legal insurance products, it makes a significant difference in helping customers to obtain affordable legal protection and access to the law. ARAG aims to further improve this access as part of the sustainable transformation and thereby maintain democratic structures in the long term.

The sustainable transformation of the economy and society can only be successful if it is achieved on the basis of social and political stability. As a risk carrier, ARAG has a clear responsibility to make future and/or new risks manageable financially for every consumer. Legal insurance already makes a substantial contribution to ensuring equality of opportunity and broad access to the law. In order to achieve this aim, ARAG supports consumers in safeguarding and asserting their rights.

ARAG boosts consumers’ rights in the essential areas of work, the home, physical and mental health, education and participation, equal treatment, and privacy, whether analog or digital. In addition, legal insurance can support consumers in legal proceedings relating to environmental offenses, for example proceedings against companies that do not meet

sustainability requirements or do not comply with or meet related value propositions. Legal insurance is therefore a highly effective instrument for ensuring that consumers can have a direct influence on sustainable transformation processes. ARAG has also set itself the goal of integrating a sustainability review into its product development process. Reviewing whether to include sustainable benefits, services, or pricing features when revamping or designing legal insurance products will become a firmly established part of product development to ensure the new features are a meaningful addition to the product portfolio and offer added value for ARAG's customers.

Mediation – out-of-court conflict resolution

More than 85 years of experience as a legal insurer has shown that conflicts do not always have to be resolved in court. Mediation is a proven and forward-looking method of conflict resolution, which ARAG has offered since 2008 and continues to expand. ARAG's team of mediators, comprises attorneys who have undertaken additional training to become a mediator. Experienced ARAG mediators attach great importance to avoiding legal disputes between the parties involved and to finding paths that can lead to an out-of-court resolution of the conflict. All legal provisions (the German Mediation Act [MediationsG]) are complied with and employees receive regular training.

Mediation is an established feature in all of the legal insurance products offered by ARAG. And non-customers can also make use of this service. ARAG offers mediation both in person and by telephone.

A major advantage of mediation is the time and expense that it saves. Customer satisfaction analyses show that more than 90 percent of participants in mediation proceedings are satisfied with the process and outcome, whereas the figure for court proceedings is just 30 percent. Furthermore, in conflicts involving employment law, mediation leads to a much quicker resolution. Its popularity with customers is also reflected in the number of such processes carried out in the past.

ARAG believes that, given the positive trend in recent years, there is potential for expansion of its mediation services. Where mediation is an option in conflicts, court proceedings can be avoided and the burden on the judiciary reduced. This quick and affordable method of dealing with conflicts is a significant step toward achieving the targets defined by the UN for SDG 16.

Justice Leaders – collaboration with a non-profit organization

In order to achieve the target set out in SDG 16.3 of access to justice for all, ARAG organized an initial meeting with the independent, non-profit organization Justice Leaders. The organization was founded in The Hague in 2015. It comprises around a dozen distinguished figures whose objective is to support governments and justice leaders to bring about change in legal systems and to promote the strengthening of the rule of law. As the

leading legal insurer worldwide, ARAG strives to actively promote the rule of law. For ARAG's business model to work, a well functioning legal system – where conflicts are resolved, rights are asserted, frustrations are channeled, and violence is prevented – is essential. These factors forge society's trust in the legal system. Its existence is becoming ever more important in a world where climate change and sustainability are triggering far-reaching change that will inevitably require entire economies and communities to adapt.

This complex and critical challenge is too big, however, to leave to the ministries of justice, the courts, the bar associations, and the legal aid organizations alone. It requires new ways of collaborating, new functions, and new ways of working.

It calls for the innovative power, the wealth of ideas, and the capital of the private legal sector. In its first meeting with Justice Leaders, ARAG therefore sounded out new forms of collaboration between those responsible for applying the law and the private sector that can help to ensure access to the law for all. By deploying its innovative strength and collaborating more closely with Justice Leaders going forward, ARAG believes it is on the right path for developing innovative products and services tailored to the needs of customers, thereby helping to achieve the goals of the UN.

In 2022, ARAG Spain offered free legal consultations by phone for members of Fundación Prevent as well as legal advice for the Spanish Association Against Cancer.

Fair competition and avoidance of conflicts of interest

GRI 3-3 Management of material topics

For ARAG, compliance with all statutory and regulatory requirements is of vital importance because of its focus on legal insurance. The Group is obliged to avoid conflicts of interest and anti-competitive behavior. Although ARAG's business activities do not expose it to any great risk of conflicts of interest, the Company still takes measures that exceed the legal requirements. In doing so, ARAG underlines its commitment to fair competition.

Guidelines to avoid conflicts of interest

Aside from all applicable statutory provisions, ARAG also takes recommendations of international organizations such as Transparency International and the Organisation for Economic Co-operation and Development (OECD) into account. The Compliance Guideline also sets out mandatory internal rules and instructions for employees on how to deal with invitations, promotional activities, and corporate events. It prohibits, for example, employees from offering or granting unauthorized benefits – whether directly or indirectly – to others in connection with their business activities or to accept or solicit such benefits.

This provision extends to both monetary and non-monetary benefits. Promotional gifts and invitations may only be granted if doing so does not give the appearance of dishonesty or impropriety. As a rule, no gifts should ever be presented to civil servants or other holders of public office, and conflicts of interest should always be avoided. In cases of doubt, the compliance function can be consulted in advance.

Ensuring that fair competition practices are adhered to and conflicts of interest are avoided is the responsibility of all managers and employees of the ARAG Group. However, the compliance function is responsible for implementing and updating the relevant provisions and so plays a particularly important role.

Focal points in 2022

In the reporting year, the compliance function created a central depository for all of the Group's policies and guidance. This will make it easier in the future to find and communicate all groupwide rules and regulations across all international branches and subsidiaries.

In the reporting period, all employees in the German companies also undertook mandatory training on the topics of conflicts of interest, fair competition, antitrust law, and information security. One of the aims of the training was to familiarize all employees with how to deal with gifts and hospitality and to make them aware of all requirements concerning the disclosure of conflicts of interest. A list of antitrust dos and don'ts for dealing with business partners and events hosted by associations was also published. The sharing of information that could be of relevance from an antitrust perspective and the ramifications of such sharing are covered by new compliance training.

In 2022, ARAG's compliance function focused on financial sanctions imposed due to the war in Ukraine in order to ensure that no business relationships exist with natural persons or legal entities that are subject to sanctions.

GRI 205-1

Operations assessed for risks related to corruption

ARAG continuously and systematically analyzes the potential for conflicts of interest at all of its locations. The most recent annual police crime statistics provide a basis for this, along with the most recent Corruption Perceptions Index published by Transparency International and the Insurance Banana Skins survey conducted by the Centre for the Study of Financial Innovation and PricewaterhouseCoopers (PwC). The international locations have their own written codes of conduct for dealing with conflicts of interest and these are made accessible to employees. ARAG is not exposed to any heightened risk of conflicts of interest in Germany or abroad.

GRI 205-2 **Communication and training about anti-corruption policies and procedures**

The Supervisory Board members, all Management Board members, and senior managers at the first and second management levels receive regular training on how to avoid conflicts of interest. Senior managers are obliged to train their staff according to the 'train the trainer' principle. Regular and ad hoc intranet updates on current issues are also published by the Company to keep employees informed. In the reporting period, mandatory training was introduced for all employees in the German companies on the topics of conflicts of interest, fair competition, antitrust law, and information security. This training will be gradually rolled out to the international branches. The Group's international offices are further encouraged to conduct additional country-specific training courses. In locations such as Germany, the United Kingdom, and Belgium, training on how to avoid conflicts of interest forms a mandatory part of the onboarding of new recruits.

GRI 205-3 **Confirmed incidents of corruption and actions taken**

No incidents of conflicts of interest that had detrimental consequences were recorded in 2022.

Cyber risks and data protection

GRI 3-3 **Management of material topics**

As a result of increasing digitalization, ARAG is focusing more and more on data protection and on protection against cyber risks. It is therefore of the utmost importance to ARAG that it safeguards the confidentiality and security of the data it processes in order to maintain the trust of existing and potential customers, business partners, and employees. This enables it to meet all legal data protection requirements and avoid reputational damage.

Comprehensive data protection management

ARAG has comprehensive data protection management based on a well-integrated set of policies and procedural instructions, which include the ARAG Information Security Guidelines, the ARAG Information Security Standard, the ARAG Data Protection Guideline, and the ARAG Data Protection Management Policy. All of this documentation is updated at regular intervals and can be accessed by all employees via the intranet. In the digital age, data protection is an interdisciplinary function for which all departments need to take responsibility. The departments are supported by the data protection organization, which is led by the Chief Information Security Officer. In the 'three lines of defense' model, the Company's Chief Information Security Officer and Group Audit (third line of defense) monitor compliance with all data protection requirements on an ongoing basis. Independent auditors periodically check that the data processing programs are being used in

compliance with the applicable requirements. The regular security inspections at the German and international offices help to identify shortcomings in the security architecture and measures for improvement are initiated on the basis of this information.

Compliance with German and international data protection regulations

ARAG has been in compliance with the stricter rules on data protection that have been in place since the EU's General Data Protection Regulation (GDPR) came into force on May 25, 2018. The implementation of GDPR was certified in 2019 as part of an external review conducted by an auditor, which rated it as "good to above average" overall.

In addition to the binding provisions of GDPR, ARAG also voluntarily complies with the German insurance industry's code of conduct for processing personal data. This code of conduct was established in conjunction with the German data protection authorities and goes beyond the minimum required by law. An external monitoring office is due to be established in 2023. It will regularly review compliance with the code of conduct.

Implementation of new regulations

ARAG is continually adapting its business practices at its EU and non-EU locations to meet all applicable regulations governing data protection. In 2021, for example, the European Commission published new standard contractual clauses for data transfers between EU and non-EU countries. And in June 2021, the European Data Protection Board (EDPB) published the final version of its 'Recommendations on supplementary measures', which prescribes additional safeguards for personal data if it is transferred to non-EU countries with a level of data protection that the EU considers inadequate.

In 2021 and 2022, ARAG worked with an external law firm to check where the Group was still using old standard contractual clauses that lost their validity on December 28, 2022. This review was concluded on schedule on December 27, 2022. The identified contracts were first examined to see whether they had been transferred to a non-EU country. If that was the case, the underlying contracts were assessed against the new standard contractual clauses and a decision was made as to whether they were adequate. Steps were taken where shortcomings were identified. ARAG's privacy policy on its website was reviewed with an external law firm and brought into line with the latest requirements of the German Telecommunications and Telemedia Data Protection Act (TTDSG).

Complaint systems and performance measurement

ARAG monitors data protection complaints on an ongoing basis and keeps track of the numbers so that it can assess the extent of compliance with data protection regulations in the Company's day-to-day business operations. In the event of a suspected breach of data protection, the first step is to lodge a complaint with the relevant department. Approaching the Company's Chief Information Security Officer or the responsible data protection supervisory body directly is also an option. In the event of a reportable data protection breach, ARAG must by law report it within 72 hours of it coming to light. The report is made to the relevant data protection supervisory body and then, where applicable, also to

the people who have been affected. Transparency is of the utmost importance to ARAG, which is why the Company generally also informs the people affected by the data breach even where it is not required by law to do so. Every two weeks, the member of the Management Board responsible for data protection is informed about the latest developments in data protection. In the event of reportable data protection violations, the relevant members of the Management Board carry out the final review and approval of the report in accordance with the data protection management policy.

Employee training on cyber risks and data protection

General and departmental training and information are used to raise employees' awareness of data protection and thereby continuously improve the level of data protection. The Chief Information Security Officer is responsible for highlighting data protection issues and does so by providing individual advice and training for employees. In summer 2022, the basic data protection training that had been updated in 2021 became mandatory for all employees working in Germany. Most employees have now completed the training. This is complemented by measures to make employees aware of the issues, mandatory training, and the use of internal channels to communicate the latest information.

The challenge for the future will be to raise awareness among the departments and their employees so that knowledge of what constitutes a data protection breach is more firmly established across the organization. Every breach of data protection involves a loss of trust, integrity, or availability and must be investigated.

Training employees and making them more aware of the issues is also becoming more important in the context of the rising threat of cyberattacks. The diverse risks range from phishing emails, malware infections, and the exploitation of software vulnerabilities to blackmail attempts and cryptomining. As some of these types of fraud have now become established business models for criminals, it is absolutely vital to have extensive safeguards in place. Employees are regularly informed of risks and attack scenarios, and shown how they can identify and block these attacks. Information on the intranet and the annual Security Day with a presentation by an external specialist also raise awareness of IT security. A daily serving of data security information was provided through an advent calendar campaign in December.

Expansion of IT security infrastructure

To secure its IT infrastructure, ARAG uses a range of systems, including firewalls, antivirus programs on servers and client systems, security features for software packages, and extended protection programs. ARAG also regularly enhances its security infrastructure and in 2022, for example, it added tools from the Microsoft portfolio, such as the Security and Compliance Dashboard, Windows Defender ATP, and Sentinel. Other standard security safeguards include regular updates to the operating systems and to related software and databases. Business-critical processes are also reviewed and revised annually, and the majority of approvals require verification by a second member of staff. This has so far avoided any incidents of critical disruption to business operations.

GRI 418-1 **Substantiated complaints concerning breaches of customer privacy and losses of customer data**

Seventeen complaints by third parties regarding data protection were registered in 2022 in Germany. Nine of the complaints were substantiated and could be traced back to an employee's carelessness. The persons affected received comprehensive written information about the circumstances of their case. ARAG thus acted with the greatest possible transparency.

There was one investigation by the relevant data protection authorities in 2022 based on submissions/complaints by third parties.

Products, sales, and customer relationships

Customer focus and innovative products – changing demographics, social structures, and lifestyles

GRI 3-3 **Management of material topics**

ARAG is a multifaceted provider of high-quality, innovative insurance, offering its customers in Germany not only its core legal insurance policies but also products and services in the casualty and property insurance and health insurance segments. The Company places great value on providing an innovative, needs-based product portfolio that reflects a wide range of lifestyles and the changing realities that customers are facing. All its business activities are focused on the interests of the customer, whether this is during the advisory stage, when the policy is being sold, when a claim is being made, or when managing contracts. The objective is to provide customers with optimum, personalized support at all stages and to remove as many administrative hurdles as possible.

Product innovation based on customer requirements

Responsibility for product innovations lies primarily with the Sales, Products and Innovation function. New products undergo a clearly defined development process. When developing and refining insurance solutions, ARAG incorporates, among other things, insights from sales, the claims and legal service, customer service, and the needs and wishes of customers. In addition, ARAG draws on information from market research and customer surveys relating to current trends and needs. This ensures that feedback from customers and sales partners is systematically incorporated into the product development process.

At present, an ever increasing number of customers are seeking rapid access to the law and ARAG is catering to this with new offerings. For example, the ARAG JuraTel Solo rate scale provides rapid assistance for customers. They can book this rate scale on the CHECK24 comparison site and get direct access to legal advice. A new legal insurance rate scale offering immediate assistance is also part of this product strategy and is catering to customer demand. Mediation is a mandatory part of all ARAG legal insurance products and also provides rapid access to the law. Mediation can often lead to the swift,

straightforward, and mutual resolution of legal disputes. In order to be able to offer customers rapid and hassle-free assistance in any situation, ARAG waives policy exclusions, waiting periods, the exclusion of disputes arising before the policy came into force, and deductibles when customers utilize the mediation option.

Regardless of current trends, ARAG designs its products to be modular and flexible so that they can meet the individual needs of customers. Over 90 percent of products are offered in the three versions Basis, Komfort, and Premium, and customers can choose from up to seven different levels of deductible. This enables policyholders to tailor the price-performance ratio of their cover to their particular needs.

Product highlights in 2022

ARAG added more new innovative solutions to its portfolio in 2022. At the start of 2022, the Company added a new version to its outstanding ARAG Aktiv legal insurance product that offers immediate assistance to private individuals. ARAG's new Sofort legal insurance offers retroactive cover to customers facing an acute legal problem. In addition to the insurance cover provided in the Basis version, the Komfort and Premium versions offer customers immediate out-of-court assistance of up to €500 and €1,000 respectively, but only if an attorney has not yet been engaged.

In 2022, the premium Recht&Heim all-round cover product that has been on the market for over 20 years was revamped once again. The most recent customer survey showed that customer satisfaction had improved significantly. The new Recht&Heim all-round cover 2022 rate scale is taking advantage of this tailwind in order to provide customers with even better cover and improve ARAG's position in the market. The rate scale's existing benefits were updated and new innovative benefits were added. For example, the rate scale now covers new types of risk arising in relation to smart homes or sustainability activities.

Recht&Heim all-round cover 2022 comprises, among other things:

- Additional sustainability benefits: In residential buildings and home contents insurance, and in private liability insurance, additional costs are covered when damage is remedied using sustainable materials
- Comprehensive bicycle insurance with a bicycle special service package to protect against bicycle theft
- Claims arising from the theft of cryptocurrencies now covered under a new benefit in the Premium version of home contents insurance
- Integrated electronics cover for a household's mobile devices, covering all smartphones, tablets, and smartwatches under a new benefit in the Premium version of home contents insurance
- Cover for digital risks such as online fraud and mistaken bank transfers
- Optional home special service package including innovative moving-home benefits, such as connecting and disconnecting household appliances

The ARAG Alltagshelfer product was also upgraded in 2022. The result is a product with value for money that helps customers to deal with life in exceptional circumstances. For example, ARAG Alltagshelfer can be used for inpatient hospital visits, outpatient

operations, births, or deaths in the family. Alltagshelfer Plus also covers incapacity to work due to illness or strikes organized by trade unions. An extensive range of assistance is available to customers in these situations. If the trains or an airline are on strike, for example, the insurance covers the costs incurred as a result – such as taxi rides – of up to €50 per day for up to five days. The premium for the updated product was cut, and a higher discount is offered when two or more people are insured. This makes insuring the whole family even easier.

Given the challenges in the wider economy, consumers' desire to protect themselves is particularly strong at present. This is why ARAG's legal insurance for managers was also revamped in October 2022 and now includes a new rate scale offering flexible cover tailored to the world of work today. Customers can choose core legal insurance modules covering criminal proceedings, financial loss, and employment contracts. All the new product modules are available in three versions – Basis, Komfort, and Premium – and can be taken out by companies or private individuals. With its different product versions, ARAG is addressing customers' unique needs for different kinds of insurance. A core product feature is the legal insurance covering criminal proceedings for companies. The scope of cover was extended substantially in terms of the sums insured and the group of people insured in the solution for companies. Customers can attend a professional compliance webinar or use advisory services in relation to data security, IT security, and environmental protection laws to the value of up to €500 on one occasion. In order to offer customers rapid assistance in emergencies, the new product also includes a special service: the ARAG Manager emergency landing page for quick support in connection with criminal charges. From this website, managers can call the 24/7 criminal defense hotline to obtain professional assistance. In the event of a customer being taken into custody, special assistance services are available, such as childcare or looking after pets. In the Premium version, costs of up to €100,000 can be covered in the event of charges concerning the fixing of prices or tenders. In addition, Premium customers are given a prior insurance guarantee of up to €100,000 if they switch to ARAG. This guarantee offsets any potential disadvantages that may be incurred when switching from a prior insurer. A specialty in the private solution is the new back-up legal insurance covering criminal proceedings. This offers managers back-up protection if they are refused cover under the solution for companies. Managers are thus covered if the alleged criminal offense is directed against the interests of the company or the manager has left the company. What makes this ARAG policy really special is that the company insurance can be held with another insurance company. Another special feature of the legal insurance for managers is the legal insurance for financial loss. Use of the claims-made principle in the Premium version is a new and unique feature in the market and means that only the claim needs to be made during the term of the policy. In the Basis and Komfort versions, by contrast, the offense and the presentation of the claim must both occur during the term of the policy. Another new feature is the 'increasing cover for subsequent liability': If a customer has paid their premium and not made any claims in that insurance year, the period of cover for subsequent liability is automatically extended. In the Premium version of the legal insurance for financial loss, this can extend the period of cover for subsequent liability to up to twelve years. That is the

longest cover for subsequent liability in the market. The legal insurance covering employment contracts is the third component of the legal insurance for managers. A special feature of this is the legal insurance for D&O coverage claims in the Premium version, which supports customers in the event of disputes with their D&O insurer. Disputes happen with increasing frequency, and this feature of ARAG's new legal insurance covering employment contracts is therefore a significant unique selling proposition for customers. In addition, Premium customers can have their employment contract reviewed as a precautionary measure, retrospectively too if the employment contract was signed within four weeks of the insurance policy being taken out. Dynamic career paths call for flexible and seamless insurance protection in this day and age. With this in mind, there is no waiting period for ARAG's legal insurance covering employment contracts in order to cater for cases where an ARAG legal insurance customer leaves their salaried position to become a manager or vice versa. There is also no waiting period if the customer commences a different job and informs ARAG in advance. In all three product versions (Basis, Komfort, and Premium) for legal insurance covering employment contracts and financial loss, ARAG waives the exclusion of disputes arising before the policy came into force after three years.

Performance measurement and awards

ARAG demonstrates its customer centricity by offering customers the products that they want. In order to maintain its standards of quality, ARAG undergoes certification and carries out surveys among its customers and sales partners. It also monitors the success of its product innovations using sales revenue and profitability metrics. In 2022, ARAG Italy launched a project to review and improve how it measures customer satisfaction. The first target, which is scheduled for the start of 2023, is to shift customer support for the settlement of claims from the telephone to the internet. Key performance indicators (KPIs) are also set to be made available. ARAG Canada refreshed its net promoter score program in the reporting year. The program was refined using customer feedback that ARAG had obtained at various points in the legal assistance and compensation process.

ARAG's participation in independent tests and ratings ensures that its offerings are reviewed on a regular basis. The Group's products, services, and customer advice have won many awards that are testament to their quality. In 2022, for example, Euro-Magazin (published by Finanzen Verlag) awarded ARAG a Goldener Bulle for its ARAG Aktiv legal insurance. This award underlines the Company's strength in innovation and shows that it is working on the right topics with a view to the future.

Further selected awards won in 2022:

- The German Institute for Service Quality (DISQ) picked the ARAG Aktiv legal insurance with immediate cover as its insurance product of the year in 2022.
- WirtschaftsWoche rated ARAG's legal insurance for families as 'very good'.
- In April, ARAG Aktiv-Rechtsschutz Premium and Premium Flex legal insurance came out top in a test by German consumer organization Stiftung Warentest/Finanztest magazine, achieving a score of 'good' (1.9).
- In August, Stiftung Warentest/Finanztest declared the Premium version of ARAG's personal liability insurance to be 'very good' (0.7).

In addition, ARAG SE Italy received two awards for its new family insurance product #Next:

- #Next won the innovation prize at the Italy Protection Forum Awards.
- At the Insurance Connect Awards, the family insurance product was singled out in the categories for best legal insurance product and best service.

Use of digital tools

Digital offerings and solutions have become significantly more important. The investments in digital tools to drive customer benefit that ARAG made in recent years as part of its Smart Insurer Program stood it in good stead in 2022. Even before the pandemic, customers had a number of ways to get in contact with ARAG (phone, online chat, app, social media, mail). Since 2018, they have also had the option of quickly and easily documenting their inquiry via Flixcheck, either by writing a message, taking a photo, or providing a signature directly via their smartphone. The information is automatically sent to ARAG's customer service team, which swiftly processes the inquiry. ARAG can also send the customer a personalized link in response to an inquiry. This directs them to a web-based app where they will find the documents they are looking for. Flixcheck is used in partnership with American Express. It deploys a robot to dispatch documents, which reduces the workload of employees in the call center and in administration and significantly shortens follow-up times. These digital tools were further integrated into the ARAG system landscape in 2022. Dispatched checks are now automatically archived with the contract with no manual input whatsoever. The robot also dispatches new policies daily by Flixcheck, meaning that new customers are informed more quickly and easily about the status of their new policy. Flixcheck is used a lot in customer-facing areas, and 98 percent of customers are very satisfied with the service they receive. As a result of these very positive experiences, Flixcheck was extended to other areas of the Group in 2021. ARAG Health in Munich started using Flixcheck in May 2022, for example. Flixcheck is also used to send documents to existing customers. The customer receives a link to the document by email plus a six-digit code that is sent to their smartphone. They need both to open the email. ARAG has thus created a secure (verified) alternative to ordinary mail.

ARAG also employs digital tools to enhance the customer experience in face-to-face meetings. The sales partners who work on an exclusive basis for the Company do everything digitally, from recording all of the customer's data and analyzing their needs to entering into the policy with them. This makes it easier to compare alternatives and helps the advisor to explain the product. Another benefit is that a digital record of the meeting is automatically created and sent to the customer. ARAG also offers its customers video appointments, which are available to book through the websites of the sales partners who work for ARAG on an exclusive basis.

In 2022, a new, simple, digital portfolio transfer process was initiated. Once the customer has been sent a URL or a QR code, the customer or sales partner can view and accept the individual transfer offer online.

GRI G4-FS7 **Monetary value of products and services designed to deliver a specific social benefit**

Sales revenue in the sports insurance business (Germany only) amounted to around €43.737 million in 2022. This includes the legal insurance, indemnity-liability-accident, and motor vehicle divisions.

Digital transformation

GRI 3-3 **Management of material topics**

Digitalization is a key topic for ARAG that permeates all aspects of business activity and plays an important role in the Company's development. The digital transformation and the changes it entails are an integral part of ARAG's business in Germany and abroad. It will continue to proactively address the opportunities and risks of digitalization as the Company moves into the future.

Digital products and processes

In 2022, ARAG brought its Smart Insurer Program to a close. The program provided the central digitalization agenda for key development priorities, targets, and responsibilities in the Company's digital transformation. Its primary aim was to further enhance the customer experience through the use of digital technologies, particularly by streamlining application and checking processes and by increasing transparency. Even before the Smart Insurer Program was developed, ARAG was making a concerted effort to harness the opportunities presented by digitalization. It has initiated a large number of digital products, services, and processes in recent years, ranging from a new customer portal to the further digitalization of sales. This allows ARAG's exclusive sales partners to manage the entire sales process digitally using their iPad. Thanks to the introduction of the advisory app, ARAG Core Sales is now able to issue policies completely digitally for one in three new applications, i.e. no manual processing is required. The figure for online sales is 75 percent. ARAG endeavors to continually raise the degree of automation in other sales channels too.

In addition, increasing numbers of products can be applied for online. The prospective customer simply has to give their telephone number and state when they can be contacted, and ARAG will call back within one working day to discuss the details and check that the insurance can be provided. If all conditions are met, the cover will be approved and the policy sent out. Customers clearly like the Company's innovations. The number of online customers is growing all the time and rose by 7.3 percent in 2022.

Digital solutions also facilitate internal and external collaboration. For example, a communications platform gives sales partners who work exclusively for ARAG access to all necessary information on their digital devices. The platform is visually appealing and designed to be intuitive. This ensures that sales partners always have the full picture and saves valuable time.

ARAG launched new chatbots at various international locations to better and more efficiently process queries from customers, brokers, and other business partners.

In Austria, ARAG launched an online sales chatbot for personal legal insurance, for example. ARAG Italy uses a voicebot for out-of-hours inquiries.

To save resources, invoices are now sent electronically in Slovenia.

Comprehensive protection from online threats

As the trend toward greater digitalization increases the risk of cyberattacks on IT systems, and ARAG's customers are managing more and more areas of their personal lives online, demand for suitable insurance products that offer protection against losses incurred in the digital world is growing. Such products include the innovative ARAG CyberSchutz for small and medium-sized enterprises and sports clubs. If a customer suffers an online attack or data breach, they are immediately offered the services of experienced IT experts to ensure that the company or club is able to get back up and running within the shortest possible time. The causes of the damage are also ascertained, and security vulnerabilities identified. In the event of legal action in connection with a suspected data breach, ARAG covers the costs of specialist legal advice or the defense costs in a criminal case.

ARAG's web@ktiv product portfolio for private individuals and the self-employed, launched in 2012, offers comprehensive and reliable protection against internet-related risks. The three product versions introduced in 2019 have proven very popular with customers, with the Premium version accounting for around a third of policy sales. Customers particularly like the modular elements that provide protection against cyber risks.

Use of smart data and data analytics

For ARAG, digitalization is a customer-focused program of development that is supported by new technological possibilities. The use of big data, for example, means that offerings are tailored even more precisely to customer requirements. ARAG is investing in the expansion of its data analytics capacity in order to continuously improve data-driven decision-making for the customers' benefit and to position the Company as a pioneer of smart data.

Online chats and bots

ARAG launched numerous new digital products and processes in 2022. The online customer portal was completely revamped, the online sales channels were expanded, and various chatbots were implemented across the Group. They ensure faster and more efficient processing of queries from customers, brokers, and business partners. The

volume of ARAG's live chat traffic is increasing, and the Company is continually expanding the functionality of its IT solutions. Automated Power BI reports are used to enhance processes on an ongoing basis, providing important statistics categorized by department. This real-time data enables services to be optimized and tailored to customer needs, which results in improvements in quality and, in turn, leads to greater customer satisfaction.

ARAG customer portal

Once they have registered, customers across all divisions can access almost all documents relating to their contracts via the 'Meine ARAG' online portal. Following a complete overhaul, ARAG's customer portal now also offers an option to register online. Over 187,000 customers already use the customer portal, which was developed completely inhouse, and an average of 142 new registrations are added every day.

ARAG advisory app and health app

The advisory app launched in 2019 is continuously improved and enhanced with new features. In 2022, eleven updates were made to improve the user experience and the overall offering. The growing number of ARAG health app users is further proof that more and more customers are using digital services. At the end of 2022, the health app had around 227,000 users, which is approximately 33,000 more than a year earlier. A total of 58 percent of all submissions are made via the app, and the fully automated processing of submissions only takes a few minutes.

Transparent products and services

GRI 3-3

Management of material topics

ARAG firmly believes that the transparency of its management and its clear and easily understandable products and services secure the trust of customers and employees and thus boost the Company's credibility and competitive position. The Company therefore attaches great importance to open communication in all its interactions with customers and staff. This fundamental position is enshrined in the ARAG Essentials and ARAG Leadership Essentials, both of which guide the thoughts and actions of all ARAG employees and provide orientation in ever-changing markets.

Responsibilities and processes

All board-level departments at ARAG ensure that management and services are transparent. The Group Sales, Products and Innovation Department is responsible for the transparency of product information. ARAG uses various processes to ensure that it achieves its transparency objectives, including monitoring processes, legal checks to ensure compliance with key laws and regulations in Germany and abroad, and stringent approval processes in product development.

Continuous improvement of comprehensibility

Making information about products and services easily understandable is one of the biggest challenges faced by the insurance industry. ARAG aspires to make its product information and contractual terms as straightforward as possible. Among other things, ARAG explains any necessary legal terminology for the layperson through simple examples. As part of its standard practice, the Company also optimizes its insurance terms and conditions, brochures, and product information based on the criteria of the Hohenheim comprehensibility index (HVI).

ARAG's international offices are equally committed to transparency. In Spain, for example, ARAG made progress with digitalizing its terms and conditions of insurance in the reporting period. Customers now only receive the terms and conditions that are relevant for their contract and not the full terms and conditions as previously. In Belgium, almost all product information was reworded in order to make it easier for customers to understand.

GRI 417-1

Requirements for product and service information and labeling

ARAG is committed to ensuring that its products and services comply with all applicable national and international legislation and regulations and that product marketing meets all legal requirements. Among the most important regulatory requirements are the German Insurance Contracts Act (VVG), the German Insurance Supervision Act (VAG), legislation to implement the EU's General Data Protection Regulation (GDPR), the EU's Insurance Distribution Directive (IDD), and the guidelines published by the German Federal Financial Supervisory Authority (BaFin).

Asset and risk management

Using sustainability criteria in investment – identification and disclosure of climate-related impacts in asset management

GRI 3-3

Management of material topics

ARAG aims to live up to its reputation as a responsible company in its asset management activities, too, and therefore factors environmental, social, and corporate governance (ESG) criteria into all its investment decisions. As these bring an additional perspective into the risk assessment, they help the Company to gain a more rounded assessment of the risk/return profile of an investment. ARAG's portfolios are examined to identify any climate-related impacts of investments, which are then communicated.

Standardized approach to ESG criteria

ARAG's policy on using sustainability criteria in investment ensures a standardized approach to ESG criteria. The policy prescribes a negative screening filter that rejects investments from individual issuers and countries on the basis of certain standards, values, and sales revenue. Climate risk must also be observed in the process of selecting new, direct investments. In keeping with these developments, information on the ESG rating and the implied temperature rise (ITR) is now also included in investment proposals for direct investments. Sustainability is also an assessment criterion when choosing asset managers. Group Asset Management is responsible for implementing these requirements.

Aims and developments

ARAG aims to make its investment portfolio greenhouse gas-neutral by 2050 and thereby help to limit global warming to 1.5 °C in the long term. It has also set itself an interim target of cutting the carbon intensity (scopes 1 and 2) of equities and corporate bonds in the investment portfolio by 25 percent by 2025 and by 50 percent by 2030 compared with 2021. These interim targets will be reviewed regularly and specified in more detail as the science progresses and data becomes available. Active portfolio management will be used to achieve the interim targets.

Refining the approach to sustainable investment

At the start of 2022, ARAG signed up a new ESG data provider and, in July 2022, adopted a revised and expanded version of the sustainability policy. The sustainability policy now also contains a country exclusion list, the consideration of climate risk in the new investment process, the sales revenue-based exclusion of investments in fields of business that are particularly harmful to the climate, and the expansion of investment in sustainable infrastructure projects as part of the alternative investment program.

ARAG aims to continuously refine its approach to sustainable investment. In line with this aim, the Management Boards of the ARAG insurance companies reviewed the current investment policies in 2022 but no further need for change was identified.

GRI G4-FS10 Companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues

The Company does not maintain an ongoing dialogue with investees on ESG-related topics. There are currently no plans to change this.

GRI G4-FS11 Environmental or social screening

The ARAG insurance companies apply the negative list and the country exclusion list to all their fungible investments (direct investments and institutional funds). ESG criteria also play a role in the institutional fund investments managed by external asset managers.

Management of sustainability risks – consideration of sustainability risks in the insurance business

GRI 3-3 Management of material topics

As a company that takes the long view, ARAG attaches great importance to forward-looking risk management that takes emerging risks into account too. These include risks caused by climate change. Irrespective of their additional classification as sustainability risks, material risks are identified, analyzed, measured, and managed by the process owner as part of the risk management process. ARAG also takes sustainability risks into account in its own risk and solvency assessment (ORSA).

Current risk assessment

Based on the ORSA in the reporting year, ARAG classes sustainability risk at Group level as 'low'. Reputational risk is currently the most important aspect in this regard, because the way in which the Group implements sustainability influences how customers and other stakeholder groups view ARAG. The following other factors may be influenced by sustainability effects: credit and counterparty risk, market risk, liquidity risk, operational risk, underwriting risk, and strategic risk. The risk assessment is gradually being expanded by carefully considering sustainability effects in various risk categories on the basis of projection and scenario calculations. In the 2022 ORSA report, for example, scenario analyses were carried out for all subsidiaries on the potential impact of climate change on investments. Sustainability risks were included on the risk maps of the subsidiaries ARAG Allgemeine, Interlloyd, and ARAG Krankenversicherung to facilitate risk management at the level of individual companies.

The holistic risk management approach ensures that any potential impact from sustainability criteria is fully incorporated into the solvency assessment based on current knowledge. To date, the impact of sustainability risk has not led to any significant changes in income or expenditure. Further developments will be closely monitored.

The ORSA for 2023 is expected to include in-depth impact analyses of climate risks, in particular, on the Company.

Underwriting policy and setting of insurance rates

Long-term corporate governance involves setting adequate insurance rates and the associated profitability of new business and portfolios. This benefits customers, employees, and regions. ARAG regularly reviews the calculation of its premiums and the profitability in the product lifecycle.

ARAG takes sustainability risks into account across many areas in its underwriting policy and when setting insurance rates. For example, ARAG Italy analyzed the portfolios of small and medium-sized enterprises (SMEs) on the basis of ESG ratings. The analysis showed that customers with a good sustainability approach have a lower claims ratio.

For this reason, customers with a good ESG score are offered better terms and conditions in the offer process.

The scope of risk underwriting is defined in the underwriting guidelines. They define ARAG's appetite for risk, for example, and which risks are not underwritten or only under certain conditions. The underwriting policy is further broken down by contracting guidelines at product level. Climate risk, for example, has a particular influence on the contracting policy and insurance rate setting of ARAG Krankenversicherungs-AG because shifting environmental influences brought on by climate change may cause incidence rates of certain diseases such as allergies or asthma to increase. In underwriting, ARAG attaches great importance to its (business) customers maintaining ESG standards. As a result, ARAG's underwriting policy dovetails with its sustainability strategy in this regard. ARAG aims to check a customer's fulfillment of ESG standards when performing its risk assessment. In its underwriting business, ARAG avoids taking on partners that are known to contravene standards of human rights, decent working conditions, or equal opportunities, or that cannot document any steps they have taken to transform the ESG impact of their business. ARAG sets great store by compliance with health and safety requirements.

Challenges when considering sustainability risks

Insurance companies are affected by numerous and complex regulatory changes. This requires a significant level of resources to be dedicated to staying up to date and to implementing regulations in reasonable time. It also entails significant uncertainty in terms of planning as regulations often have to be implemented soon after they have been announced.

It is currently difficult to predict whether insurance products with a focus on sustainability will meet with high demand. Nevertheless, ARAG's new products already have such a focus. ARAG's Top Special Service Package, for example, offers discounts for customers with electric cars and for those who use a season ticket for public transportation.

For further information on new ARAG products with sustainability features, please see 'Product highlights in 2022' in the 'Products, sales, and customer relationships' section on page 73.

GRI 201-2	Financial implications and other risks and opportunities due to climate change
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Sustainability, and by extension climate change, is a key concern for the whole ARAG Group. As part of the ORSA process, the Group therefore not only assesses legal and regulatory risks but also separately identifies and evaluates climate-related risks.

Climate change exposes ARAG to physical and transition risks. Climate change can influence the underwriting risk by causing greater property damage or higher medical costs, while climate-related changes in law can affect the value of assets. This is reflected in the market risk.

Property and health insurance may be particularly affected by extreme weather events or heat waves, while the transition to a low-carbon economy may involve an adjustment to the investment portfolio. Given the growing importance of this topic and the potential impact of associated organizational transformation and adjustment effects, the Group classes the sustainability risk as existing but not a threat.

By acting with foresight, sustainability challenges can be turned into opportunities, for example through a better understanding of climate risks and their impact.

Consideration of sustainability risks in actuarial assessments

GRI 3-3 Management of material topics

Sustainability risks have become ever more prominent in the world of insurance in recent years. Insurers now need to make sure that these risks are incorporated in their assessments by taking environmental, social, and corporate governance factors into account that could affect risk. Risks and impacts must be considered for each individual insurance segment and play a key role in risk assessment, provisioning, underwriting policy, and reinsurance.

Group Risk Management (GRM) is responsible for the monitoring and control of risk, compliance, and governance topics for the insurance companies. This includes compliance with statutory provisions, monitoring business risk, and scrutinizing business processes.

On behalf of the ARAG companies, GRM carried out a quantitative analysis of the impact of sustainability risks on the risk profile for the first time in 2022. Physical risks, particularly an increase in natural disasters, can impact the risk profile of ARAG Allgemeine and Interlloyd, while ARAG SE is more exposed to transition risk. Although ARAG's current risk model does not explicitly model sustainability risk, accumulation loss events such as the VW accumulation have already been factored into internal risk modeling. An analysis on the inclusion of climate scenarios is planned for 2023.

Actuarial Services are responsible for costing insurance premiums, measuring insurance risk, and calculating provisions and reserves. They also play a major part in the development of new products and in making decisions on whether to take on or avoid risk. Based on internal risk assessments, ARAG uses reinsurance to hedge identified risk. The reinsurance strategy is adjusted annually and is based on natural disaster models that are used by GRM to determine protection for loss events stemming from natural disasters.

Employee concerns

Internal communications/communication between Management Board and employees

GRI 3-3 Management of material topics

Internal communications are an important pillar of the corporate culture and vital to the efficiency of ARAG's work. They are also central to the Group's digital transformation. As a family enterprise, ARAG benefits from flat hierarchies and direct lines of communication. Information is passed on transparently and the workforce has the overview of the Company and the markets it needs to work efficiently. Well-informed employees are also more committed and more prepared to act.

Strong communications build trust and boost satisfaction

Internal communications, like all communications and brand management, are the responsibility of ARAG Holding SE. At the operational level, internal communications are also part of ARAG SE's Central Group Function. The main distinction in internal communications is between management communications and employee communications. Management communications ensure the dissemination of information about operational changes. They are used in combination with direct employee communications. ARAG also enables communication between employees, for example through decentralized channels on the Group intranet, ARAGnet. As the workforce identifies very strongly with ARAG, internal communications rely on bottom-up formats, especially for complex change processes. The communication of the Smart Insurer Program, for example, was linked to a global suggestion process in which all teams could actively participate and suggest digital change projects. This approach of involving employees is one of the reasons why the digital transformation enjoys such great support among the workforce. It also contributes to the excellent ratings that ARAG repeatedly achieves in employee surveys. In 2022, for example, ARAG won an award from Focus-Business magazine as the top employer in the insurance category in Germany.

Employees in the United States are also regularly canvassed about their opinions. In addition, events such as the ARAG Days promote commitment and innovation. ARAG USA received a number of awards for its corporate culture in 2022, including National Top Workplace, Iowa Top Workplace, Iowa Top Workplace for Employee Communication, and the Des Moines Partnership Inclusion Award.

As the Group is becoming ever more international, ARAG has developed new communications and networking concepts that facilitate discussion and the sharing of information and ideas among the global workforce. 'International coffee roulette' is very popular with employees. It randomly matches employees in different countries with each other for virtual coffee meetings.

Increased use of digital communication formats

During the COVID-19 pandemic, digital communication formats became commonplace at ARAG and proved their worth. All national and international units use live calls for quick and flexible discussions and the sharing of information. The Management Board also makes use of digital options to directly respond to employees' questions. Digital communication formats were used and expanded in 2022, primarily to provide digital roadshows for all international units. ARAG also returned to some in-person formats in the reporting year as the COVID-19 pandemic eased. Hybrid communication formats now make it possible for employees who cannot attend in person to take part in events. Hybrid live calls ensure that the Management Board has a stronger presence in internal communications, which greatly improves the profile of senior management among the workforce.

Greater speed of communication

ARAG welcomes the broad acceptance of the new communication formats and is taking advantage of the opportunities they offer, though they also present challenges. ARAG expects the switch from face-to-face events to digital formats to result in a faster pace of communication in the future.

GRI 402-1	Minimum notice periods regarding operational changes
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All regulatory requirements regarding notification deadlines were met in 2022. Due to ARAG's decentralized corporate structure, these requirements may vary from country to country.

Occupational health and safety

GRI 3-3	Management of material topics
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Employees need to be motivated and in good health to be able to provide the high levels of commitment ARAG expects from its workforce. That is why ARAG insists on a comprehensive approach to health and safety and goes beyond the statutory requirements. This approach helps to reduce absences and the risk of stress having an impact on employees' physical and mental well-being, as well as to enhance the Company's attractiveness as an employer. Group Central Services and Group Human Resources are responsible for health and safety in the workplace. Operational implementation is handled by the Safety and Security Department together with local health and safety officers, local fire safety officers, and the Talent and Skill Development Department.

Comprehensive safety organization with employee involvement

ARAG Germany implements safety measures and maintains safety-related equipment at a level that goes above and beyond the legal standards, for example by having more safety officers, fire officers, and first aiders than stipulated. In Germany, ARAG's health & safety

committee convenes four times a year to discuss and document matters relating to occupational health and safety and fire safety, including possible solutions and necessary action. The committee includes an employer representative, members of the Works Council, the company physician, the occupational health and safety officer, the security officers, and other relevant individuals (e.g. the representatives for employees with severe disabilities).

The date set for the annual evacuation drill was cancelled due to very heavy rain. An alternative date was not set in the winter months due to adverse weather conditions but has been scheduled for spring.

Desk sharing was introduced as a new teamwork approach in 2022. All statutory health, safety, and fire regulations were reviewed beforehand. As many employees continue to work from home frequently and workspaces are being rearranged for desk sharing, ARAG is looking into using an app as a digital alarm to maintain the provision of first aid in the workplace. This technical step, in combination with the recruitment of additional first aiders, is intended to ensure help is available quickly in the event of a medical emergency.

Employee training on health and safety at work

All staff receive annual training on occupational health and safety and fire safety in the form of an e-learning course delivered via the intranet. This course has been updated and the new version has been available since the start of 2023. Major new topics focus on health and safety and insurance cover when working off-site, medical emergencies, and fire safety.

In-person safety briefings for new employees at the sites had to be scaled down due to the pandemic and related hygiene protocols. However, all topics are covered online in the occupational health and safety e-learning course.

Furthermore, employees with special safety responsibilities receive specific training at least every two years. Fire safety training continued in 2022 while observing the hygiene protocols at all times.

Corporate health management – ARAGcare

ARAGcare is a corporate health management program designed to make employees more health-conscious. The program offers regular checkups, campaigns focused on preventing staff getting ill in the first place, and online training run by professionals. Employees also have access to a company physician who offers consultations, eye examinations, and free flu vaccinations. Consultations with the company physician were held face-to-face or virtually in 2022. All services can be booked via a digital platform. As part of its ARAGcare program, the Company works with other partners who can provide employees with advice on topics such as child care, caring for relatives, and professional or personal problems.

At the Munich site, ARAG has hired a new company physician whose contract began in 2023. The Company is thus continuing to meet its statutory obligation to protect the health and safety of its employees. At the Düsseldorf site, a blood donation day was organized in conjunction with the German Red Cross and type matching was carried out.

Primary responsibility for ARAGcare rests with the Talent and Skill Development Department within the Group Human Resources Central Department. The ARAGcare committee manages the program and develops it in consultation with the health and safety officer, the Works Council, the company physician, and the representative committee for employees with severe disabilities.

For long-term absentees, ARAG also operates a return-to-work and disability management system to ensure that the statutory requirements are implemented professionally. External specialists are consulted to make sure that the individuals concerned are provided with the best possible support. This service is also available to employees who do not meet the formal criteria for return-to-work and disability management but who would like to use it preventively for their health. The international locations are responsible for their own services.

Ergonomics in the workplace

As a service provider, ARAG does not operate any workplaces that pose significant risks to employees' physical health. It mainly focuses on ergonomic adjustments to workstations to prevent office work from causing postural problems or pain. ARAG is guided in this respect by the statutory requirements and the stipulations of the accident insurer (Verwaltungsberufsgenossenschaft – VBG), and carries out regular workplace inspections to assess risk. The risk assessments apply to remote working as well.

Pandemic-related measures in 2022

In the year under review, the COVID-19 pandemic once again required comprehensive measures to protect the health of employees. The company physician and the internal health and safety team analyzed the situation on an ongoing basis and determined appropriate action in line with decisions of the German federal government and the stage of the pandemic. Employees were informed of all measures as soon as possible via the intranet. Senior management also provided an ongoing stream of information, for example via live talks.

The company physicians at two ARAG sites in Germany offered COVID-19 boosters to employees and sales partners. COVID-19 testing kits were also made available to employees. Strict hygiene protocols were put in place for workplaces, and ARAG recommended working from home.

Complaints

ARAG employees who wish to make a complaint regarding occupational health and safety can contact the employees of the Safety and Security Department or the employees of the Talent and Skill Development Department directly. Feedback can be given via the intranet and a central email address too. Concerns can also be raised in the ARAGcare committee and the sessions of the health and safety committee. In addition, employees can contact the Works Council or any member of the managerial staff.

GRI 403-9/10 Work-related injuries and illnesses

	Men	Women	Total
Total contracted hours	3,480,927	4,343,351	7,824,278
Total no. of hours absent	145,906	300,831	446,737
Absentee rate	4.2 %	6.9 %	5.7 %

The figures include temporary employees as well as interns and trainees. The absentee rate is calculated by dividing the number of hours that employees were absent by the total number of contracted hours.

Training and education

GRI 3-3 Management of material topics

ARAG wants to be one of the best insurers in the market. This can only be achieved with a workforce that is skilled, enthusiastic, and committed. Vocational training, skills upgrading, and professional development for its employees are therefore of great importance to ARAG. By providing a comprehensive offering of continuous professional development (CPD), ARAG motivates employees, keeps their knowledge up to date, and ensures their long-term employability. It also helps the Company to retain high-potential employees. Against the backdrop of demographic change within the Company, this is particularly important because ARAG wishes to maintain its market position as an innovative provider of high-quality insurance.

Guidelines, responsibilities, and regulatory requirements

The provision of training and education is governed by ARAG's training guidelines. Professional development opportunities are generally available to all employees. And it is not just internal employees who benefit from the programs on offer. The Company also supports its field reps by generously subsidizing courses and remunerating them for time spent on training. Strategic management of CPD falls within the remit of the Senior Vice President Human Resources and the Talent and Skill Development Department. They are also responsible for operational implementation together with all managers at ARAG. ARAG Sales Training is responsible for training the brokers in Core Sales, who mainly work for ARAG in accordance with the regulations set out in section 84 of the German Commercial Code (HGB).

As an insurance provider, ARAG is subject to regulatory requirements concerning staff and management training, for example under the Solvency II Directive and the Insurance Distribution Directive (IDD) of the European Union. The provision of relevant training is designed to ensure that the regulatory requirements relating to staff training are regularly reviewed and, where possible, complied with at all times.

Design of training and professional development programs

ARAG's support for skills and its range of training and professional development programs are based on the needs of the Company and its employees. Training measures are closely related to ARAG's strategy and employees' day-to-day work. ARAG compares offers from different providers and carefully selects its training providers and trainers to ensure that its offering is of the highest quality. All CPD measures planned and carried out by ARAG are carefully documented, including information on time and money spent. The Company gains important insights from this that it uses to enhance its offering.

The Talent and Skill Development Department uses Learn2Develop (L2D), a state-of-the-art education platform. This allows digital offerings from external partners – for example Pink University and Masterplan – to be incorporated. Simple and clear structures and search functions ensure that the platform is very easy to use. The service units at ARAG SE, ARAG IT GmbH, and ARAG Krankenversicherungs-AG use L2D for their internal training strategies and to meet the requirements of the Insurance Distribution Directive (IDD) and beyond. New features such as the personal learning cockpit and customized learning outcomes support the targeted professional development of each learner. Employees also have the option to form a learning group with their co-workers, which facilitates dialogue and boosts the motivation to learn.

Further development of digital skills

Increasing digitalization requires all employees to develop digital skills that are appropriate to their function and to be open to digital methods and processes. As part of the ARAG Smart Insurer Program, the Talent and Skill Development Department has therefore implemented new digital learning and development formats that meet the growing need for qualifications and promote the development of new skill sets. Training courses on topics such as agile project management, kanban, and a comprehensive range of Microsoft 365 courses have been part of ARAG's offering for some years. Since 2019, the Masterplan video-learning platform has helped employees acquire the necessary knowledge about digitalization. In short video sequences, experts cover topics such as new working methods, digital collaboration, and digital business models. As ARAG sees managers as a key driver of the digital transformation, the Company launched a series of new training courses on hybrid leadership in 2022.

Talent management with ARAG myCareer

In addition to the needs-based training programs, the inhouse talent management program ARAG myCareer also supports employees in planning their individual development and careers. The program helps to retain suitably qualified employees and ensures that the Company continues to have the specialist and interdisciplinary expertise that it needs.

ARAG myCareer offers a set of innovative tools to support recruitment and professional development. Using myCareer, managers can register candidates for training in specialist and management functions, and the registered candidates are given individual introductory interviews to prepare them for the selection process.

ARAG also supports specialists and managers by giving them the chance to complete a part-time degree course or an MBA.

GRI 404-2

Programs for upgrading employee skills and transition assistance programs

Wide range of training programs

ARAG operates a web-based skills and qualifications platform known as ARAG Learn2-Develop that enables all employees in Germany to extend their knowledge and capabilities. The platform offers a wide range of training, videos, and e-learning courses focused on specialist and methodological skills, leadership skills, personal and social skills, knowledge related to insurance and to business in general, project and process management, and foreign languages. The offering is developed and provided in cooperation with selected external education partners. In 2022, KVpedia was launched. This new online learning resource provides a comprehensive range of web-based training on health insurance.

When selecting and designing training measures, ARAG always looks to take current trends into account and to equip its employees with the skills they will need to face the challenges of the future within the industry. For example, the Company offers training, workshops, and networking events focused on self-management, change management, no-blame culture, and hybrid leadership in transformation. The training also covers regulatory matters as well as risk management, internal audit and compliance, data protection, and occupational health and safety.

In 2022, around 11,545 individual training courses covering a wide range of CPD measures were completed across the Company in Germany. Employees additionally took part in mandatory e-learning on the Integrity Guideline and data protection.

Vocational training

ARAG offers apprenticeships that enable trainees to gain vocational qualifications in insurance and finance. As well as maintaining a sufficient supply of skilled new recruits, apprenticeships ensure a good demographic mix across the Group. In 2022, a total of 57 trainees at various levels were supported in Düsseldorf and Munich and in Core Sales.

Training and education at the international locations

Training and education at ARAG's international locations is largely comparable with the offering in Germany, but the locations are free to provide their own additional options. ARAG Italy, for example, offers training on diversity and equal opportunities, while annual CPD plans are created in Spain to enhance employees' hard and soft skills. In the Netherlands, three young employees secured places on the youth innovation program (JIP) of the Dutch Association of Insurers in the reporting year.

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

ARAG requires staff appraisal interviews to be carried out annually. These provide an opportunity to discuss and plan individual CPD measures. A progress review carried out by the Group Human Resources Central Department shows that 97.5 percent of interviews were carried out in 2022.

Diversity, equal opportunity, and protection from discrimination

GRI 3-3 Management of material topics

Fairness and openness are key corporate values at ARAG. The ARAG workforce should reflect the diversity of wider society. Experience has shown that diverse teams generate creative ideas and make the Company more successful over the long term. Openness also provides a competitive advantage, as good working relationships across different countries and cultures are an important success factor for an international insurer. Employees and customers appreciate ARAG's family-friendly and inclusive approach. It improves ARAG's appeal as an employer, creates opportunities for cooperation, and makes a wide range of customer groups more accessible to the Company. ARAG's commitment to diversity also ensures that it can remain fully compliant with the German General Equal Treatment Act (AGG), for example, and thereby avoid reputational risk.

Underlying structures favor diversity

Diversity and equal opportunities are enshrined in the corporate strategy and the corporate values. All employees are offered the same opportunities for professional development, irrespective of age, gender, sexual orientation, nationality, marital status, or other personal circumstances. The operational strategies of the Human Resources and Corporate Communications Departments specify measures to promote diversity and equal opportunities. ARAG also offers flexible arrangements for all stages of employees' lives. This includes allowing them to work from home or elsewhere and allowing managers to work part time.

The company agreement on remote working that came into effect in 2021 once again allowed ARAG employees in Germany to work flexibly from anywhere in 2022. Under the agreement, employees can work from home at least 40 percent of the time.

The representatives for employees with a severe disability and the anti-bullying officers at ARAG represent specific areas of responsibility that help to promote equality within the Group. Employees can approach these representatives or the Works Council with any concerns. Awareness of equal opportunities and protection from discrimination is raised among the management team as part of the training programs. In 2017, ARAG became a signatory to the corporate diversity initiative Charta der Vielfalt, which promotes diversity in companies and institutions and which has the former German chancellor Angela Merkel as its patron.

Proportion of women at management level

At the midpoint of 2022, the percentage of women at the first management level (F1) fell to 32 percent, while the proportion at the second level (F2) remained the same at 36 percent. ARAG intends to increase the proportion of women in leadership positions until a gender balance has been achieved. To this end, it focuses on specifically including high-potential female staff in its succession planning.

Diversity adds value

ARAG is not only a strong advocate of equal opportunities for men and women. True to its core principle of 'unity in diversity', the cultural diversity of its workforce also makes ARAG a stronger business. The Company is proud to unite people from a wide range of countries in one organization and welcomes individuality.

ARAG is an independent, family-owned insurer and bases its values-led culture on the Integrity Guideline that it introduced in 2022. This guideline defines the expectations for collaboration in the Group. It fleshes out the ARAG Essentials and supplements ARAG's Compliance Guideline. Mandatory training on the Integrity Guideline has been created for all German companies and Integrity Guideline champions have been appointed at the Düsseldorf and Munich branches.

ARAG Spain's equal opportunities plan (Plan de Igualdad de Oportunidades) is an example of diversity in action. It was launched in collaboration with the Works Council 13 years ago and has been a success. In 2020, ARAG USA set up a committee for diversity, equality, and inclusion. The Diversity Committee champions the positive aspects of a workforce made up of employees with diverse backgrounds and lifestyles and how it benefits collaboration, innovation, and customer relationships. The committee organizes various activities including educational events and training, for example on unconscious bias. The changes that the committee has helped to bring about include gender-neutral toilets at the Group's headquarters and the inclusion of preferred pronouns in email signatures. Employee surveys confirm that the committee's work encourages everyone at ARAG to think about and respect diversity and equal opportunities. Together with the Culture & People Department, the committee also organized a training event on unconscious bias. The event was mandatory for all senior managers, and employees were invited to attend.

Progress review

ARAG regularly reviews the effectiveness of the measures that are taken. Every year, it evaluates participation in CPD measures to determine whether women and men in the Group have equal opportunities and, to this end, collects socio-demographic data from CPD measures, such as participants' age, gender, years of service, and hierarchy level.

Diversity of the governance bodies and workforce

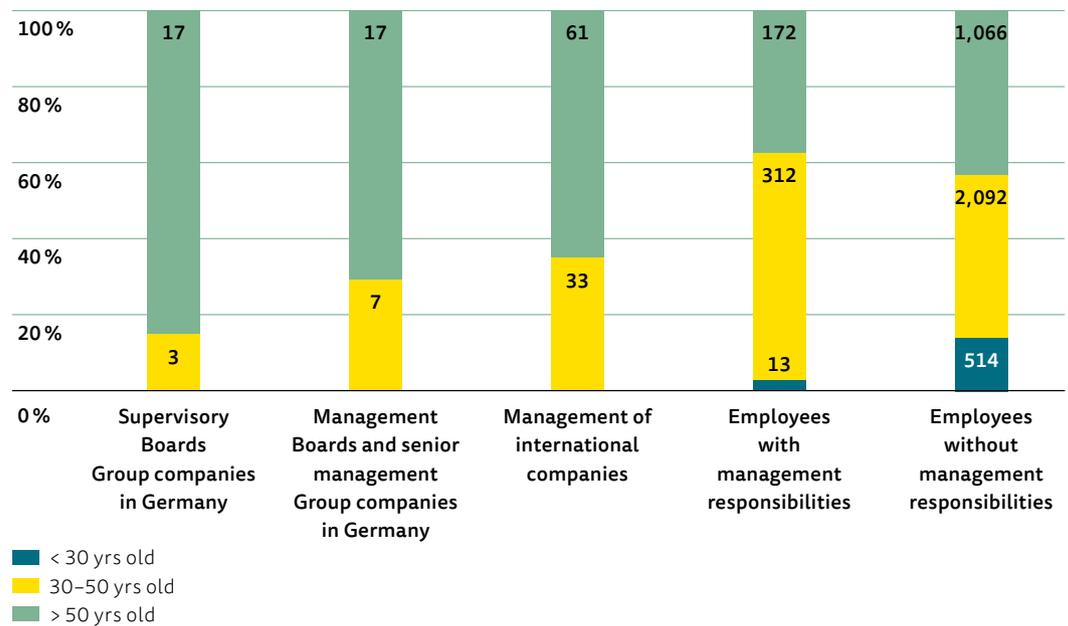
Governance bodies and workforce in 2022, broken down by gender

(% and absolute numbers)



Governance bodies and workforce in 2022, broken down by age

(% and absolute numbers)



The data is based on all Group companies in Germany as well as on the branches/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, the Republic of Ireland, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the United Kingdom, and the United States.

GRI 406-1 Incidents of discrimination and corrective actions taken

ARAG registered no incidents of discrimination in 2022.

Corporate social responsibility and protection of human rights

Social value generated

GRI 3-3 Management of material topics

A leading employer at the Company locations

In Düsseldorf, where it has its headquarters, the ARAG Group is a leading employer with more than 1,600 employees. The Company's activities also indirectly support many jobs in the supply chain and in sales. ARAG has a positive impact on the region's employment rate and plays a role in improving the attractiveness of Düsseldorf as a business location. As an employer, the Group also generates value for society at its international locations by providing stable, future-focused jobs.

Developing local staff and managers

ARAG has successfully positioned itself as an attractive family enterprise in the financial sector and a great brand thanks to its active HR management. Developing local staff and managers right up to the highest management level is an approach that ARAG has been pursuing for several decades as part of its HR strategy. ARAG strives to reflect the diversity of wider society in its workforce at all of its locations. This diversity is a cornerstone of optimal customer service.

Role as a taxpayer

In addition to its role as a leading employer, ARAG is also a taxpayer and thus contributes to the functioning of public life and the welfare of society.

Further information can be found in the 'Taxes' section on page 96.

GRI 202-2 Proportion of senior management hired from the local community

In Germany, ARAG hires most of the managers for its main offices in North Rhine-Westphalia and Bavaria locally. The administrative offices of ARAG's international branches and subsidiaries are mostly located in major industry hubs. ARAG is able to recruit locally here too. No data on this is collected, however.

GRI 203-2 Significant indirect economic impacts

The economic importance of the insurance industry in North Rhine-Westphalia was examined in a wide-ranging impact report in 2022. On behalf of the working group for the insurance industry (Arbeitskreis für Versicherungswirtschaft), Prognos AG prepared a report entitled 'The insurance industry in North Rhine-Westphalia – key industry and technology driver'. The report highlights the considerable economic impact of the insurance industry in North Rhine-Westphalia. It describes both the direct contribution of the insurance industry in creating value and jobs, and the indirect economic contribution stemming from the use of products and services in upstream branches of industry. The insurance industry is a major tax payer and makes a significant contribution to public finances at regional and municipal level. As the leading legal insurer worldwide, it can be assumed that ARAG's economic contribution increased in 2022 given the growth in business and salaries in recent years.

ARAG also promotes economic growth and employment in the regions where its international offices are based. In Spain, Italy, and Scandinavia, for example, ARAG is highly regarded as a market-leading company in the legal insurance segment. In the Netherlands, ARAG is one of the leading employers in the legal sector. In Austria, ARAG sells its insurance services through some 4,000 sales partners, and contributes to the financial performance of these partners through its commission payments.

Taxes

GRI 3-3 Management of material topics

Policyholders expect ARAG to conduct itself in accordance with its contracts and the law. ARAG meets the expectations of its customers and other stakeholders by fulfilling its social obligations, which include paying taxes. The primary goal of the Management Board where taxes are concerned is to meet its obligation to submit a complete and accurate tax return by the relevant deadline. To achieve this goal, it uses a tax compliance system that complements ARAG's compliance culture and organizational structure. ARAG's tax compliance system is an internal control system. It structures tax procedures and processes. In addition, it identifies, documents, and assesses tax risks. Responsibility for this lies with the Tax Department, the Legal Department, and the Management Board.

ARAG actively prepares for changes to tax regulations. Together with external consultants, it is currently analyzing the extent to which it will be affected by Pillar 2 of the BEPS 2.0 project of the Organisation for Economic Co-operation and Development (OECD).

BEPS is a package of measures aimed at preventing base erosion and profit shifting. These activities occur because of gaps and mismatches in different countries' tax rules and because some countries create unfair tax competition, resulting in tax loopholes. Multinationals can exploit this situation and reduce their tax burden to a minimum through aggressive tax planning. This harms competition between companies as small and medium-sized enterprises cannot make use of such options. For this reason, the member countries of the OECD and the G20, and emerging and developing countries have joined forces to raise international tax standards, to establish rules for international tax competition, and to improve the coherence of tax rules across borders.

In response to the challenges arising from the globalization and digitalization of the economy, BEPS 2.0 aims to reform international tax law and prevent multinational enterprises from avoiding tax. The approach comprises two pillars: the reallocation of taxing rights with a nexus rule for the market jurisdictions (Pillar 1), and a global minimum effective tax rate (Pillar 2). Pillar 2 of BEPS 2.0 entails a global minimum effective tax rate for all companies with annual revenue of at least €750 million. The minimum level of taxation on profit has been set at 15 percent. This approach is due to be progressively transposed into national law from 2023.

Because some companies in the ARAG Group form a single entity for VAT purposes, the judgments of the Court of Justice of the European Union (ECJ) dated December 1, 2022 on this matter are particularly relevant. The ECJ confirmed that the tax group parent can continue to be considered the taxpayer for the single entity for VAT purposes. However, the Federal Court of Finance in Germany has not yet conclusively answered the question of how intragroup sales revenue between the companies in the tax group will be treated.

A new law on the rate of interest on tax backpayments and tax refunds has been passed. The interest rate for interest periods beginning on or after January 1, 2019 was reduced to 0.15 percent per month (1.8 percent per year), bringing it into line with the constitutional rules.

In order to consistently raise awareness of tax matters among ARAG's workforce, the Tax Department regularly provides information on current tax law developments in meetings, as part of expert presentations, and in newsletters. Furthermore, all employees are made aware of the importance of tax compliance.

GRI 207-1**Approach to tax**

As a family enterprise, ARAG firmly believes that the sustainable development of the economy, the environment, and society can only be achieved on the basis of the rule of law. ARAG promotes the rule of law mainly through its insurance products.

The Company also embraces the rule of law when it comes to tax matters, and is committed to the proper fulfillment of its tax obligations and avoids aggressive tax arrangements. ARAG's tax strategy is documented in internal guidelines and updated regularly. The senior management team at ARAG reviews and approves the tax strategy.

The Tax Department at ARAG SE is responsible for ensuring that all German Group companies comply with the applicable tax regulations. The international branches and subsidiaries are responsible for compliance with local tax regulations.

The company agreement setting out the rules on working from home also covers the Tax Department at ARAG. The department has digitalized and adapted its work processes so that employees can work seamlessly from home or the office. The Group thus continues to ensure full compliance with all tax regulations.

The non-German Group entities are supported by tax consultancy firms in the respective countries. None of the foreign consultancy firms are part of the group of companies to which ARAG's external auditor belongs. This ensures compliance with applicable regulations at all ARAG locations.

GRI 207-2**Tax governance, control, and risk management**

The Tax and the Legal Departments regularly inform the members of the Management Board responsible for each area about current tax matters, in line with compliance requirements. Interfaces with tax risks are analyzed on an ongoing basis, and matters involving risk are assessed, documented, and passed on to the Management Board as required. Once a year, the Tax Department reviews the checks of the tax compliance system, which itself is monitored by the internal audit function.

The compliance structure offers every employee the opportunity to contact the Legal Department by phone or email to report a violation of legal or internal requirements. The whistleblower is granted the anonymity and confidentiality stipulated by law.

The tax information in the annual financial statements is validated by auditors every year. The ARAG International Compliance Summit took place in September 2022. The event focused on tax compliance system structures and new developments in case law and legislation. A project to optimize work processes got under way in the Finance and Accounting Department. In the first step of the project, all processes are being mapped and then analyzed in terms of automation and digitalization. The Tax Department has been involved in the project since February 2022 and will analyze the processes for tax governance and tax-related risk management and its control mechanisms in a second step.

GRI 207-3 Stakeholder engagement and management of concerns related to tax

It is ARAG's stated aim to fulfill its tax obligations and to disclose all facts that are relevant for taxation purposes. ARAG communicates openly with the tax authorities. Internal stakeholders are involved in decision-making processes through the European Works Council. The European Works Council is an information committee in which each European branch of ARAG SE is represented with at least one seat. It meets twice a year and is kept informed about ARAG's business performance, among other things. The committee members also engage in dialogue on cross-border issues.

GRI 207-4 Country-by-country reporting

ARAG makes the country-by-country reporting available to the German Federal Central Tax Office by the relevant deadline and to the extent required. This information is not currently published as it is covered by tax secrecy. The EU directive on public country-by-country reporting came into force in December 2021 and EU member states have to transpose the directive into national law by June 2023. On September 30, 2022, the German Federal Ministry of Justice published a ministry draft paving the way for implementation in national law. The directive sets forth a disclosure requirement for multinational groups and standalone undertakings with (consolidated) sales revenue of more than €750 million. Such companies must produce a report on income tax information if they exceed this sales revenue threshold in two consecutive financial years. The requirements for disclosing this report apply for the first financial year starting after June 21, 2024. The duty of disclosure is set forth in sections 342 et seq. of the German Commercial Code (HGB).

Social and political engagement

GRI 3-3 Management of material topics

Engaging in corporate social responsibility

ARAG attaches great importance to the interconnection between corporate and social responsibility. As a family-owned business, the Group takes on corporate social responsibility in particular where government agencies are not always able to step in with help where it is really needed. Based on these values, ARAG is involved in a range of development programs and initiatives. ARAG's involvement in development programs is always long term, making it a dependable partner for community and welfare initiatives. The way the Group exercises its social responsibility has a positive impact on quality of life for the local community and on the economic climate in the local area. Its corporate citizenship positively reinforces ARAG's image and the acceptance of its business model.

ARAG Greece sets an example for social responsibility by offering free legal advice for families of the victims of child abuse. The support is offered regardless of whether the affected families are ARAG customers or not.

ARAG Austria jump-started its 'ARAG against violence' community project in the reporting year. The project assists customers who are victims of online hate. Another example of ARAG's corporate citizenship in Austria is its collaboration with the association Chronisch-Krank (Chronically ill). ARAG assists members of the association who are no longer able to work due to long-term illness and who find themselves having to sue for financial support. This assistance is also available for members of the association who are not current ARAG customers.

Public policy

ARAG strives to strengthen democratic institutions and maintain an active dialogue with authorities and policymakers. ARAG represents its interests to government as political and regulatory developments can have a considerable influence on ARAG's business activities. Political decisions can directly affect the Group's risk structure and capital resources, and also influence the way products are designed, marketed, and sold.

Political dialogue is the responsibility of the CEO and the Chief Representative. The purpose of the dialogue is to identify topics of relevance to both sides so that different points of view can be identified and discussed at an early stage. Like the Group companies in Germany, the international subsidiaries are normally members of the relevant trade association in their country.

GRI 203-1

Infrastructure investments and services supported

Supporting children and young people in schools

Since 2014, ARAG has been successfully offering its innovative development project known as Conflict Management in Schools. Supported by the North Rhine-Westphalia Ministry for Education and Schools, this program is offered to all high schools and vocational colleges in North Rhine-Westphalia. The project focuses on the introduction of universal quality standards for conflict management in schools and for preventive measures and intervention techniques. Teachers and specialists in educational social work are trained as school mediators and go on to train school students in conflict resolution.

Nine training cycles have been carried out so far, with a total of 405 school mediators at 131 high schools and vocational colleges in different school districts across North Rhine-Westphalia taking part. At the end of 2022, a new school mediator training cycle began for 24 participants from five schools, which is due to be completed at the end of 2023.

Since September 2016, ARAG has also been a sponsor of MediationsZentrale München. The school mediation team at this not-for-profit organization regularly sends out professionally trained mediators to public sector and private schools in the greater Munich area to act as impartial points of contact for all conflicts and problems arising in day-to-day school activities.

Protection from online threats

The proactive protection of children and young people against online threats is another key focus of corporate social responsibility at ARAG. Important areas of prevention lie in developing media literacy, providing information and education, and raising awareness about the consequences of bullying.

The Group has therefore been focusing keenly on protecting online privacy rights since 2017. ARAG teamed up with the Research Center for IT Law and Social Networks Policy at the University of Passau to develop an alternative to Germany's contentious Network Enforcement Act (NetzDG). Since the publication of the proposed changes at the beginning of 2018, ARAG has repeatedly drawn the attention of expert audiences and policy-makers to its alternative version and the associated improvements in favor of victim protection. Since 2019, the [hass-streichen.de](https://www.hass-streichen.de) ('crossing out hate') website has provided comprehensive, up-to-date information on this issue.

Supporting the German Children and Youth Foundation

Corporate social responsibility at ARAG also extends to the provision of support for the German Children and Youth Foundation (DKJS) in the area of digital education. Together, ARAG and DKJS launched the bildung.digital ('digital education') program at the end of 2017, which helps schools to develop digital education strategies and ensure that they become firmly established. The school development networks initiated by bildung.digital in 2021 were completed on schedule in 2022. A total of 50 schools from eight federal states, including North Rhine-Westphalia, were selected to participate in cross-state networks and in networks aimed at strengthening education on European issues and fostering Europe-related knowledge and skills. That brought the second phase of the bildung.digital program to a close.

GRI 415-1

Political contributions

The ARAG Group is committed to supporting the democratic structures in Germany. This commitment includes donations to the larger parties represented in parliament at federal and state level. The total amount of financial contributions to these parties came to €90 thousand in the reporting year.

Protection of human rights in the supply chain

GRI 3-3 Management of material topics

As a provider of legal insurance, ARAG's business model is based on the principle of ensuring access to the law for everyone, even those who cannot afford it. The protection of human rights is a cornerstone of ARAG's business model, but protection is only effective where the rule of law and its structures support this fundamental consensus.

Due to the nature of ARAG's business, there is no risk that human rights are being violated for the services that it purchases. The bulk of the Company's purchasing activities relate to consultancy services and other highly specialized services. The risk is also minimal in the purchasing of goods, as ARAG mainly obtains these from local or regional suppliers. Furthermore, ARAG's purchasing policy states that offers must remain within the legally permissible limits, and statutory minimum requirements relating to occupational health and safety and minimum wages, for example, must always be observed.

In 2022, ARAG began preparing for the new German Supply Chain Due Diligence Act (LkSG), which comes into force on January 1, 2024. The project is aimed at implementing all measures required for compliance with LkSG by the end of 2023.

GRI 414-1 New suppliers that were screened using social criteria

As part of its duty of care, ARAG performs due diligence on all new suppliers to check if they are on sanctions lists of the US Office of Foreign Assets Control (OFAC), the EU, or the United Nations. ARAG uses the Siron KYC tool to check new suppliers. Existing suppliers are automatically checked on a daily basis. If any suspicions arise, the supplier is immediately blocked such that no further orders or payments can be made. Payments by ARAG to countries outside the Single Euro Payments Area (SEPA) are subject to an additional check prior to execution, during which it is also checked whether the country is embargoed.

Environmental matters affecting operations

Climate-friendly operations

GRI 3-3 Management of material topics

ARAG factors environmental criteria into its investments and aims to continually reduce energy consumption and the associated greenhouse gas emissions in its own operations. The Company is thus helping to combat climate change while ensuring the smooth running of operations, as a consistent energy supply plays a crucial role in guaranteeing availability of the IT infrastructure and IT systems and maintaining a pleasant climate in office buildings.

Responsibility and involvement of employees

As an internal service provider, Facility Management chiefly controls energy consumption and the associated CO₂ emissions. The Purchasing Department is responsible for buying in energy and for putting all related services out to tender in the market. ARAG knows that a concerted effort from all employees is required to reduce energy consumption and emissions. The Company therefore hosts regular training events in cooperation with external specialist companies and experts on topics such as lighting and lighting technology, ventilation and air conditioning, heating, elevator technology, soundproofing, and emission protection in office environments. Operating instructions and usage guidelines are provided to the workforce to inform them about other ways of saving electricity and heat.

Ongoing optimization measures in Germany and abroad

Various systems for lighting, heating, cooling, and air conditioning within the buildings and the infrastructure are controlled by technology such as movement detectors, timers, and temperature sensors. For the ARAG Tower, the company-owned head office building in Düsseldorf, ARAG commissioned a review in 2007 to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Conservation Ordinance (EnEV). The energy benchmark shows that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings from the same period.

ARAG is endeavoring to become progressively more climate-friendly and undertakes optimization measures all year round. Since the company agreement on remote working came into force, ARAG's headquarters have been used less than before the COVID-19 pandemic as many employees work mainly from home. In 2022, ARAG introduced desk sharing as part of the FANTA project (a project to create a flexible approach for workplaces and teamwork at ARAG) and reorganized over 1,200 office workspaces. As a result, ARAG vacated an entire section of the building with effect from July 1, 2022. This part of the building is therefore currently being run on standby and so uses little energy and produces less CO₂. ARAG plans to lease out this part of the ARAG Tower.

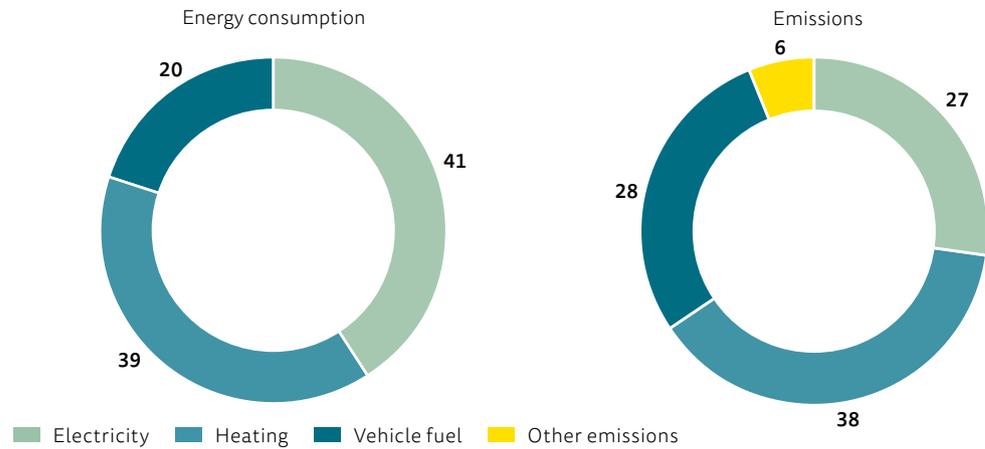
ARAG's international subsidiaries also strive to make operations more climate-friendly and reduce energy consumption at their locations. Some international branches rent their office premises and are therefore limited in their ability to influence energy consumption and combat climate change.

To be able to take more action in other areas, ARAG stepped up its emissions tracking in 2022 and began reporting scope 3 emissions, that is indirect emissions from the value chain. Using this data, the Group will identify additional ways to reduce its emissions and make its operations even more climate-friendly.

GRI 302-1	Energy consumption within the organization
GRI 305-1	Direct (Scope 1) GHG emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions

Energy consumption and emissions by source

(%)



Energy consumption and greenhouse gas emissions, Germany¹⁾

	2022 ²⁾	2021
Energy consumption (MWh)	15,394	13,535
Electricity	5,745	6,094³⁾
Use in stationary applications	5,712	-
Vehicles	33	-
Heating	6,420	7,423
Natural gas	-	3,094
Purchased heating	6,420	4,329
Vehicle fuel	3,229	18
Diesel	1,699	-
Petroleum	1,530	18
Energy consumption (kWh per FTE)	7,724	6,895
Emissions (t CO₂e)⁴⁾	2,594	3,878
Scope 1	1,019	634
Non-vehicle fuel	-	630
Natural gas	-	630
Vehicle fuel	848	4
Diesel	459	-
Petroleum	389	4
Refrigerants	171	-
Scope 2	1,575	3,244
Electricity ⁵⁾	297	2,496
Purchased heating	1,278	748
Emissions (kg CO₂e per FTE)	1,302	1,976

Energy consumption and greenhouse gas emissions, global¹⁾

	2022 ²⁾	2021
Energy consumption (MWh)	24,673	20,066
Electricity	10,071	9,324³⁾
Use in stationary applications	10,014	-
Vehicles	51	-
Refrigeration	6	-
Heating	9,661	9,478
Heating oil	117	196
Natural gas	-	4,675
Purchased heating	9,544	4,607
Vehicle fuel	4,941	1,264
Diesel	2,659	733
Petroleum	2,282	531
Energy consumption (kWh per FTE)	5,768	4,885
Emissions (t CO₂e)⁴⁾	4,861	5,695
Scope 1	1,708	1,318
Non-vehicle fuel	28	1,003
Heating oil	28	51
Natural gas	-	952
Vehicle fuel	1,384	315
Diesel	758	187
Petroleum	626	128
Refrigerants	296	-
Scope 2	3,153	4,377
Electricity ⁵⁾	1,329	3,581
Purchased heating	1,824	796
Emissions (kg CO₂e per FTE)	1,137	1,386

¹⁾ This data is based on the ARAG headquarters in Düsseldorf, the local offices in other parts of Germany, and the branches and subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, the Republic of Ireland, Italy, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, the United Kingdom, and the United States. Electricity, heating, and non-vehicle fuel consumption were factored into the overall energy consumption calculation.

²⁾ The method used to collect and analyze data was fundamentally changed in the reporting year. Prior-year figures can therefore not be directly compared with those of the reporting year.

³⁾ In 2021, electricity consumption data was not collected by type of use.

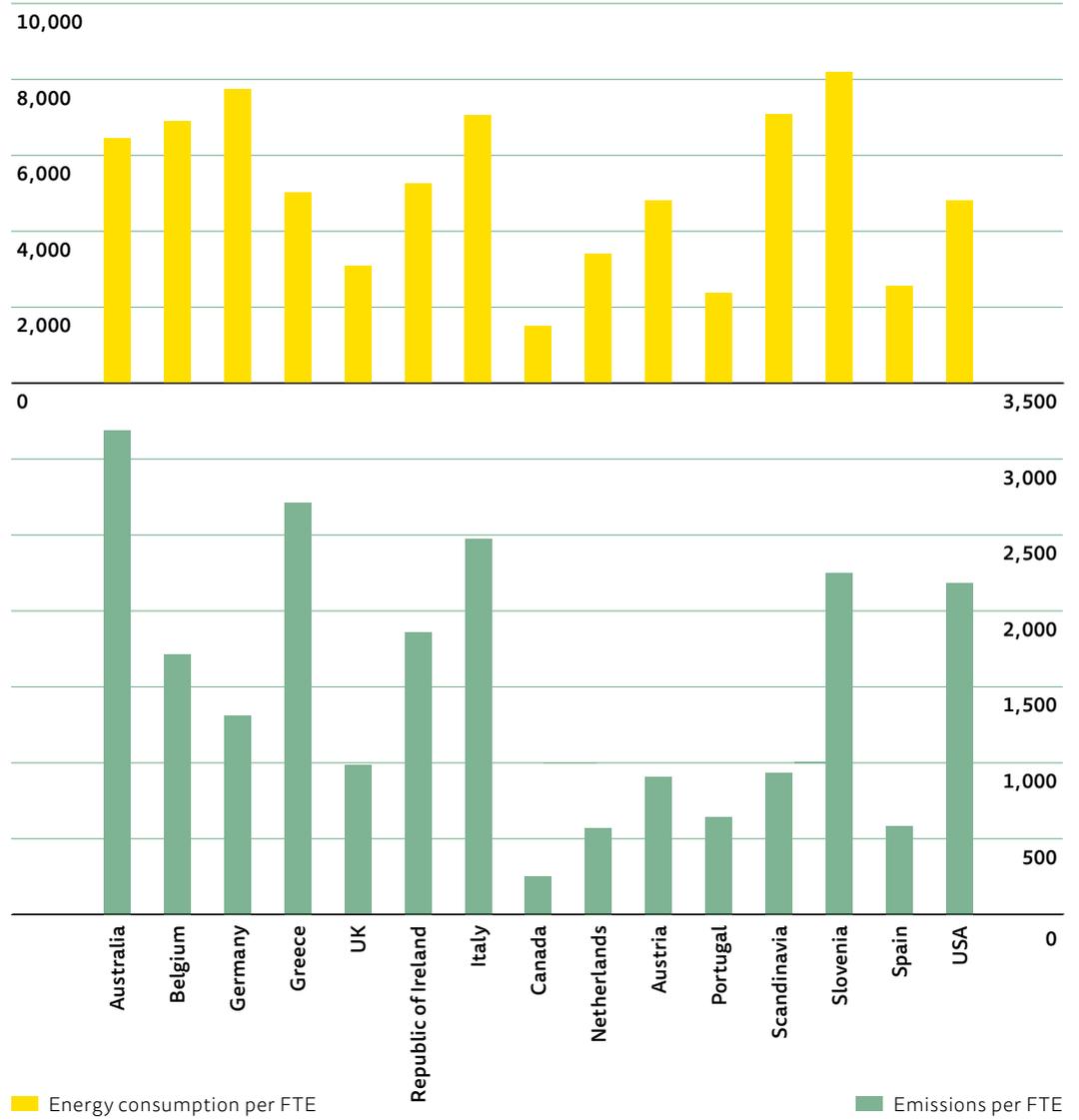
⁴⁾ The greenhouse gas emissions are calculated in accordance with the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

⁵⁾ The greenhouse gas emissions attributed to electricity consumption are calculated using the market-based method (end user-specific mix) of the Greenhouse Gas Protocol scope 2 standard. When calculating emissions using the location-based method (average country mix of the relevant country), emissions from electricity usage amount to 2,358 tCO₂e for Germany and 3,654 tCO₂e globally.

Energy consumption and emissions per full-time equivalent (FTE)

(Energy consumption in kWh/FTE)

(Emissions in kg CO₂e/FTE)



GRI 302-4	Reduction of energy consumption
GRI 305-5	Reduction of GHG emissions

ARAG implemented further measures in 2022 to steadily reduce energy consumption and the resulting greenhouse gas emissions. These focused in particular on optimizing building operations.

The newly launched FANTA project resulted in an entire section of the ARAG head office building being vacated. Consequently, the level of energy consumption was reduced drastically in this part of the building. Furniture that was no longer required was recycled by ARAG and repurposed as lockers for employees, avoiding the need to buy new furniture. Old electronic devices were separated and recycled properly. Surplus office supplies were collected and redistributed. Where purchases of furniture or office supplies were unavoidable, Purchasing prioritized sustainability and recycled products.

In order to reduce the water consumption of toilet facilities at the Company headquarters, new water-saving aerators were installed. The operating hours of the ventilation system were reviewed and reduced where possible. This lowers the use of both electricity and heating. The Group also cut its electricity consumption by reducing how long the lights stay on in the corridors of the buildings on Redlichstrasse in Düsseldorf. Plant illumination and night-time lighting in and around the ARAG Tower were either turned off or reduced. Compliance with the requirements of the German Ordinance on Securing the Energy Supply through Rapid Impact Measures (EnSikuMaV) has thus been ensured.

ARAG Austria expanded the charging infrastructure for electric vehicles in the underground car park at its Vienna office, thereby promoting climate-friendly travel.

GRI index



CONTENT INDEX
ESSENTIALS SERVICE

2023

ARAG has produced its reporting for the period from January 1, 2022 to December 31, 2022 in accordance with the GRI standards. For the Content Index – Essentials service, GRI Services checks whether the GRI content index is laid out clearly and in keeping with the standards and whether references for disclosures 2-1 to 2-5, 3-1, and 3-2 correspond with the relevant parts of the report's main body. This service was performed for the German version of the report.

The sustainability report is published annually. This report was produced on April 28, 2023. The responsible contact person is Kathrin Köhler, nachhaltigkeit@arag.de.

Applied GRI 1	GRI 1: Foundation 2021
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General disclosures

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Information and credits

ARAG provides you with a broad range of information in many publications and on the internet about the Group and its insurance products and services. And as legal insurance is a core competency of ARAG, it also offers selected tips and advice on legal matters. If you have any questions, require an insurance quote, or are simply looking for some basic information, please get in touch or visit our website.

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