

ARAG HOLDING SE

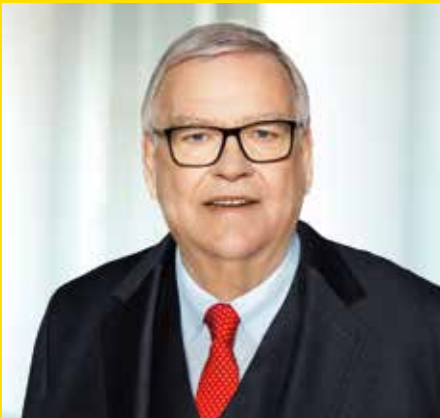
Sustainability Report 2020



Visionary pioneer

In an exclusive interview, Lord Norman Foster explains his thoughts when designing the ARAG Tower 20 years ago and outlines why sustainable architecture is essential for people and environment.





Dear Readers,

What makes ARAG special and what are our distinguishing traits? My grandfather and ARAG founder Heinrich Faßbender asked himself this very same question 85 years ago, at a time when terms like "core values" and their significance for enterprises were still light years away from what they stand for today: Integrity, appreciation and responsibility for employees and customers.

"Purpose" is also an important concept in the corporate world today. This term refers to the *raison d'être* of a company. With reference to ARAG, we can justifiably claim: "Lucky!" Because Heinrich Faßbender had his very own idea of purpose. He was particularly concerned that everyone should be able to assert their rights, regardless of their financial situation. And that is the basic motivation and attitude that is deeply anchored in the company and has lasting validity. With the ARAG Essentials, which are an expression of this attitude, we have created a kind of basic law for ARAG. They explain why our customers are our focus, formulate our identity and show which values determine ARAG's actions. We explain why this is more important than ever today - especially in these troubled economic times - in the article "Forward-looking value(s) work".

Our interview with Lord Norman Foster, a visionary for sustainable building and creator of the ARAG Tower, also shows how important forward-looking considerations

are. In the interview, he explains why design is a social act and what enormous potential for improvement sustainable architecture has for our climate - also and especially with a view to the Paris climate goals. For me personally, it was a great pleasure and honor that he took the time for an interview on the occasion of the 20th anniversary of the ARAG Tower - his views and thoughts are more topical than ever. But read for yourself from page 14.

In other respects, too, I think you will gain some exciting insights into the world of ARAG, such as how the Corona crisis virtually threw our entire work processes into turmoil and how we at ARAG were able to turn this crisis into something positive in the truest sense of the word, and how the entire ARAG team pulled together worldwide. I would like to take this opportunity to thank all my colleagues for their efforts. For me, this kind of teamwork constitutes the "spirit" of a family enterprise, which we continue to be and of which I am proud.

I wish you a riveting read,

Dr. Dr. h. c. Paul-Otto Faßbender

Content



INTERVIEW

Visionary and mastermind: Lord Norman Foster on sustainable architecture and why the ARAG Tower is much more than just an office building.

14

DESIGN IS A SOCIAL ACT

ARAG – MADE FOR TODAY

85 YEARS ARAG

It all started in 1935. Today, Heinrich Faßbender's founding principle is more relevant than ever.

4

JUSTICE FOR ALL IN THE DIGITAL AGE

INTERVIEW

Dr Paul-Otto Faßbender explains how the Group lives up to this ambition.

12



FORWARD-LOOKING VALUE(S) WORK

ARAG ESSENTIALS RELOADED

ARAG's corporate values have applied for 85 years – in 2020 they have been given a facelift.

20

WORKING WITH CORPORATE VALUES IN DIFFICULT TIMES

INTERVIEW

24

SUDDENLY EVERYTHING WAS DIFFERENT ...

COVID-19 CRISIS

Teamwork is a top priority in the family enterprise ARAG – worldwide. It has proven its worth especially in COVID 19 times.

30

LIVING DIVERSITY

DIVERSITY

Diversity and inclusion make ARAG successful in the USA – as an employer and insurer.

38



INTERVIEW

Eloquent and uncomfortable: Gesine Schwan. In an exclusive interview, the politician explains what needs to change in German education policy.

"EDUCATION HAS BEEN SHORN"

26

QUESTIONS AND ANSWERS

ALL ABOUT ARAG

44

Separate condensed non-financial report

46

GRI report

68

Universal standards

69

Topic-specific standards

82

GRI Content Index

120

FOUNDED 85 YEARS AGO.

AN INTERNATIONAL SUCCESS STORY

In 1935, the publisher and lawyer Heinrich Faßbender founded the legal insurance company ARAG. His business idea was simple but groundbreaking: "Every citizen should be able to assert his or her rights, not just those who can afford it." Today, ARAG is an internationally recognized group that ranks among the three largest legal insurance companies worldwide. In addition, ARAG is now the largest family-run company in the German insurance industry.

A lawyer as entrepreneur

Heinrich Faßbender founds the "Deutsche Auto-Rechtsschutz Aktien-Gesellschaft" in 1935 with its registered office in Düsseldorf. On 24 August the name "ARAG" is recorded in the articles of association.

1935 - 37



MADE FOR TODAY.

85 YEARS ARAG

In 1935, the year ARAG was founded, Heinrich Faßbender wanted to give everyone equal opportunities before the law in uncertain times – regardless of their financial situation. This idea continues to be a driving force for ARAG today and remains as relevant as ever.



KARIN VOGELSBERG



MANUEL KÖPP

Represented in 19 countries with more than 4,300 employees, one of the three largest legal insurance companies in the world, the largest family-run company in the German insurance industry and on the market for 85 years: that is the ARAG Group. It all goes back to one man – Heinrich Faßbender. Born in 1879 as the son of a landowner from Pesch near Cologne, he brought with him two important character traits that provided the impetus for the founding of today's interna-

tionally recognized Group: He was a genuine entrepreneur and he possessed a strong sense of social justice. As a lawyer and notary, Faßbender experienced almost daily in his office in Oberhausen that people from modest backgrounds could not afford legal assistance. The lawyer wanted to find a remedy for this. Hence, in 1935, he founded his Auto-Rechtsschutz Aktien-Gesellschaft, or ARAG for short, with the declared aim of giving fellow citizens with small pockets access to legal assistance: "Every citizen

should be able to assert his or her rights, not just those who can afford it."

At the same time, the Rhinelander demonstrated business acumen. For in the 1930s, the trend towards owning one's own motor vehicle took off. In just two years, between 1932 and 1934, the number of cars and trucks in the German Reich practically doubled to 945,000 and 270,000 vehicles respectively. Traffic safety could not keep up with this pace. The result was



Repression, business decline, war

The pressure of Nazi Germany on Heinrich Faßbender increases. He resists the sale of ARAG. The company remains independent and moves its headquarters to the Black Forest without further ado.

1938–44



A new beginning in post-war Germany

Heinrich Faßbender's son, Dr. Walter Faßbender, succeeds in making a new start: the period of the economic miracle brings an unprecedented boom in legal insurance.

1945–54



Growth

For more information, see chapter
"Economic value- enhancement"
on page 82.

frequent traffic accidents – and subsequent legal disputes. However, in the mid-1930s there was only one company in Germany that offered legal insurance for motorists, Deutsche Automobil Schutz AG (D.A.S.) in Berlin.

Their monopoly was gone when Heinrich Faßbender, together with the Düsseldorf motor vehicle expert Josef Schroers, registered the company ARAG in the summer of 1935. The business objective was as follows: "To provide legal insurance for motor vehicle owners and motor vehicle users, in particular in the assertion of claims arising from traffic accidents of all kinds as well as in defense against criminal prosecution arising from the accident of a motor vehicle or the violation of motor vehicle traffic regulations".

STARTING A BUSINESS IN DIFFICULT TIMES

However, the young company based in Düsseldorf had a rocky road ahead of it. In the course of the National Socialists' policy of "Gleichschaltung" or Nazification, the insurance industry was also brought under the control of the regime. Heinrich Faßbender did not receive an insurance licence. He was

not to receive one until 1948, three years after the end of the Nazi regime. In addition, the National Socialists pressured him – in vain – to sell his company.

A POLITICALLY EXPLOSIVE BUSINESS IDEA

Faßbender was a thorn in the side of the National Socialists in every respect: as a tireless entrepreneur – he was a publisher, among other things – and as a politician – until 1933 he represented the Catholic Centrist Party in Oberhausen. Nazi regime repression was soon felt by the Faßbender family. Heinrich Faßbender was forced to give up his majority share in the publishing house Kölner Verlagsanstalt und Druckerei AG, and insurance business came to a virtual standstill during the war years.

"The business idea of my grandfather, Heinrich Faßbender, was political dynamite. For the Nazi state of lawlessness, legal insurance for everyone was a provocation," says ARAG company founder's grandson Dr. Paul-Otto Faßbender, who is Chairman of the Board of Management of ARAG Holding SE and Chairman of the Supervisory Board of ARAG SE (see also interview on page 12), because equal opportunity before the law is a power-

ful tool for citizens. The concept of legal insurance has a lot to do with social responsibility. "There is hardly a business model that is so seamlessly tailored to sustainable development as ours. This is totally up-to-date," emphasizes Dr. Paul-Otto Faßbender and continues: "Social responsibility in action, that's what's behind the idea of legal insurance. This service to the client, this benefit for the client is still modern." Times and their demands may have changed, but ARAG's entrepreneurial mission is the same today as it was 85 years ago: To create equal opportunities.

THE FOUNDING PRINCIPLE IS CUTTING-EDGE

Rarely before in ARAG's corporate history did the topicality of this maxim become more clearly evident than in 2020 as the global corona pandemic called into question many things that had previously seemed self-evident. Whether and how we could work and spend our free time suddenly became unclear.

And legal issues immediately arose. ARAG noticed a sharp increase in the need for support. In the area of labor law, contacting ARAG online and offline



Expansion and internationalization

ARAG is growing steadily - and expanding its portfolio. The increasing desire of Germans to travel abroad leads to the founding of the first international subsidiaries in the Netherlands, Italy and Belgium.



1955-65

FROM OFFICES TO ARAG TOWER

ARAG moved into its offices at Rathausufer 16 in Düsseldorf in 1938. The building still stands today and survived the turmoil of the Second World War. However, ARAG did not move into a company building of its own until 1955 in Düsseldorf's Heinrichstrasse, and from 1967 onwards the company headquarters were located in the legendary Stufenhaus designed by Düsseldorf architect Paul Schneider-Esleben (see photo right, center). After its demolition in 1991, ARAG set up their head office in nearby Yorckstrasse on the former site of the Düsseldorf Milchhof. In 2001 the company moved into its current headquarters in the ARAG Tower. It was designed by the English architect Lord Norman Foster (see interview on page 14) and the Düsseldorf architects RKW Architektur + Städtebau. For 20 years now the ARAG Tower has been a landmark building on Düsseldorf's skyline.



1955



1967



2001

IN THE BEGINNING WAS ROLAND

The knight Roland of Auto-Rechtsschutz Aktien-Gesellschaft, or ARAG for short, was the company's first trademark and "few German insurers have changed as thoroughly as ARAG in recent years," emphasizes Dr. Paul-Otto Faßbender, Chairman of the Board of Management of ARAG Holding SE. Over the years, ARAG's trademark – like the insurer's services and products – has repeatedly changed and modernized as one of the

best-known German insurance brands. Most recently, since the spring of 2016, the ARAG lettering has been clearly legible in the foreground and stands out boldly. In the year ARAG was founded, Knight Roland with his swords was the trademark. However, he and his swords have disappeared over time, because customers today seek solutions and assistance and crossed swords no longer stand for a contemporary approach to conflict.





ARAG AS A TOP EMPLOYER

In the family enterprise ARAG, the focus is on people. Appreciation and support are characteristic of the corporate climate.

ARAG is considered an excellent employer. For example, Eltern magazine named ARAG one of the most family-friendly companies. In Sweden, the ARAG HELP branch received the "Great Place to Work" award and the magazine Focus, together with the job portal kununu, list ARAG as one of the best employers in 2020. The low fluctuation also speaks for itself: ARAG is a good place to work. There are concrete reasons for this:

ARAG has set itself the goal of being the most innovative insurer and **promotes creativity and innovative spirit. Flat hierarchies** encourage people to take responsibility and implement new ideas.

ARAG attaches great importance to the **reconciliation of work and family**. There are "with-child" offices, support services for care or nursing tasks and, of course, flexible working hours and working-from-home options.

As a sports insurer, ARAG is committed to the **health** of its employees. Depending on the location, the workforce can take advantage of various health services, company medical care and company sports.

ARAG promotes the individual development of its employees through a **wide range of seminars**.

More information on ARAG as an employer at:

www.arag-karriere.de

increased by 75 percent. The demand for advice on other legal topics, such as travel, rose by 50 percent.

ARAG reacted very quickly to this increased demand. First, it posted a wide range of information and services on COVID-19 on a page of its own at www.arag.de. This information was quickly expanded to include a lawyer hotline, lawyer chats and new advisory services (see also page 32). What was special about these offers was that not only ARAG customers but also non-clients could use the advisory services free of charge. In keeping with the spirit of company founder Heinrich Faßbender, ARAG remained true to its self-imposed obligation to offer legal support for everyone during the Corona crisis.

ARAG received a very good rating in the "Die Superversicherer" (The Super Insurers) study conducted by the agency mediaworx for its communications portfolio including services during the first lockdown in spring 2020. The market researchers examined how well insurance companies supported their customers digitally in the exceptional corona situation. According to the study, ARAG was among the companies with the best webpage-based crisis communication.

The Düsseldorf insurer made its mark with the proactive, comprehensible and needs-oriented information it offered. In the study, ARAG scored 91 percentage points earning second place in the Insurers' ranking.

85 YEARS OF HISTORY STAND FOR SOLIDITY

The Group's marketing department quickly recognized that people in the Corona crisis were first and foremost looking for reliable advice – also from their insurer. The advertising campaign launched in August 2020 with the claim "Founded 85 years ago. Made for today." picks up on this need. The message conveyed is that a family business that has been on the market for eight and a half decades will also weather this storm and be present in the future. It offers policyholders a strong shoulder to lean on when it comes to legal issues surrounding Corona, whether it's short-time work, rights and obligations when working from home, travel warnings or cancelled holidays (more on the advertising campaign on page 36).

Market research shows how much people value the solidity of the traditional enterprise ARAG, especially in uncertain times.



Growth and expansion

ARAG responds to growing competition – and expands internationally. After the early death of Dr. Walter Faßbender, his brother Hans Heinrich takes over

1966–77

Strong value base

For more information, see the chapter
"Corporate and Leadership Culture"
on page 83.

ARAG is guided by values that are timeless: Fairness, openness, pioneering spirit, drive, foresight and discipline. This canon of corporate values – the ARAG Essentials (see also page 22) – is the guiding principle of action for all employees.

The ARAG Essentials reflect not only the company's loyalty to its founding principle, but also its readiness for fresh starts and permanent change, such as the transformation into a smart insurer. ARAG keeps moving with the times. The company not only reacts to developments, but also anticipates and helps shape them. After all, the needs of policyholders are changing rapidly today, not least because society and living conditions are in a constant state of flux. ARAG focuses on customer benefits. It offers customized, pragmatic solutions for the individual risk management of its customers, taking into account the current realities of life.

OWN PRODUCT CATEGORY WITH ARAG WEB@KTIV

One example of this is cyber security. In 2001, ARAG was the first provider to include legal insurance for online transactions in its program with the Internet legal insurance product ARAG web@ktiv. Since then, the

topics of safety online and protection against bullying in the digital and real worlds have also been a high priority within ARAG's commitment to social responsibility. Since 2014, ARAG has been offering the support project "Conflict Management in Schools" at all secondary schools and vocational colleges in North Rhine-Westphalia (NRW) with the support of the North Rhine-Westphalian Ministry for Schools and Education. The aim is to establish high-quality structures for conflict prevention and conflict management in schools. Teachers, parents and school social work specialists are qualified as school mediators and then train students to become conflict guides. So far, 137 schools have participated in this project and 366 school mediators have been trained. Since September 2016, ARAG has also been a sponsor of the MediationsZentrale München. This non-profit association regularly sends professionally trained mediators to schools in the greater Munich area, where they act as neutral contacts for cases of conflict and problems in everyday school life. In 2017, the ARAG Group launched the "bildung.digital" (digital education) program with the German Children and Youth Foundation (DKJS) (see also interview with Prof. Dr Gesine Schwan, page 26). It supports schools in developing and anchoring digital education

concepts. Also since 2017, the group has paid special attention to the protection of personal rights on the Internet. Together with the Research Center for IT Law and Network Policy at the University of Passau, ARAG developed a legal alternative to the controversial Network Enforcement Act (NetzDG). In order to create publicity in the campaign against cyber violence, the website hass-streichen.de went online at the beginning of 2019. It includes a large collection of information on this hot issue.

The new commitment to e-sports also fits in with the topic – cyber world, whose strengths and weaknesses ARAG is intensively addressing. ARAG has been the official insurance partner of the e-sports organization SK Gaming since 2019. Together with the organization, ARAG is developing content for insurance coverage that is specifically aimed at gamers and covers gaming PCs and game consoles, for example. In addition, ARAG integrates gamers into its sponsoring program. Under the umbrella of ARAG's anti-bullying projects, which have been successful for years, the insurer and SK Gaming are launching an award that will honor gamers for exemplary behavior online. For ARAG, this partnership is an opportunity to raise its profile

New segments and the leap into the USA

Diversification continues with the company's entry into health insurance making ARAG an all-round insurer. In 1989, the company finally succeeds in entering the US market.

1978 – 89



Start in East German states and Luxembourg

Despite intensive efforts in the new federal states, business in Germany remains poor. Successful launch of ARAG in Luxembourg.

1990 – 97



“Every citizen should be able to assert their rights, not just those who can afford it.”

Heinrich Faßbender | Founder of ARAG

among a young target group, through SK Gaming's international participation in competitions at home and abroad.

PRESENT ON THE INTERNATIONAL STAGE FOR ALMOST 60 YEARS

The ARAG Group has been internationally oriented for decades. As early as 1962, ARAG opened its first international subsidiary in the Netherlands, followed the next year by Italy. It is no coincidence that ARAG was initially represented in the preferred holiday destinations of Germans during the years of the economic miracle and economic upswing. The company wanted to be present where German customers went on vacation. Over the years, the international business has grown not only in Europe. In 1989, ARAG

made a leap across the pond and opened a company in the United States of America. Canada and Australia also have ARAG subsidiaries today.

International business is now one of the Group's most important growth drivers, and the goals are ambitious. ARAG wants to become the best legal insurance company worldwide in coming years and play in the top league in other insurance segments such as health insurance. In the future, the Düsseldorf-based company wants to penetrate additional global markets. In doing so, ARAG always pays respect to the special characteristics of foreign markets. Success is owed not least to the fact that it develops country-specific business models and customer-oriented products (see also page 41).

The subsidiaries in Europe and overseas keep in regular contact with one another in order to learn from each other and, for example, to report on new product developments that could also work in other locations.

ARAG'S VALUE ENHANCEMENT IS GEARED TO LONG-TERM GOALS.

ARAG is not only an internationally successful group, it is still a family enterprise. “And it will remain so in the future,” assures Dr. Paul-Otto Faßbender. Despite numerous purchase offers over the course of its 85-year history, the Düsseldorf-based company has never relinquished its independence. There are good reasons for this. Family enterprises define their own strategies and values and can remain true to them. At ARAG, for example, social commitment and a family-friendly HR policy are among the inviolable principles. The company also pursues long-term goals when it comes to value-enhancement. This is what sets apart family enterprises like ARAG from publicly traded companies. Profits remain predominantly within the company. They are reinvested to strengthen ARAG, which explains why family enterprises such as ARAG are rightly perceived by the public as particularly stable and accountable. In turn, ARAG's independ-

International reshuffle

Dr. Paul-Otto Faßbender acquires the majority of the company shares. As Chairman of the Board of Directors, he sets clear signals in the direction of consolidation with simultaneous international expansion.



1998–2003

Developing ARAG's strengths

With a service offensive and an innovative product portfolio, ARAG is drawing on its old strengths – and presenting itself as a rock-solid, internationally successful family enterprise.



2004–2010

ence gives it the freedom to focus entirely on the interests of its customers and to provide them with helpful insurance and services. “Extensive creative work is possible in an independent family enterprise. That is a privilege,” Dr. Paul-Otto Faßbender sums up. In addition, independence motivates in two ways: on the one hand, through great creative freedom, and on the other hand, everyone in the ARAG “family” strives to secure this independence through top performance.

FAMILY BUSINESS WITH A SENSE OF FAMILY LIFE

Human ties and interaction also contribute to the success of the largest family enterprise in the German insurance industry. Customers trust the family enterprise ARAG; employees appreciate the flat hierarchies, the shared responsibility between owners and staff. Decisions can be made more quickly, solutions implemented flexibly. That is one reason why ARAG can launch new products very quickly. That in turn is why ARAG is regarded as highly innovative and was named “Most innovative Brand” for the fourth time in a row in 2019 with the Plus X Award for innovation.

As a family enterprise, the insurer is also particularly innovative when it comes to the compatibility of work and family. What is nowadays called “work-life balance” was already an important issue for ARAG in 1971. Way back then, the Group introduced flexi-time, where elsewhere the time clock still dictated the work schedule – a highly progressive offer for that time. And ten years ago, the first “Mit-Kind” office was opened in the ARAG Tower in Düsseldorf. Parents who are temporarily unable to find childcare can bring their offspring to work with them.

Flexible work, for example from home, has long been the norm at ARAG. In 2019, ARAG set out on the path to becoming a smart insurer. This means that it wants to make greater use of the opportunities of digitization throughout the company and make services available to customers even faster, more conveniently and more transparently. Smart services, smart data and smart culture are the pillars of the program, which is to be implemented by the end of 2021.

COMPREHENSIVE DIGITIZATION PAYS OFF

Consistent digitization proved to be a stroke of luck for the company in the COVID-19 cri-

sis. As early as mid-March 2020, within two days almost all 4,300 employees were able to work from home – the customers did not notice a thing. The exclusive sales force has been working fully digitally for some time, which is why sales continued via app and video consultation even during the lockdown. Despite – or partly because of – the pandemic, ARAG recorded a sharp increase in new customers in 2020.

On balance, in Germany alone ARAG has been gaining 70,000 to 80,000 customers year on year for some time now. 2019 was the most successful fiscal year in the Group's history. For the first time, premium revenues generated in the German home market exceeded the one-billion-euro threshold (1.02 billion euros). Overall, gross premium income increased by 6.6 per cent to 1.76 billion euros.

Against this backdrop, the well-established group is looking to the future with optimism. Dr. Paul-Otto Faßbender, whose grandfather founded ARAG 85 years ago, puts it very clearly: “Act, perform, deliver for our customers. This triad will not change. We are not here to manage yesterday's successes, but to focus on tomorrow's opportunities.”



Fit for the future

Over the course of time, ARAG has undergone major changes: Now a European legal entity with changed name and a new brand strategy, the Group is exploring new paths.

Since 2011

JUSTICE FOR ALL – DIGITIZATION HELPS

INTERVIEW

ARAG's 85-year-old founding principle is still highly topical: everyone must be able to afford access to justice. This is even a development goal of the United Nations. Dr Paul-Otto Faßbender, Chairman of the Board of Management of ARAG Holding SE and Chairman of the Supervisory Board of ARAG SE, explains how the Group brings this demand to life.



KARIN VOGELSBERG



THILO SCHMÜLGEN

GRI

Customer focus

For more information, see chapter
"Customer orientation and innovative
offers" on page 90

What specifically has ARAG taken with it from the past to the present?

DR. PAUL-OTTO FAßBENDER Interestingly, the classic founding principle is becoming increasingly topical: everyone needs free access to justice, not just those who can afford it. For us in Germany, this topic is totally self-evident today. But the more international we become, the more we see that it is not. In many countries, only the wealthy can afford even the simplest legal proceedings. It is not for nothing that access to justice for all is one of the United Nations' global development goals.

How does ARAG implement the founding principle today?

DR. PAUL-OTTO FAßBENDER The idea developed 85 years ago has become very topical again today, especially due to digitization: Low-threshold legal transactions can be mapped quickly and directly through digital services. This gives the consumer, the citizen, a completely different access route to justice.

What significance does it have for customers today that ARAG is a family enterprise?

DR. PAUL-OTTO FAßBENDER Ownership may not be decisive for taking out a policy, but customers perceive it as something positive. Experienced sales people make use of that fact. They'll say: I work for a family enterprise that stands for certain values. Customers understand that ARAG stands for integrity and quality. ARAG's high reputation in the area of sustainability also stems precisely from this point: we are a family enterprise with 85 years of tradition behind us.

Has customer perception of legal insurance changed in recent years?

DR. PAUL-OTTO FAßBENDER Yes – the Corona crisis in particular shows that legal insurance is no longer a niche product. We know from surveys that today people have a completely different view of legal insurance than 15 or 20 years ago and that consumers use it to cover elementary risks. Today, legal insurance plays a major role in the fight to save a job, for example.

How would the company founder Heinrich Faßbender look at the Group today?

DR. PAUL-OTTO FAßBENDER I think he would be very satisfied overall that his founding principle has helped to develop such a company. But he was a very impatient business personality and would perhaps say: "Speed is crucial for success."

What will the company look like in ten years?

DR. PAUL-OTTO FAßBENDER This is clearly stated in our newly formulated corporate values, the ARAG Essentials reloaded: We intend to make ARAG the best legal insurance company in the world, and we want to be among the best in the other segments. I think that is an achievable ambition.

In addition, it is a stroke of luck for us that sustainable management is gaining increasing social weight. As a family enterprise, ARAG already carries the sustainability factor within itself. We consciously think and act for the long term. Here, we can quickly score points compared to other companies without much effort. Likewise, free access to the law is an important cornerstone of sustainable developments. This is important for our customers and partners.



After 20 years in operational management, Dr. Paul-Otto Faßbender will now focus on his duties as Chairman of the Supervisory Board of ARAG SE.



Dr. Dr. h. c. Paul-Otto Faßbender

Dr. Paul-Otto Faßbender has been a member of ARAG's Board of Management since 1977 and the majority shareholder of ARAG Holding SE (formerly ARAG AG) since 1998. He has been Chairman of the Board of Management of ARAG since 2000. After exactly 20 years, he allowed his Board mandate to expire as planned on 3 July 2020. Following the expiry of his mandate as Chairman of the Board of Management of ARAG SE, Dr. Paul-Otto Faßbender will remain Chairman of the Board of Management of ARAG Holding SE, the Group's parent company. Dr. Paul-Otto Faßbender studied law at the Universities of Freiburg, Cologne and Bochum, followed by a doctorate, and has been admitted to the bar since 1976.



Lord Norman Foster

The British visionary was born in Manchester in 1935. He went on to study at the University of Manchester's School of Architecture and City Planning until 1961. After graduation, he won a scholarship (Henry Fellowship) to attend Yale University, where he gained a master's degree in architecture.

He is the founder and executive chairman of Foster + Partners. Founded in London in 1967, it has developed into a global studio with project offices in over 20 countries. Since its foundation, the firm has received over 570 awards and honorable mentions for excellence and won more than 100 international and national competitions.

Lord Foster's most celebrated international projects include the Hong Kong International Airport Chek Lap Kok (1992–1998), the glass dome of the Berlin Reichstag (1994–1999) and the ARAG Tower (1998–2001). Built by Lord Foster in partnership with the Düsseldorf architects RKW Architektur + Rhode Kellermann Wawrowsky, the ARAG Tower has now been shaping the skyline of the state capital as Düsseldorf's tallest office building for 20 years.





DESIGN IS A SOCIAL ACT

SUSTAINABLE ARCHITECTURE

The year 2001 saw the opening of Düsseldorf's tallest office building: the ARAG Tower. The high-rise featuring 32 floors designed by Lord Norman Foster has long since made architectural history. But that's not all: The tower is also a shining example of sustainability – and designing buildings is fundamentally a social act, as its “inventor” explains in this exclusive interview.



JÜRGEN JEHL UND KATHRIN KÖHLER



CLARA MOLDEN/CAMERA PRESS/LAIF

Lord Foster, who is your green role model? And what is it that sets him or her apart?

NORMAN FOSTER It would have to be Buckminster Fuller. For me, he was the very essence of a moral conscience, forever warning about the fragility of the planet and man's responsibility to protect it. There are many papers that could be written on the insights that Bucky gave. But perhaps the themes of shelter, energy and the environment – which go to the heart of contemporary architecture – best reflect Bucky's inheritance. The principle of sustainable design, of “doing more with less”, which Bucky really pioneered, are completely central to our work. It was probably a shared interest in ecology and sustainability that brought us together. It was certainly a major topic of conversation over the lunch at which we were introduced to each other. At the end of the meal, Bucky declared that he wanted me to be his collaborator on the underground theatre for Oxford – his first project in the United Kingdom.

What does the principle of “doing more with less,” which your mentor Richard Buckminster Fuller aimed for, mean for your work in terms of sustainability?

NORMAN FOSTER It is about using fewer resources to greater effect, finding better, more efficient ways of building. It means taking nothing for granted, asking the right questions, challenging common assumptions – always starting with a clean sheet of paper and an open mind. Sometimes, that process of questioning and challenging leads to new solutions. And often you find that by “reinventing” you set a new standard, which other people then follow.

What motivates you to be so committed to sustainability?

NORMAN FOSTER Climate change is a very serious issue, and sustainability is not a matter of fashion but of survival affecting architecture and infrastructure at every level, be it an airport or a



small apartment. Sustainability requires us to think holistically and not about buildings in isolation. The location and function of a building, its flexibility and life span, its orientation, form and structure, its heating and ventilation systems, and the materials used – they all impact upon the amount of energy required to build, run and maintain it, and the movement of goods and people to and from it. Architects cannot solve all the world's ecological problems, but we can design buildings to run at a fraction of current energy levels and we can influence transport patterns through urban planning and infrastructure.

In your work, you have never limited yourself to “just” designing buildings. In an interview you once said that you wanted to merge the activities of the architect and the engineer in order to contribute to the improvement of the world and the environment. Could you elaborate on that?

NORMAN FOSTER For me, architecture and infrastructure are inseparable, irrespective of their scale. In cities, the infrastructure of transport systems, bridges, public squares, parks and streets provides the “urban glue” that binds the buildings together. Although we tend to take it for granted, the quality of infrastructure determines the quality of our daily lives. Building infrastructure is about confidence in the future. It is about an awareness of needs to come, and it is an investment for generations unborn. And if we need any reminders of that, then we should remember that all the benefits, the quality of life that we enjoy today, in so many respects, are owed to the nineteenth-century pioneers who took the initiative on our behalf.

The ARAG Tower, which you realized in partnership with the German architectural firm RKW Architektur + Rhode Kellermann Wawrowsky GmbH and which became a landmark to

Düsseldorf, not only left its mark on the skyline, but even now it still is a shining example in terms of energy savings and a reduction in carbon dioxide emissions. What was your basic idea at the time, when you designed this high-rise against the backdrop of aesthetics and sustainability?

NORMAN FOSTER The design of the ARAG building pushed an unashamedly progressive environmental agenda. The high-performance, double-skin glazed facade forms a weather shield and sun filter on the outside, while on the inside an inner layer, with openable windows, allows the building to breathe. Maximum use is made of daylight, and the construction allows passive cooling with night storage so that air conditioning is rarely needed. Internally, office floors are simple and open in feel. To create the maximum usable floor area, lift shafts are pushed to the corners, with glass lifts allowing panoramic views across the city.

Double-height “sky gardens” punctuate the building at every eighth floor. Planted with “meadows” of tall grasses and wildflowers, the gardens provide informal meeting areas and relaxation spaces. Open access between office floors and the gardens encourages a friendly atmosphere as well as improving communication between staff.

Glass seems to play a very important role in your designs. Around 5,200 panes of glass in the double facade ensure that the appearance of the ARAG Tower is crystal clear. What significance does glass have for you and your work in terms of aesthetics and sustainability?

It is about an appropriate materiality. In cooler climates, glass is your friend, while thick insulating walls or a more layered and shaded approach would work better in hot, arid regions.

In order to achieve the objectives of the Paris Agreement on fighting climate

“With the Covid-19 pandemic, neighborhoods have seen a resurgence in appeal with the tag of ‘the fifteen-minute city.’”

Lord Norman Foster | Architect

change, in addition to transportation, energy and agriculture, also the building sector must contribute to a reduction in greenhouse gas emissions, because in many countries the building sector is responsible for up to 40 percent of greenhouse gases. On the other hand, buildings must be able to withstand strong environmental impacts in the future. How can architecture master this balancing act?

NORMAN FOSTER Buildings that emerge as a response to their environmental context tend to have better performance standards, allowing users a more pleasant experience. Moreover, the last decades have witnessed key shifts in public attitudes to ecology and energy consumption, and sustainable infrastructure developments like this support and encourage heightened awareness on issues of sustainability. Our projects have, since the beginning of my first practice in 1967, always anticipated these trends, pioneering sustainable design solutions.

How can one do justice to the complexity of sustainability?

NORMAN FOSTER Sustainability requires us to think holistically. The location and function of a building, its flexibility and life span, its orientation, form and structure, its heating and ventilation systems, and the materials used – they all impact upon the amount of energy required to build, run and maintain it, and the travel to and from it. We can, through buildings and infrastructure, harvest energy rather than fuel endless consumption. I believe we can do this while at the same time improving our quality of life. We have to move to a more circular economy – converting waste to energy, for example.

The Covid-19 pandemic has had devastating consequences for our society, economy and social interaction. But it has also forced us to practice restraint, to limit ourselves and to adapt from one



An apple bursting with sustainability. Lord Foster also essentially developed the Apple Park in Cupertino, whose original plans go back to Apple founder Steve Jobs. Apple's corporate headquarters are powered entirely by renewable energy. On the site, 465,000 square meters of asphalt and concrete have been replaced by green spaces with more than 9,000 native trees. The area further comprises three kilometers of walking and running trails, an orchard, meadows and a pond.

day to the next – keyword home office. What are your thoughts on how the coronavirus will impact sustainability in the office sector, and what does that mean for our urban architecture?

NORMAN FOSTER The history of civilization is the history of cities and civic spaces – the words are intertwined. Cities are the future – statistically more so today than ever before. The Great Fire of London in 1666 resulted in the building codes that created the Georgian city of fireproof brick construction. The cholera epidemic in the mid-nineteenth century cleaned up the Thames from an open sewer, led to a system of modern sanitation and the Thames Embankment. But each of those consequences – fireproof buildings, sewage systems, green parks – would have happened anyway. The crises of the day hastened and magnified their arrival.

The last major pandemic of 1918 – 20 created deserted city centers, face masks, lockdowns and quarantines. But it also heralded

the social and cultural revolution of the 1920s with newly built gathering spaces – department stores, cinemas and stadia. With the Covid-19 pandemic, we have already witnessed dramatic increases in the mobility of people, goods and information, whilst simultaneously confronting the realities of climate change and carbonization. We are now seeing trends away from fossil fuel to cleaner electric propulsion vehicles which can charge by induction, be driverless and “platoon” nose-to-tail, a shift against car ownership by the young with an appetite for ride sharing and on-demand services like Uber, the rise of scooters and e-bikes, and the prospect of drone technology for moving people and goods. To these trends in mobility, add in new patterns of working. The traditional workplace will survive and be even more appreciated for its social and creative opportunities, but it will be used far more flexibly and balanced with time spent operating out of home or a third place – an Alpine aerie or a digital Starbucks on the main road.

Sustainable buildings

For more information, see chapter „Climate-friendly operation“ on page 115.

City centers will have the potential to be quieter, cleaner, safer, healthier, more friendly, walkable and bikeable, and vitally – if the opportunity is grasped – greener. Imagine Parliament Square as a park, or a tree-lined Piccadilly. Neighborhoods have seen a resurgence in appeal with the tag of “the fifteen-minute city.” The ideal of being able to live, work, sleep, shop, dine, be educated, entertain and be entertained – with all the venues for as many of those activities as possible to be within walking distance of each other. The attraction of neighborhood living is not new, but it has been given a timely and welcome boost by the pandemic.

You once said that for you architecture was never an end in itself, but that it was always about the social dimension as well. How should we understand that aspiration?

NORMAN FOSTER Buildings are, first and foremost, for people. We can never design anything devoid of that context and expect it to be successful. Therefore, design is fundamentally a social act.

As early as 1982, you worked with Richard Buckminster Fuller on the design of a prototype for an experimental, sustainable residential building. This visionary project was later taken up again by your foundation and developed further. What is the current status of the “Autonomous House”?

NORMAN FOSTER In 1982, Bucky and I began to design what we called the Autonomous House. The idea was to build two houses – one in California for Bucky and one in Wiltshire for my family. It was a double-skin geodesic dome, the inner and outer skins of which could rotate independently of one another. The two skins were half glazed and half solid so that at night the dome could be shut off completely, while during

the day it could follow the path of the sun. We got as far as making a large-scale model, but tragically both Bucky and his wife Anne died before we could go any further.

In recent years, sustainability has increasingly become the focus of attention – how has this changed your life, and how do you implement sustainability in your office routine?

NORMAN FOSTER Sustainability has been at the heart of the practice's work from the early days. This approach has changed and evolved over the decades, and we have now developed a Foster + Partners Responsibility Framework to help evaluate our projects and our own operations. The Framework allows us to evaluate sustainability under ten key metrics: Well-being, Community Impact, Energy and Carbon, Water, Resources, Mobility and Connectivity, Land and Ecology, Social Equity, Planning for Change, and Feedback. The metrics offer a broad and holistic methodology to assess sustainability performance.

We also have a deepening engagement with the United Nations, which began when we produced a visual guide to the 2015 Paris Agreement in an attempt to make it accessible to a wider audience. We have since participated in successive COP events, launching our Sustainability Manifesto at the latest edition in Madrid and demonstrating our ongoing commitment towards achieving the goals of the Paris Agreement.

For the second year running, we are funding forestry projects across the UK to capture our corporate greenhouse gas emissions. This year, we will fund the planting of 83,640 trees on 47 hectares of land in locations in the Scottish Highlands, Cumbria, Nottingham and Newark.

The practice has also been purchasing 100 percent of its electricity from renewable sources for the past three years and has been fully offsetting its annual global carbon emis-



Dr. Paul Otto Faßbender (right) with the architect of the ARAG Tower, Lord Norman Foster at the opening in 2001.

“The design of the ARAG building pushed an unashamedly progressive environmental agenda.”

Lord Norman Foster | Architect

sions associated with transport (airline and vehicular), as well as those associated with heating and waste from its London campus.

Do you feel that sustainability should be more often and more openly discussed in everyday life within the family? Have you come across a generational conflict in this area?

NORMAN FOSTER Generally, younger generations are more sensitive to issues of global warming and sustainability.

Which sustainable product or sustainable service would you like to see?

NORMAN FOSTER A move away from heavy grids of energy production and distribution which are wasteful and polluting to more autonomous and cleaner modes of production. Container-sized nuclear batteries, for example.

In 2017, you set up the Norman Foster Foundation, which operates worldwide and is based in Madrid. Are you happy with the way it has been developing over the first three years and is everything going according to plan?

NORMAN FOSTER Yes, very much so, we continue to educate the younger generations of professionals and civic leaders to anticipate the critical issues of today and tomorrow – particularly cities and climate change. We run workshops which fund top graduates from around the world to engage with mentors who are global leaders in their field. These extend out to the public via debates throughout the year, and from time to time there is a forum which engages directly with an audience of several thousand.

What would be your most urgent wish in terms of politics to promote a more sustainable society?

NORMAN FOSTER For leaders to have the courage to embrace the bold, progressive visions that will transform our cities of the future.

If you as an architect could make a sustainability wish come true, what would be your dream project?

NORMAN FOSTER To contribute to the city of the future, achievable in the present, which will be greener, quieter, safer, more sustainable and friendly – and more fun.



THE ARAG TOWER IN PROFILE

- ARAG's headquarters stand 125 meters tall and were completed in 2001.
- Each sequence of six office levels is followed by a garden area rising over two floors and a decentralized technical core unit.
- The slightly lenticular curve of its facades makes the building look like an aerodynamically shaped disc.
- The double-skinned facades of the high-rise serve as vent stacks to provide all office floors with natural ventilation.
- Function, use and design are intricately linked within the structure of the building through the rhythmic alternation of the "stacked" sections of floors.
- A maximum of three office floors per stacked section are interconnected by open, interior stairways. This way, even large departments are closely linked via short distances.
- The official opening ceremony in the presence of Lord Norman Foster took place on April 27, 2001, so the ARAG Tower is about to celebrate its 20th anniversary.

FORWARD- LOOKING VALUE(S) WORK

ARAG ESSENTIALS RELOADED

They have never been as valuable to ARAG as they are today. The corporate principles reflect all of ARAG's strengths and goals, form guardrails in the midst of the digital transformation and are its unique DNA. After a complete revision of the ARAG Essentials, the communication process started in 2020 despite COVID-19, combined with a global digital premiere for the entire workforce.



ANJA PIEPER



JENS TAPPE

They are of essential importance, as their name alone suggests: today more than ever, the ARAG Essentials get to the heart of what the Group stands for and what guides it. The corporate guidelines were significantly modified and have been comprehensively reloaded as “ARAG Essentials reloaded”. We are future-bound with shared values: “The world is becoming faster and faster, more and more unpredictable. That makes it all the more important to know who we are, what shapes our culture and what goals we are pursuing. The new ARAG Essentials help us to do this,” emphasizes Dr. Renko Dirksen, Speaker of the Board of Management of ARAG SE. The Group is focusing on three key areas for its

further successful development. In addition to accelerating digitization and improving processes, “our special corporate culture is the greatest asset,” emphasizes Dr. Renko Dirksen. The ARAG Essentials reloaded play a key role in this.

That is why, despite COVID-19, the communication of the new guidelines in the Group has not come to a standstill, particularly since the ARAG Essentials reloaded provide the global workforce with a high degree of orientation, strengthen the feeling of togetherness and serve as a guideline for all actions, especially in times like these. They describe the attitude of the family enterprise and show what distinguishes ARAG.





ARAG yellow package, jam-packed – this was the launch of the ARAG Essentials reloaded communication effort. ARAG surprised its employees worldwide with an analogue package. In order to motivate them to participate, a package with tangible values was sent directly to their homes. In addition to Essentials brochures in various languages, the package also contained writing pads and sustainable pencils for writing down new ideas pertaining to our work on company values. Buttons, stickers and fair trade chocolate were also included as were additional materials for the virtual team sessions. Afterwards, the work of digitally anchoring the new guidelines gathered pace. The activities were very well received and generated positive feedback.

“We have a strong and vibrant corporate culture shaped by the ARAG Essentials. However, it must not suffer under the current COVID-19 conditions, but must be reinforced all the more.”

Dr. Renko Dirksen | *Speaker of the Board of Management of ARAG SE*

A look back: The corporate principles were completely realigned at the end of 2019. They had been adjusted by the entire Group Board to today's corporate reality, a company on its way to becoming a Smart Insurer. In various

workshops, the Management Board had completely revised and reformulated the more than 13-year-old guidelines. The endeavor was also based on a worldwide survey of ARAG employees on corporate culture, whose suggestions were incorporated into the new development. Since then, the ARAG Essentials reloaded have become much more concise, compact and forward-looking. They were presented for the first time at the ARAG management conference at the beginning of 2020.

The new Group guidelines consist of four parts. Not only were the six ARAG values (see below) reloaded and given more accen-

THE ARAG ESSENTIALS AT A GLANCE



Pioneering spirit powered by courage

We break new ground. We have the courage to experiment and try new things. We learn from mistakes.



Discipline powered by professionalism

We perform and deliver - with a focus on costs and targets. We measure our results and do not shy away from evaluation. We use modern methods.



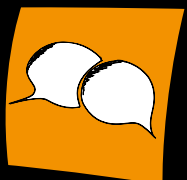
Drive powered by commitment

We are passionate in all that we do. With room to act and a hands-on attitude, we get things done. We all pull together. There's no room for silos or egoism at ARAG.



Foresight powered by focus

We know where we want to go and are guided by our shared ambition. We orient ourselves to long-term developments. We act sustainably and assume social responsibility.



Openness powered by curiosity

We enjoy discovering new things. We are reflective and are always looking to improve. We share knowledge, experiences, and ideas, and we learn from one another.



Fairness powered by togetherness

Our diversity makes us strong. We promote our employees' diverse work and life models. Trust, reliability, and mutual esteem are important to us - in relationships with our clients and with one another.

ARAG Essentials

For more information, see chapter
"Ethics and Integrity" on page 73.

tuation. In addition to the ambition and the identity of the company, the Essentials now also highlight the founding principle of ARAG as an important guiding belief: equal access to justice. "This puts the customer even more clearly at the center," emphasizes Dr. Renko Dirksen.

THE FOUNDING PRINCIPLE AS A GUIDING BELIEF

Everyone should be able to assert their rights – regardless of their financial situation: With this bold and at the same time ambitious idea, company founder Heinrich Faßbender laid the foundation stone more than 85 years ago for what is now the largest family-owned company in the German insurance industry and one of the three leading providers of legal insurance worldwide. The equal access to justice that the Group has made possible to this day will continue to shape the standards of the company's activities in the future. In doing so, ARAG is constantly breaking new ground in order to assist its customers with innovative solutions. "We help our customers achieve their goals" – this guiding principle is both a mission and an obligation. The Group offers its customers orientation, protection and support, especially in legal matters and health insurance. With its identity as an innovative quality insurer – international, independent and family-owned – ARAG is meeting this obligation with a high level of motivation and full commitment, even in the current pandemic. "This is the spirit that makes ARAG so unique," says Board Speaker Dr. Renko Dirksen.

With resolve, energy and teamwork the ARAG employees help implement and anchor the new guidelines. After all, the ARAG Essentials reloaded promote cohesion within the team and loyalty to the family enterprise. To this end, a new dimension of shared value(s) work was ushered in. Here, too, the Group once again broke new ground. For the first time, ARAG is using a comprehensive digital format worldwide to involve all employees. In virtual meetings, each individual ARAG team in Germany and internationally examines the role of the revised guidelines in everyday life and derives its own implementation ideas.

WORLDWIDE DIGITAL PREMIERE

"We have set up a completely digital communication process," reports ARAG Sustainability Officer Kathrin Köhler (see interview on page 24): "This means we are taking a completely uniform approach throughout the Group." The kick-off for this absolute novelty was in November 2020. For the first time, ARAG employees worldwide have been able to engage extensively with our corporate principles – regardless of ARAG location and whether they work in the office or from home. Since then, the ARAG Essentials reloaded have been doing the rounds and are the talk of the town.

In addition to customized virtual team sessions, "we have set up our own ARAG Essentials SharePoint for all colleagues worldwide," explains Kathrin Köhler. Since then, the exchange platform has provided a wealth of information



„It was a successful surprise for me working from home and a very personal way to inspire culture change.“

Martha Talaska | Specialist in
Financial Accounting/
Affiliated Companies, ARAG SE



„I see the Essentials as a value system that combines the economic and the ethical concept of values.“

Andreas Fronzeck | Vice President,
Benefits Management,
ARAG Krankenversicherung Munich



„Great! The action was a successful communication process to create a touchpoint with colleagues who work from home.“

Katharina Lorenz | CEO Executive
Assistant, ARAG Italy

APPRECIATION MEETS SUSTAINABLE COMMUNICATION

INTERVIEW

Everything was prepared, everything was ready to go – then came the COVID-19 pandemic and the work on communicating the ARAG Essentials reloaded had to be paused for the time being. But here, too, ARAG found extremely creative ways to anchor its new guidelines throughout the Group. Kathrin Köhler explains in an interview what makes the process so unique.

The original communication concept could no longer be implemented after March 2020 and had to be completely reconceived. Why did this turn out to be a huge opportunity?

KATHRIN KÖHLER Because we have taken on new challenges in the spirit of the ARAG Essentials and actively exploited the opportunities presented by digitization. Instead of the originally planned formats, because everybody was working from home we have had to set up a completely digital communication process, which fits perfectly with ARAG as a smart insurer. What's more, with the global SharePoint solution and the virtual team sessions, we are taking completely identical approaches to implementation, both nationally and internationally, for the first time. This brings us closer together and gives the ARAG Essentials an additional boost.

What makes the current communication process so special?

KATHRIN KÖHLER The worldwide package shipment to all employees at the kick-off was perceived by many as personal appreciation. Our completely digitized process was and is an absolute innovation. It enables us

to work together on the new guidelines from anywhere and promotes lively teamwork. The practical significance of the ARAG Essentials reloaded for our work routine has already been highlighted by all ARAG teams worldwide. Open dialogue and lively exchange have been promoted – and it is also a lot of fun. A number of creative ideas were developed.

Why is intensive engagement with the ARAG Essentials so important?

KATHRIN KÖHLER I always see things through the lens of the sustainability officer. ARAG is a third-generation family enterprise, so it is sustainable by definition. Our corporate principles are the ARAG DNA; they clearly show what makes us unique. We are a large family with an absolutely visionary founding principle – equal access to justice. This is more relevant today than ever before. The ARAG Essentials have never been more important than in these times. They strengthen our cohesion while working from home. Whether in Düsseldorf or Munich, Verona or Sydney, we all share the same values and a common corporate culture. Everyone is involved and an important part of the community.



Kathrin Köhler

Born in Eisenach/Thuringia, the 47-year-old has been ARAG Sustainability Officer since February 2020. The bank clerk and lawyer started her career at ARAG in 2004. After holding various positions, she has been working in the area of Group Communications for almost eight years, where she is in charge of Corporate Responsibility issues.

Where do we go from here?

KATHRIN KÖHLER We are currently analyzing the digital logbooks that were written during the team sessions. The insights will not only be used to derive further communication measures, but they will also form the basis for another staff survey on our Smart Culture planned for the end of the year.



ABOUT ESSENTIALS BLOGGERS AND VALUE CHECKERS

What motivates ARAG employees working from home, what encourages them and how do they promote team spirit during a pandemic? The new ARAG Essentials SharePoint provides personal insights and experiences on the company's Essentials blog, which encourages a communicative exchange. In one post, for example, a former competitive athlete and current ARAG student trainee describes why discipline is a special virtue for him and why it also requires professionalism. Everything on the Essentials platform revolves around the enormous value of reloaded values. For example, employees can take part in an entertaining quiz to find out which of the six Essentials values best suits them personally. Whether it's pioneering spirit, drive, openness or foresight, the answers are provided – voluntarily and anonymously – by the virtual ValuesCheck. "What sort of value-type are you?" This question, which has become commonplace, also stimulated intensive discussion of the ARAG Essentials reloaded in the team sessions.

on the founding principle, ARAG's ambition and its identity. There is plenty of downloadable content, as well as articles in the company's own Essentials blog (see right-hand column). The highlight is a video of the Board of Management in which the entire Management Board provides valuable insights into the meaning of the ARAG DNA. So there is a lot to talk about.

The extensive engagement with the new ARAG Essentials was preceded by an analogue surprise gift to support the virtual mediation work at team level. This additional analogue premiere encouraged all employees to participate. For this purpose, 4,364 jam-packed packages (see page 21) were sent by mail from the Group headquarters in Düsseldorf to destinations all over the world. Such a personal and Group-wide shipment had never been seen before in the family enterprise. ARAG yellow package, jam-packed with contents and "Best regards from the Tower": Including a card signed by the members of the Group Executive Board, they all received a compact Essentials box directly to their homes. "The feedback was great, the unusual campaign in pandemic times was perceived as very motivating," says Kathrin Köhler.

ENACTING VALUES

ARAG provided plenty of material for the multi-layered communication task in a variety of ways. This provided new impetus and inspiration – especially in the team sessions that were already running in all ARAG countries from December 2020 to February 2021.

In this virtual format, national and international employees discovered in their own teams what role the guidelines play in their everyday work, where they are already practiced as a matter of course and where they can provide even more guidance. More than 400 digital logbooks documenting the starting points and work results of the Group-wide teams were created in the process. They are currently being reviewed by ARAG Corporate Communications: "The plan is to put forward the best logbook for the ARAG AWARD," indicates Kathrin Köhler. The Group has long awarded this prize for exemplary teamwork in the implementation of its corporate principles. In 2022, the ARAG AWARD will be presented for the eighth time.

NEW LEADERSHIP ESSENTIALS

And it's not only the corporate principles that have been revised and implemented in line with today's corporate reality – in the midst of the digital transformation. The same applies to the Group's leadership principles. They, too, have been gradually re-examined on the basis of the global employee survey and significantly modified through interviews and workshops with Members of the Board. For example, there will be an even stronger focus on motivational leadership skills in the future within the context of progressive digital transformation. The rollout of the new ARAG Leadership Essentials is planned for 2021. Presentation of the first fruits of the new leadership program is also scheduled for 2021. [REDACTED]

“EDUCATION HAS BEEN SHORN”

EQUAL OPPORTUNITIES IN EDUCATION

Prof. Dr Gesine Schwan is a committed advocate of comprehensive education. If young people are not taught an understanding of culture and public spirit, the outlook for society is bleak, warns the 77-year-old. In an interview, she finds clear words for her criticism of the German education system, which cements power relations instead of enabling equal opportunities.



KARIN VOGELSBERG



DANIEL HOFER/LAIF

In your experience, how has the German education system developed in recent decades – and how does this development impact on young people?

GESINE SCHWAN There has been a general tendency towards neoliberal policies in all areas of life – including education. Competition was and is the focus. It was always about being the best. Cooperation is not promoted, but rather competition. This neglects the

essence of the educational process. By essence I mean comprehensive personality development, learning to live together, acquiring social competence and showing responsibility for the community. Likewise, in favor of purely cognitive learning, all activities that promote living together have been reduced, namely all artistic areas.

I remember that as a schoolchild I was involved in choir or theatre performances every year, for example. That was a big part

of my life and gave me a lot of pleasure. These opportunities were also important for school children who, for example, did not excel in mathematics or Latin, but had outstanding artistic abilities. In my view, the appreciation of this diversity has suffered enormously in the meantime because it has been neglected in favor of cognitive, competitive learning and individual, non-cooperative performance. I think this is bad because it has eliminated a comprehensive understanding of education.

Are there any countertendencies to this trend?

GESINE SCHWAN I think that among young people – not on the part of state institutions – countertendencies are becoming stronger. Young people have become more politicized again over the last two years. I have always believed that young people will not allow themselves to be permanently encased in a straightjacket that runs counter to their lust for life and their strengths.

“All people have potential that can be brought to fruition, and this must be done above all with goodwill.”

Prof. Dr. Gesine Schwan | President and Co-Founder of the Humboldt-Viadrina Governance Platform



Gesine Schwan

Prof. Dr Gesine Schwan, born in Berlin in 1943, is President and co-founder of the Humboldt-Viadrina Governance Platform. The Social Democrat politician and political scientist is also Chair of her party's Commission on Fundamental Values and a recipient of the Order of Merit of the Federal Republic of Germany. From 1999 to 2008, she was President of the European University Viadrina in Frankfurt (Oder). From 2005 to 2009, she coordinated German-Polish relations on behalf of the Federal Government. Her life themes are understanding and democracy. The grandmother of ten is enthusiastic about the Scandinavian education system: "In particular, they avoid the screaming injustice of the German education system there, where educational opportunities depend centrally on the children's social background. To win Germany's future, this must be remedied quickly and sustainably."



There have also always been private initiatives and schools that want to try something new.

In order to prepare the German education system for the future, you first have to know what skills will be needed in the future. What do you think these are?

GESINE SCHWAN It is fundamental that young people are given the tools to help them understand and process the reality in which they live and to become capable of judgment. Judgment is not something you acquire by learning things by heart or by carrying a toolbox with you, but through a constant, lively learning process that children also go through when they play football or go sled-

ding, for example. One has to learn both the factual and the human things. In order to acquire this basic competence, one is always dependent on communicating with fellow human beings. In my view, this ability to communicate must have priority, because it relates to everything, including the fact that one does not think in isolated parts, but tries to understand the systemic connections.

What about digital skills?

GESINE SCHWAN Many see so-called digital education as a technical set of skills. That is certainly very important to a certain extent. But the Internet offers us unlimited access to information. You can't process all of it. You have to get to the point where you

realize: What is that important for? You have to justify your own classifications and take responsibility for them. That is quite a demanding but central task.

You often refer to the importance of education for social cohesion. Cohesion could be better. Has education missed the mark?

GESINE SCHWAN The social divide is wide and continues to grow. Like many other rich industrialized countries, we have failed to understand that in order to communicate it is not only important for people not born in Germany to learn German, but to be educated in their mother tongue, too. Otherwise, young people will always



Gesine Schwan in discussion with students. The political scientist is pleased about the new interest of youth in politics. She is convinced that young people cannot be forced into a purely performance-oriented straightjacket that restricts their urge to live and discover.

grow up thinking they are deficient. But if you also teach them in their mother tongue, they will be even better equipped than others. That costs money, but it is money well invested.

You complain that educational success in Germany depends too much on social background. How can we create more equal opportunities?

GESINE SCHWAN Essentially, we should promote all-day schools and small learning groups. Sports, artistic and cognitive learning content should alternate so that all chil-

dren have a chance to experience and develop their potential without fear. Families should be involved in schooling and cultural differences should be taken into account much better.

However, there is a lack of basic understanding and care in dealing with children, so implementation will be difficult. I have had first-hand experience of this where I live – the teacher did not recognize congenital dyslexia in a third-grader. She thought the school student was whimsical, in class tests the child disappeared under the table after two or three words. But the child had found that he could not keep up with the work any-

way. Later, psychotherapy among other things helped this child wonderfully. Today, the boy is almost 15 and top of his class. Whenever children are pressed into patterns and do not function, it is always blamed on the children, and that is not good.

In an international comparison, German schools are in a poor position when it comes to digitization. How did it happen that we got left behind

GESINE SCHWAN We have generally neglected public infrastructure. Saving on public spending was part of the idea of neo-

liberalism because the public sphere was supposedly unproductive. It was like a disease, every public service was to be cut back. The fact that we need massive investment in education, in digital infrastructure, was ignored. We are now seeing the impact of this neglect.

In Germany, tens of thousands leave school every year without a secondary school leaving certificate. Must we accept this?

GESINE SCHWAN This is a clear failure of the system. When I was president of the European University Viadrina in Frankfurt (Oder), there was a project there with the city administration and the residents of the Neuberesinchen district. There are many families with problems that live there. A school in Neuberesinchen was willing to engage in the new approach of "productive learning". The participants were all young people without school-leaving certificates. Eight teachers trained these young people like coaches – according to their individual needs. Four weeks later, the headmaster called me and said, "You can't imagine what's going on here. These young people suddenly want to learn." Research has shown: out of 100 participants in "Productive Learning", 80 graduate from school and then find apprenticeship places.

This example shows the potential lost just because young people are not treated properly and their needs are not taken into account. That applies not only to school stu-

dents with learning difficulties. Quite generally young people do not only want to read textbooks. Most of them want to get hands on experience, do something and express their talents.

If you were to outline a vision for a future educational system, what would it look like?

GESINE SCHWAN My vision has a cultural and an institutional component. In education, for example, many things are going so well in Scandinavia because there is a basic understanding that all people have a right to shape their lives well and have equal dignity.

This is not at all the general conviction in our country. Rather, we assume that there are gifted and untalented people, and you have to take care of the gifted ones first and foremost. That's nonsense, of course, because you don't know a person's talents until you've tried them out.

All people have potential that must be brought to fruition, and this must be done with goodwill – with rigor, fairness, but above all with goodwill. That is the cultural side of my vision.

Institutionally, the demand for smaller units is central. Education is not mass production. I believe that education has to happen in decentralized units where young people can learn cooperatively, where they can have positive experiences with themselves but also with others, where they feel like taking responsibility. That is my idea of education.



TAKING JOINT RESPONSIBILITY: "BILDUNG.DIGITAL" (DIGITAL EDUCATION)

The German Children and Youth Foundation (DJKS) is committed to ensuring that every child and young person in Germany can grow up and learn well.

DJKS brings together people from educational practice from schools, daycare centers or youth work, from administration and politics, from science and civil society and works with them on changes and urgent challenges in the education system. According to the Foundation's experience, solutions that work in everyday life are found not in opposition, but in cooperation. The best solutions focus on the interests of children and young people.

The "bildung.digital" (digital education) was initiated together with ARAG. It supports schools in developing and anchoring digital education concepts. In the program office "bildung.digital – Netzwerk Ganztätig bilden", 40 all-day schools are embarking on this path. In cooperation with ARAG SE and the federal states of Berlin, Bavaria, Hamburg, Hesse, Saarland, Saxony, Saxony-Anhalt and Schleswig-Holstein, four transnational school networks are being set up. Through them, the school teams receive professional suggestions, opportunities for exchange and the chance to systematically reflect on their own practice.

Further information:
www.bildung.digital

GRI

"bildung.digital" (digital education)

For more information, see the chapter "Social and political commitment" on page 112.

WE ARE HERE!

COVID-19 CRISIS

Teamwork is a top priority in the family enterprise ARAG – worldwide. It has proved its worth especially in COVID-19 times: Not only did the employees master the crisis with bravura while working from home, they also created new, beneficial offers of help for customers and non-customers with a great deal of creativity, speed and commitment.



ANJA SCHEVE



#INSIDEARAG + ARAG INSTAGRAM

You can still be close even if you work at great distances. This has been impressively demonstrated by ARAG since the beginning of the COVID-19 pandemic: Within a very short time, not only were the more than 4,300 national and international employees able to work from home, but they were also able to reliably assist customers and consumers from there. What is more: quickly and pragmatically, the team in remote mode jointly developed useful offers and services to meet the increased need for legal support and assistance in these uncertain times. “Our committed and highly motivated staff immediately mastered this situation extremely well and came up with many digitization ideas working from home, thus providing strong support. Our colleagues worldwide have earned our greatest respect,” emphasizes Dr. Renko Dirksen, Speaker of the Board of Management of ARAG SE.

INTERNATIONAL STRATEGIES FOR ACTION

The fact that the family-owned company took action very early on and prepared itself and its workforce for this exceptional situation in the best possible way is also due to its international orientation. The ARAG colleagues in Italy, where the pandemic had already spread massively in February 2020, had already taken increased precautionary measures and shared their experiences throughout the Group. As a consequence, among other things, a so-called “CEO call” was created, in which officials from all 19 ARAG countries have since been exchanging information and defining joint strategies for action. Decisive action was also taken immediately in technical terms: Additional user licenses were acquired worldwide, bandwidths were increased and telephones reprogrammed.



#ARAGatHome



**Branch office closed?
We're at home, but we're still
here for you.**



CONSISTENT DIGITIZATION PAYS OFF

Against the backdrop of the dynamics of the COVID-19 pandemic, at the beginning of the pandemic the ARAG Group completely changed its mode of operation from work in the office to work from home.

Right from the beginning of the pandemic, all services for the customers of the Düsseldorf-based family enterprise continued to run seamlessly and stably. The consistent digitization of the past years paid off. Apart from a small core team, ARAG's offices were practically empty. Nevertheless, operations continued without a hitch. Even one year later, in February 2021, 90 percent of ARAG's workforce was working from home. At the same time, the legal and health insurer's products hit and continue to hit a nerve with customers during the crisis. Consequently, premium revenues of the family enterprise increased by 4.4 percent to 1.8 billion euros in 2020. In recognition and appreciation of this performance under the influence of the pandemic, ARAG has put together an additional support package for its workforce. "Our customers need us during the crisis and the entire ARAG team is really digging in, including extensive Saturday work," said Dr. Renko Dirksen, Speaker of the Board of Management of ARAG SE. "Even if working from home has become routine by now, we must not consider it normal."

Working from home may sound nice, but it has its downsides as well: single parents could practically no longer work when day-care centers and schools were closed. Child and customer care only work when all reserves are mobilized. ARAG rewarded the outstanding performance and exemplary commitment of its workforce: among other things, all permanent full-time employees received a bonus of 1,000 euros tax-free in February 2021. Trainees, work students and temporary employees received 500 euros. Part-time employees received a pro-rata bonus. For employees' school-age children, an additional home-schooling offer was set up for all subjects and across all school years to relieve parents.

BOUNDLESS SUPPORT

ARAG's provision of first-class information and assistance during the COVID-19 pandemic knows no bounds. The Group's international units have also launched a wide range of offers and services for their customers and employees.



ARAG AUSTRIA

Webinars and flexible working hours

In addition to a COVID-19 advisory hotline for ARAG customers and non-customers, the Austrian branch of ARAG SE has provided comprehensive information on its COVID-19 service page on www.arag.at. In addition, expanded consulting options have been created via telephone and video call, and also in cases without insurance cover. The webinar platform for sales partners has been expanded. The employees who have been working from home since mid-March have since been able to flexibly organize their working hours and reduce or increase weekly hours as needed. In moderated, interdepartmental meetings, everyone stays in touch via MS Teams.

All services at
www.ARAG.at/services/COVID-19/



ARAG NETHERLANDS

Travel voucher including football quiz

The Dutch ARAG subsidiary has created numerous legal aids for private individuals and entrepreneurs – whether they are insured or not. In addition, there is comprehensive Corona information on the website as well as on social media – via FAQs, blogs, webinars and podcasts. A voucher for travelers was also implemented on www.ARAG.nl and a football quiz was set up. Staff received support in many ways – be it with technical equipment, office equipment or fitness and counseling offers, at online staff meetings as well as an interactive online Christmas party.

All services at
www.arag.nl/coronavirus/



ARAG SPAIN

Free legal advice for all during the crisis

The Spanish branch office of ARAG SE reacted to the corona pandemic and the increased need for legal support with free legal advice from the lawyer call center, special webinars for customers and brokers, its own landing page on www.ARAG.es, increased blog contributions and an adjustment of the products. Employees were informed every ten days by the branch manager about current developments in the company. A newsletter was created for the time when the offices were closed and the Instagram campaign "ARAG at home" was launched.

All services at
www.arag.es/coronavirus/



ARAG ITALY

Free COVID-19 tests for employees and their families

The Italian ARAG branch has summarized all services in response to the COVID-19 crisis on its own website. A special working group was set up to provide legal advice on the emergency laws. COVID-19 legal advice was also made available to selected partner companies. Legal information was provided to clients and non-clients at www.arag.it – via a new chat bot, various articles and legal documents. All employees received regular updates on the current (security) situation. In addition, ARAG Italy offers free COVID-19 tests to every employee as well as their family members.

All services at
www.arag.de/coronavirus

Note: The selection of countries is no value-judgment. Rather, the examples presented are intended to show briefly and by way of example how diverse the activities for employees and customers have been in the international ARAG units during the COVID-19 crisis.



“Working from home worked perfectly well thanks to ARAG’s top IT equipment and early digitization!”

Matthias Hahn | Vice President,
Sales Promotion Department, ARAG SE

The employees in the customer-facing areas in Germany received the latest ultra-wide screens so that they could work optimally and seamlessly from home. In addition, they were able to order office swivel chairs for their homes, as well as monitors, headsets and webcams. With this rapid changeover, it became clear once again that the extensive investment in digitization has more than paid off. Because when they started working from home, the national ARAG employees benefited in particular from the new mobile devices that were purchased for the entire German organization in 2019.

Thanks to uncompromising digitization, ARAG was not only able to immediately protect the health of its employees, but also to continue to be fully available for its customers and develop beneficial support for them. “The COVID-19 crisis was and is the ultimate test of an insurer’s digital capabilities. ARAG passed this test with flying colors,” emphasizes Hanno Petersen, ARAG Group Board Member for IT and Operations.

EXCELLENT SUPPORT

Proof of this is also the top rating the Group received for its digital crisis communication during the Corona pandemic in the nationwide mediaworx study. ARAG earned an excellent second place because it proactively supported, informed and accompanied its customers and non-customers in a needs-oriented manner (see box on page 32).



“It’s great how well and quickly ARAG has responded to this crisis – and in every respect. I think the ‘ARAG for everyone’ commercial is super.”

Nicole Frontzek | Administrative Clerk,
Customer Service, Broker Team, ARAG SE



“Providing everyone with headsets was a super idea and a great help for us working from home – brilliant!”

Helga Roith | Administrative Clerk,
Dentistry Benefits Department,
ARAG Krankenversicherung

The special assistance offers that were created in record time were and are enormously diverse:

Call-in-Days: One of the highlights of the numerous legal services that could be used freely was the ARAG Advice Day. On a total of eight Call-in-Days, customers and non-customers could raise all their pressing legal issues about Corona via a special hotline between 10 am and 6 pm. The costs for this were covered by ARAG (see also interview on page 34).

Special landing page: Since the beginning of March 2020, the wide range of support services has been bundled on the dedicated landing page www.ARAG.de/coronavirus – especially in the relevant areas of labor law, travel law and civil protection.

Free attorney chat: Both customers and non-customers can quickly clarify urgent legal questions in a live chat with members of the ARAG attorney network.

Legal help with termination: Anyone who has received a job termination notice or a termination agreement can have employment law issues examined via a purely digital solution. ARAG also assumes the costs for these services for non-customers. It also offers professional conflict management, in which a mediator acts as a mouthpiece for both employee and employer, quickly finding an optimal and lasting solution for both sides.



EVERYTHING THAT COUNTS!

Every employee can count on ARAG as an employer – that applies also when working from home. Thanks to excellent technical equipment and top support, there is hardly anything lacking since we've been working from home, as these striking figures underline.



96 %

of national employees can access the ARAG systems from anywhere and at any time thanks to mobile devices. The remaining 4 percent are non-relocatable functional computers, for example at the reception desk.

4

Employees of the dedicated support team are available to help and advise colleagues working from home.

470

rented swivel chairs make for ergonomic workstations at home.



691 webcams

and

1,400 headsets

 ensure optimal communication with customers and colleagues.

50

SIM cards were purchased to help colleagues with poor or no internet access to work from home.

GRI

Digitization

For more information, see chapter "Digital transformation" on page 93.

Chatbot for customers: A specially created FAQ Corona chat bot answers a number of questions quickly and straightforwardly, in particular on labor law and a wide range of insurance issues. This bot is constantly being trained and expanded through user queries. Some international units of the ARAG Group have adapted the advice bot (see page 32).

Customer hotline with a direct line to the attorney: Within 24 hours, customers can speak directly with an independent attorney from the ARAG attorney network. A chat bot first verifies the customer status fully automatically via the insurance number, sets up the appointment and transmits the request to the network attorney for the callback.

CROSS-SEGMENTAL ARAG SERVICES

Full-scale, early legal support was enormously important, as illustrated by the following figures: Overall, the number of contacts made online and offline increased by 75 per cent in the area of labor law alone. Other fields of law, such as travel, saw increases of 50 per cent. "It shows that especially in times of crisis, legal insurance is more important than ever. With decades of legal insurance expertise and our strategic orientation as a property and health insurer, we are in an ideal position," emphasizes Dr. Renko Dirksen, Speaker of the Management Board.



Flexible and active work from home

Since mid-March 2020, virtually all ARAG employees have been working from home. The changeover was easy because one prerequisite had already been met: ARAG had already reorganized its entire digital infrastructure long before the pandemic. All employees had received new and mobile end devices in 2019, which they can also use privately. In addition, all essential systems are either cloud-based or run on modern Linux systems.



Helping customers quickly and easily with smart services, innovative tools and digital processes was the focus not only in legal insurance, but also in the Group's property/casualty and health insurance segments during the COVID-19 crisis. In April 2020, for example, ARAG Krankenversicherung introduced a newly developed coverage concept for pregnancy and childbirth. Pregnant women who have comprehensive health insurance with ARAG or a partner with corresponding insurance coverage can receive care from certified midwives from the Berlin start-up Kinderheldin via chat and telephone, regardless of location. The care concept

also includes fully-fledged online childbirth preparation courses offered by cooperation partner Keleya.

CONSULTATION AND SALES COMPLETELY DIGITAL

This comprehensive offer was expanded in July 2020: the online birth preparation course "Hey Papa", specially designed for fathers-to-be, includes three modules for the time before, during and after the birth and is available free of charge to fully insured ARAG customers. ARAG sports insurance also provided strong services to the 77,000 or

so clubs insured with it during the corona pandemic. To give you one example: Europe's largest sports insurer has developed special insurance coverage for online sports courses and social activities by club members, such as neighborhood shopping services.

"The customers need us, especially in difficult times like these. And we have everything they need to cover multi-layered risks and be sure of excellent service," emphasizes Dr. Matthias Maslaton, ARAG Group Board Member for Sales, Product and Innovation. The fully electronic consulting and sales process without media discontinuity that ARAG





TOP RATING FOR DIGITAL SUPPORT

Great award for ARAG – and at the same time further affirmation on its way to becoming a Smart Insurer: In the study “Die Superversicherer” (The Super Insurers) by the Berlin digital agency mediaworx AG on digital crisis communication during the pandemic, the homepage www.ARAG.de was particularly convincing. For its extraordinary digital support and customer-oriented communication in the exceptional situation surrounding the COVID-19 crisis, ARAG received a top rating of 91 percent and thus came in second place. mediaworx scrutinized the websites of a total of 20 large German insurance companies and looked at who best supports users on the Internet.

ARAG ANNIVERSARY CAMPAIGN

“Founded 85 years ago. Made for today.” The claim of the current ARAG advertising campaign succinctly expresses what ARAG stands for and bridges the gap between now and then. After a development effort of just under one month, the insurance group launched the campaign on 10 August 2020, which addresses both the company's anniversary and the current legal implications of the corona pandemic. Four commercials, developed by ARAG together with the creative agency BUTTER, raise awareness among consumers of the current importance of legal insurance, especially in areas such as termination, short-time work or travel cancellation. The feedback was excellent. “The campaign claim is perceived, understood and sticks,” reports Jakob Muziol, Head of Marketing at ARAG.



introduced years ago for its exclusive sales organization also ensured that customers and consumers were advised during the lockdown. Thanks to the ARAG consulting app, the ARAG sales partners were able to provide digital information and advice, and sell custom-fit products from home.

STRONG SUPPORT ALSO FOR THE ARAG TEAM

Moving closer together virtually and confidently shaping the future together has more than proven its worth throughout the Group. This is also demonstrated by the numerous campaigns, activities and formats for and by the ARAG workforce, with which networking, exchange and mutual assistance were further promoted:

New training formats: Work in the virtual space has presented all employees with new challenges. To cope with these challenges, ARAG HR Development conceived and offered additional online training courses for creative meetings, professional presentations, successful leadership and teamwork. There was also the online crash course “Remote Work” as well as seminars on the optimal use of Office 365. Learn2Develop is a new learning platform for all national employees that went live in October 2020. It enables individual advancement and independent, digital learning.

Virtual coffee roulette: Fancy a chat with a previously unknown colleague while

working from home? The coffee roulette, which has been around for a long time as an analogue format, has now gone digital to facilitate such a chat. Prompted by our future initiative #doitdifferently, which has been organizing other exciting formats and events in virtual form for the ARAG team since the beginning of the pandemic, colleagues were paired by way of random selection.

#ARAGatHome: The ARAG team was also extremely creative on Instagram and uploaded photos and personal impressions while working from home. It highlighted the impressive diversity of the Group with the international units and ARAG Core Sales (see page 31) joining in.

Good news ticker: There was and is also positive news in these times of crisis! Great initiatives and campaigns that put people in a good mood, as well as lots of tips and suggestions for tackling boredom and on the subject of working from home, are published on a separate topic page on the ARAG intranet.

Fit when working from home: To keep everyone working from home moving, a workout with numerous exercises conducted by a fitness instructor was offered twice a week via Teams.

Whether for customers, consumers or employees: ARAG has once again demonstrated how important it is to be there, especially in uncertain times – for its customers and for each other. [REDACTED]

DIAL ARAG FOR LEGAL ADVICE

INTERVIEW

The need for legal advice was extremely high especially at the beginning of the COVID-19 crisis. ARAG reacted immediately and, among other things, organized free call-in days for customers and non-customers. Nicole Vogelsberger talks about this unique offer of support in the interview.



Nicole Vogelsberger

The in-house lawyer with mediation training has worked for ARAG since 2004 and has been Vice President, Legal Service Provider Network, since April 2014. The 46-year-old is currently completing her Master's degree in Digital Innovation and Business Transformation (DIBT).

How did the idea for the Call-in-Days come about?

NICOLE VOGELSBERGER We recognized the need for legal assistance very early on. In addition to our colleagues in Sales, it was mainly our customers who approached us with countless questions. Therefore, it was immediately clear to us: We have to help – quickly and pragmatically – both customers and non-customers. On 2 April 2020, we activated the telephone hotline for the first time. All callers could discuss their legal concerns about Corona with an independent attorney from the ARAG attorney network free of charge.

What marketing measures did ARAG use to advertise this?

NICOLE VOGELSBERGER A broad-based advertising campaign. Our spots were shown on TV stations with a wide reach and on various social media networks. We highlighted our decades of expertise in legal insurance and promoted our broad range of information and assistance as well as our website www.ARAG.de.

Which legal questions around COVID-19 were regarded as particularly urgent by those who called in?

NICOLE VOGELSBERGER The focus was clearly on the two key issues of labor and travel law. There were many questions, especially about short-time work and travel cancellations, but also about tenancy law, working from home or childcare.

What was the feedback from the callers?

NICOLE VOGELSBERGER The feedback we received from the lawyers in our network was very positive. With their competent and free legal advice they were able to quickly help countless worried callers in this extremely stressful and exceptional situation. The service was very well received. With the Call-in-Days, which we offered a total of eight times and for which the colleagues from the ARAG Legal Service, including the mediators, provided support, as well as our other Corona services, we have helped thousands of people – and continue to do so.

What is your personal conclusion?

NICOLE VOGELSBERGER Not only with the Call-in-Days, but also with our entire range of information and assistance offered, we have proven what has been our DNA and our declared goal for more than 85 years: helping every citizen to assert their rights. What I was particularly pleased about was once again the strong cohesion and the great teamwork of our colleagues. They got all the services up and running within a very short time, across all departments and from their homes. Once again, these activities underline the typical ARAG spirit.

DIVERSITY IN ACTION

DIVERSITY

Empathy and respect for different backgrounds and viewpoints define the internal corporate culture and services of ARAG USA. Management commitment to diversity and inclusion make ARAG successful in the United States – both as an employer and an insurer.



SUSANNE THEISEN



ADOBE STOCK

In the challenging circumstances of the last few months, I learned something important. To balance the needs of the business with the needs of its team members, executives need to cultivate a high degree of emotional intelligence. In my eyes, this means empathy and compassion.” These were the words used by David Murray, CEO ARAG USA, at the height of the pandemic to describe successful leadership. Murray: “It’s very important that my team members trust me, so I also strive to show that we’re all in this together.” As he notes in the article, even before the pandemic, Murray was convinced that a CEO should now see themselves as a “Chief Empathy Officer”.

With this in mind, a working environment based on listening defines the corporate culture at ARAG USA, with particular attention paid to the issues of diversity and inclusion. In June 2020, it took specific form in the voluntary creation of a diversity committee by team members following the violent death of George Floyd at the hands of a police officer, which sparked Black Lives Matter protests in the US and throughout the world. “The employees who founded the committee wanted to advocate for diversity in the workplace. Management was more than happy to support this push,” says Lisa Wolf, Director, Culture and People at ARAG USA (see interview on p. 43).







THE ARAG USA DIVERSITY COMMITTEE

"Gender, transgender, gay, people of color – diversity is more than just a current trend and starts with the right mindset," says Ann Cosimano, founder of the ARAG USA Diversity Committee. In response to the social unrest and conversations about racism in the United States she founded the ARAG Diversity Committee. It consists of ten team members. The committee meets regularly, to define a mission, a vision and goals on the topics of diversity and integration that can be achieved at ARAG. Read more about this in the article on page 41.

Find out more about ARAG USA's commitment to diversity and organizational structure at

 www.araglegal.com/about-arag

DIVERSITY FOR GREATER SUCCESS

The positive impact diversity has on a corporate culture and its benefit to both management and employees is demonstrated by an analysis of over 1,000 companies in 15 countries published by management and strategy consulting firm McKinsey in May 2020. Its findings confirm that companies with a high level of gender diversity are 25 percent more likely to have above-average profitability – up from just 15 percent in 2014, while if ethnic diversity at executive level is factored in, these companies achieve outperformance figures of 36 percent. The analysis can be summarized by saying that the more diverse a company is, the more successful it will be. One clear reason for this is that diversity among a company's employees promotes its openness and ability to learn. Diversity also increases satisfaction among employees and makes the company attractive to new hires.

ARAG USA is fully aware of this. David Murray: "Recognizing diversity and being inclusive of all team member characteristics has always been part of ARAG's culture. The diversity committee founded last year is testament to this." ARAG USA has clearly set out a Diversity & Inclusion Mission Statement: "Be You. Be Unique. Be ARAG. We are one ARAG. Our mission is acceptance of all. Creating a workplace inclusive of diverse

backgrounds, experiences, and points of view allows us to drive innovation and better serve the needs of our customers."

OPENNESS IS REWARDED

ARAG USA's commitment to diversity is also clearly reflected in its diverse range of products. In January 2021, for example, specific Diversity & Inclusion coverage was included, allowing ARAG USA to respond to the needs of the LGBTQIA+ community and directly address insurance customers who are lesbian, gay, pansexual, intersex, or transgender. These products contain services that members can access if they require assistance on legal matters, e.g., a domestic partnership or prenuptial agreement, or gender identifier changes to government-issued documents.

As always, the new products are the result of close consultation between ARAG USA and its members and member companies. "We regularly ask our customers what coverage they would like to see from us. We also benefit from the fact that our account managers have excellent relationships with our corporate customers' HR departments. Through them, we find out about any problems their employees have with legal issues," says Ann Cosimano, General Counsel ARAG USA. As she adds, ARAG USA benefits both internally



ACCEPTANCE AND RESPECT FOR SUCCESS

INTERVIEW

ARAG USA is a popular employer and insurer. General Counsel Ann Cosimano explains how diversity contributes to the company's good standing.



Ann Cosimano

Ann Cosimano has been working at ARAG since 2000. She is currently the General Counsel. In this role, she is responsible for the Legal, Regulatory, Compliance, Risk, and Attorney Relations departments. Ann began her legal career in the non-profit sector. In addition to her law degree, Ann holds a degree in psychology and sociology.

Last year, diversity was once again a hot topic at ARAG USA. What happened?

ANN COSIMANO In May 2020, a black man named George Floyd was killed by a police officer in Minneapolis. This was one of many African-American homicides by the police. George Floyd's death sparked Black Lives Matter protests and brought the need for diversity and inclusion to the forefront. While it's always been part of our culture, current events drove some team members to create a committee to advance their passion for equality.

How can the Diversity Committee be an asset to ARAG USA?

It's an asset on many levels. Most importantly, our team members feel safe and valued regardless of their race, age, gender, religion, etc. As I see it, the committee clearly shows how proud they are to work for a company that values diversity and inclusion.

So diversity matters to an insurance company?

ARAG USA serves 730,000 members across the United States. Our customers are diverse

– they represent many ages, races, lifestyles, genders, religions, sexual orientations, and socioeconomic levels. Because we represent a diverse group of customers, we believe our team members must be diverse to represent our members' needs, advocate for them, and offer an excellent customer service.

Let's pick that up: which customer requirements has ARAG USA responded to in recent years?

What immediately comes to mind are our new Diversity & Inclusion coverages, which respond to the needs of the LGBTQIA+ community with a wealth of innovative services. Specifically, this means that, effective January 1, 2021, we have been supporting individ-

uals and couples who identify as LGBTQIA+ on a range of legal matters, including authorizations relating to hospital visitations or funeral directives, adoption and surrogacy, prenuptial agreements, estate planning, and name and gender identifier changes. We also provide legal assistance on discrimination issues.

How popular are these new insurance services among customers?

That's hard to say just a few weeks after launch, but we're seeing a lot of interest from our partners. As part of their own efforts to enhance diversity, many members have also integrated this coverage in their employees' legal plans.

And what do individual customers say?

Individual customers and brokers who sell our products are very happy – I'd almost say grateful – that we offer these coverages. They hugely appreciate our respect for diversity and the openness with which we look to meet our customers' needs. I feel sure that it is this openness that appeals to so many customers and helps us to respond to their requirements with suitable products.

LIVING DIVERSITY AT A GLANCE

Diversity plays an important role at ARAG USA, both in its offerings and in its internal organization. The following insights show this very clearly.



5 OUT OF 8

members of the top management of ARAG USA are women.

ARAG USA has been offering a comprehensive Diversity & Inclusion coverage since

1.1.2021

This product responds to the specific needs of the LGBTQIA+ community.

12

colleagues in the Diversity and Inclusion committee advocate for tolerance, among other things. Organized Unconscious Bias trainings for leaders and employees are intended to contribute to this.



6.6.2020

Creation of the Diversity & Inclusion committee by team members of ARAG USA. The founding coincided with the day when hundreds of thousands of people throughout the world protested against racism and police violence.

THINKING ALONG WITH THE DIVERSITY OF HUMAN NEEDS IS REWARDED:

11



ARAG USA's customer service received the prestigious "Center of Excellence" service award 11 times in a row.

and externally from the spirit of mutual respect that helps to promote diversity within the company. (see interview on p. 41).

As community conversations with team members repeatedly show, there is strong support for a diverse ARAG team. The employer awards ARAG USA has received further back this up. In 2020, for example, it was named a Top Workplace in Iowa in a survey completed by companies' team members. With a large number of female leaders and a progressive benefits package, ARAG USA was recognized as Inspiring Business for Women by the Girl Scouts of America.

**IMPORTANT SERVICE AWARD
HONORS THE COMMITMENT OF
ARAG USA SEVERAL TIMES**

Customer satisfaction surveys also show that the company is doing things right. For the eleventh year in a row, ARAG USA Customer Care was named a Center of Excellence by BenchmarkPortal, one of the most prestigious awards for customer service in the United States. The company's management is keen to see how the Diversity & Inclusion coverages, introduced in January 2020, will help to further boost customer satisfaction. CEO David Murray is optimistic: "I feel certain that the sense of mutual respect that defines our working environment and is embodied in these innovative coverages will also ensure our lasting success in the future."



Lisa Wolf

Lisa Wolf has been working for ARAG since 2013. Currently she is the Director, Culture & People, and oversees the entire Culture & People function. Lisa has a degree in Personnel Management. She is certified as a Senior Professional in Human Resources (SPHR), a Senior Certified Professional (SHRM-SCP), and Certified Compensation Professional (CCP) and is member of Society for Human Resources Management and World at Work.

FIVE PRINCIPLES FOR SUCCESS

INTERVIEW

Lisa Wolf, Director, Culture and People, tells us about what characterizes the corporate culture at ARAG USA. The company's new Diversity & Inclusion committee plays a central role in this.

What characterizes the corporate culture at ARAG USA?

LISA WOLF In addition to the ARAG Essentials, we are guided by five principles we call ARAG at Its Best. They describe the competencies that allow us to be our best. As is typical for ARAG USA, these principles were developed through community conversations with all ARAG team members.

What are the principles?

Be original. Be bold. Be yourself. Be cooperative. Be kind. These qualities define how we act towards each other and with our customers.

How diverse is ARAG USA?

The first thing that occurs to me is that our leadership team is primarily female. Five of our eight executives (board members) are women.

Is it difficult to achieve diversity within the company?

At our headquarters in Des Moines, Iowa, it's very challenging indeed, because we don't have a diverse population to hire from. That said, recently we conducted Unconscious Bias training with all of our leaders. Although diversity and inclusion has always been important, I've seen an even greater

emphasis on seeking additions to the team that may add more diversity to the team in a variety of ways. This has caused us to continue to think about where talent is located, and how we can find the talent. This is a work in progress for us.

What role does diversity play at ARAG USA?

Diversity is very important to leaders and team members here. We are committed to highlighting and embracing the traits and characteristics that make our team members unique. We've officially codified this in our Diversity & Inclusion Statement and our Diversity & Inclusion Goals.

FOUNDED 85 YEARS AGO. MADE FOR TODAY.

QUESTIONS & ANSWERS

In 1935, the publisher and lawyer Heinrich Faßbender founded the legal insurance company ARAG. His business idea was simple but groundbreaking: "Every citizen should be able to assert their rights, not just those who can afford it." This idea continues to be the driving force for ARAG and remains as relevant as ever. Today, ARAG is an internationally recognized group that ranks among the world's three largest legal insurance companies. Moreover, ARAG is the largest family-run enterprise in the German insurance industry.

QUESTIONS

- 01** How has ARAG managed to operate successfully for 85 years? //
- 02** What are the reasons for the low fluctuation at ARAG? //
- 03** What does ARAG do to promote its employees? //
- 04** What impact did the COVID-19 crisis have on ARAG's business? //
- 05** How does the ARAG Tower reflect the sustainable orientation of the family enterprise? //
- 06** Why are the ARAG Essentials needed and what are their benefits? //
- 07** What considerations are important for ensuring that a society's education system remains fit for the future, and how does ARAG support change? //
- 08** How does ARAG manage to maintain operations even in times of crisis? //
- 09** Can crisis communication be done creatively and what measures and approaches would be appropriate? //
- 10** What's the value of diversity for ARAG?



ANSWERS

01

For more than 80 years, ARAG's business focus has been on legal insurance, and the idea of legal insurance has evolved significantly over the years. The international business is one of the most important growth drivers of the Group.

See page 10

02

ARAG is considered an excellent employer. In Sweden, the ARAG HELP branch received the "Great Place to Work" award and the magazine Focus, together with the job portal kununu, lists ARAG 2020 as one of the best employers.

See page 7 + 99

03

As a sports insurer, ARAG is committed to the health of its employees. Depending on the location, the workforce can take advantage of various health services, company medical care and company sports. And through its wide range of seminars, ARAG promotes the individual advancement of its employees.

See page 9 + 34 + 102

04

ARAG's focus on digitization in recent years proved to be a stroke of luck for the company in the COVID-19 crisis. As early as mid-March 2020, almost all 4,300 employees were able to work from home within two days – customers did not notice a thing. Despite – in part because of – the pandemic, ARAG recorded a very sharp increase in new customers in 2020.

See page 11 + 90

05

In 2001, the ARAG Tower, Düsseldorf's tallest office building was opened. In terms of sustainability, the building has been a shining example for 20 years, because the design of the ARAG building already pursued progressive environmental thinking.

See page 15 + 115

06

The ARAG Essentials, i.e. ARAG's corporate principles, form guardrails for the company. Despite the COVID-19 pandemic, ARAG found extremely creative ways to anchor its new, revised guidelines throughout the Group.

See page 20 + 73

07

To make the German education system fit for the future, society needs to know what skills will be needed in the future. That is why ARAG initiated the "bildung.digital" education program. It supports schools in developing and anchoring digital education concepts.

See page 29 + 112

08

Teamwork is a top priority in the family enterprise ARAG worldwide. This has proven its worth especially in COVID-19 times: Not only did everyone master the crisis working from home with bravura, the

team also created new beneficial offers of help for customers and non-customers with a great deal of creativity, speed and commitment.

See page 30 + 90

09

ARAG receives top ratings for its digital support and at the same time further affirmation on its way to becoming a smart insurer: The study "Die Superversicherer" (The super insurers) by the Berlin digital agency mediaworx AG on digital crisis communication during the pandemic, found the homepage www.ARAG.de particularly convincing. For its extraordinarily good digital support and its customer-oriented communication in the exceptional situation surrounding the COVID-19 crisis, the Düsseldorf family-owned company received a top rating of 91 per cent and thus landed in second place.

See page 36

10

Empathy and appreciation for different biographies and needs shape the internal corporate culture and services of ARAG USA. The management's commitment to diversity and inclusion makes ARAG successful in the United States – both as an employer and as an insurer.

See page 40 + 106

Separate combined non-financial report

Compliance with the CSR Directive Implementation Act

ARAG has produced this non-financial report to meet the requirements of the EU CSR Directive (2014/95/EU) and of the CSR Directive Implementation Act, which came into force in April 2017. 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).

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). With this in mind, ARAG carried out a new comprehensive materiality analysis in 2020, during which 17 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. In accordance with its mandate from the Supervisory Board, the auditing firm KPMG supported and reviewed the process of identifying the material topics as well as the findings of this process. The results were then presented to and signed off by 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
	Guidelines and remuneration systems based on responsibility	
	Digital transformation	
	Customer focus and innovative offerings	2. Products, sales, and customer relationships
	Transparent products and services	
	Using sustainability criteria in investment	3. Asset and risk management
	Incorporating sustainability risks into risk definition, management, and control	
	Using sustainability criteria in the underwriting policy and when setting insurance rates	4. Corporate social responsibility
	Cyber risks and data protection	
	Social value generated	
	Taxes	
	Social and political engagement	
Employee concerns	Occupational health and safety	5. Employee concerns
	Training and education	
	Diversity, equal opportunity, and protection from discrimination	
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, in all probability, had or would have a serious negative impact on the aspects referred to above.

The 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 non-financial report and the management report constitute voluntary, supplementary information and do not form an integral part of the non-financial report.

The disclosures in the separate combined non-financial report were reviewed in accordance with ISAE 3000 (Revised) by auditing firm KPMG under a limited assurance engagement. The auditor's report is set out in the section 'Independent Practitioner's Report on a Limited Assurance Engagement on the Separate Combined Non-financial Report'.

1. Business model, governance, and compliance

Business model

ARAG is a provider of high-quality insurance with a multidimensional approach, 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. The products and services provide customers with guidance and security, because personal risks such as pension provision, litigation, and health can be comprehensively insured. 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 2020 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 and thus ensures everyone is pulling in the same direction. This 'ARAG spirit' has become an important competitive factor, as it has a positive impact on employees' motivation and performance. In the reporting year, this was particularly evident in the flexibility and commitment demonstrated by the entire workforce during the COVID-19 pandemic.

This corporate culture is enshrined in the ARAG Essentials and the associated Leadership Standards. The ARAG Essentials were completely revised and updated in 2020. They outline the Company's objectives and the causes that ARAG's employees, managers, and owners champion. These guidelines include 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.

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 ensure on an ongoing basis 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. During 2020, the COVID-19 pandemic and the resulting challenges were the dominant issues for the compliance function too. In response to the rapid and massive increase in teleworking, ARAG developed a new policy to ensure legally compliant remote working across the Group.

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 via anonymous whistleblowing platforms in the countries where they are based. 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.

Guidelines and remuneration systems based on responsibility

A responsible remuneration model is an important part of ethical governance and is of particular importance to all companies within the ARAG Group. Remuneration that is both commensurate with performance and competitive also plays a key role in attracting suitably qualified 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 directives 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. 40 percent of the variable remuneration for Management Board members is linked to the attainment of short-term economic targets and 60 percent to the attainment of long-term economic targets. Social aspects such as fairness, openness, and farsightedness are also taken into account in addition to the short-term economic targets. These are based on the corporate guidelines 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. 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).

Digital transformation

Digitalization is a key topic for ARAG that permeates all aspects of business activity and therefore plays an important role in the Company's development. Many of the changes associated with the digital transformation have long been an integral part of ARAG's business in Germany and abroad. ARAG was therefore well prepared for the pandemic-related challenges in 2020 and was able to provide its customers with its usual quality of service without interruption.

ARAG's Smart Insurer Program provides the central digitalization agenda for key development priorities, targets, and responsibilities. The Company's primary aim is 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 has devolved the implementation and made a conscious choice to give individual responsibility to the management teams and the international branches and subsidiaries. Progress is measured by specific indicators tailored to the particular challenges and objectives (such as customer satisfaction).

ARAG 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. In addition, increasing numbers of products can be applied for online. The number of online customers is growing all the time and rose by 14 percent in 2020. Digital solutions also facilitate internal and external collaboration. In 2020, ARAG launched a new communications platform for ARAG Sales Partners in Germany that gives them easy access to all required information from their end devices.

The success of the digital transformation at ARAG hinges on understanding digitalization as a customer-focused program of development that is supported by new technological possibilities. ARAG is thus investing in the expansion of its data analytics capacity in order to position the Company as a pioneer in the field of smart data and continuously improve data-driven decision-making for the customers' benefit.

2. Products, sales, and customer relationships

Customer focus and innovative 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, or when a claim is being made. 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, and customer service. ARAG makes sure it always 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 efficiently refined over the years. 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 target market concerned, preventing or reducing the risks for the customer at an early stage.

ARAG is also under an obligation 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 2020, for example, ARAG was named the most innovative brand in the industry for the fifth year in succession at the Plus X Award.

The global COVID-19 pandemic had a huge impact on the personal and professional lives of many of our customers. ARAG has been there throughout to offer its expertise to both customers and non-customers. At the beginning of the COVID-19 crisis, for example, ARAG held 'call-in days' offering free and straightforward support to anyone seeking advice. Customers and non-customers alike were able to use the attorney online chat service to ask questions relating to COVID-19, seek legal help if their employment had been terminated, or ask the chatbot questions.

Transparent products and services

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 Leadership Standards.

All board-level departments at ARAG ensure that management and services are transparent. The 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 all 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 with regard to transparency. ARAG aims to ensure that all product information and contractual conditions are as easy for people to understand as possible, for instance through the use of illustrative examples to explain unavoid-

able legal jargon. 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). In the year under review, for example, ARAG completely revised its contract terms in the Netherlands, with a particular focus on using language that is easy to understand.

ARAG considers it a given 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).

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 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 policy on using sustainability criteria in investment ensures a standardized approach to ESG criteria. The policy introduces a negative screening filter that rejects investments based on certain standards and values, and specifies sustainability as an assessment criterion in the selection of external investment managers. The rejection criteria are applied directly to investments under management by ARAG. Group Asset Management is responsible for implementing these requirements.

The negative list is based on the following criteria:

Standards-based – entities responsible for serious violations of the principles applicable under the UN Global Compact, specifically in relation to

- labor, including International Labour Organization (ILO) standards on child labor and forced labor
- human rights

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

- controversial weapons (atomic, biological, and chemical weapons, landmines, cluster bombs)

To monitor compliance with the policy, ARAG stores the negative list on the portfolio system. Any securities in the portfolio that are on the latest negative list but not subject to an immediate requirement to sell (controversial business lines) are monitored using portfolio limits. Further purchases are excluded using business limits. For funds that have an investment brief from ARAG, compliance with the negative list is monitored by the investment management company HSBC INKA. The target is to ensure that the proportion of direct investments that meet ARAG's minimum sustainability standards does not fall below 97 percent. In 2020, the proportion was above the target, reaching 99 percent.

In line with the aim of continuously refining their approach to sustainable investment, the Management Boards of the ARAG companies reviewed the current investment policies in the reporting year. No need for change was identified. Nevertheless, ARAG initiated a selection process in 2020 for a new provider of sustainability data, with the aim of expanding the available data. One of the reasons was that the current provider stopped delivering data after the first quarter of 2020. On this basis, ARAG hopes to gradually add new components to its sustainability approach.

Incorporating sustainability risks into risk definition, 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, assessed, 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).

The sustainability risk was first documented as part of the ORSA process and analyzed for the Company in 2020. In ARAG's assessment, sustainability risk exists but is not a threat. 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 management approach ensures that any potential impact from sustainability criteria is fully incorporated into the solvency assessment based on current knowledge. To date, they have not led to any additional, significant changes in business activity, income, or expenditure. The ongoing development will be analyzed.

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

ARAG takes sustainability risks into account across many areas in its underwriting policy and when setting insurance rates. 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 acceptance guidelines at product level. One example is diseases such as allergies or asthma, where shifting environmental influences brought on by climate change may cause incidence rates to increase. ARAG Krankenversicherungs-AG takes the greater frequency of such illnesses into account in its acceptance policy and when setting insurance rates.

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 still in the development phase, there is significant uncertainty among insurance companies when it comes to planning their implementation. At the moment, it is also difficult to gauge the extent of sustainability-related opportunities on the product side.

Cyber risks and data protection

As a result of increasing digitalization, ARAG is focusing more and more on data protection and 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. 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 led by the data protection officer. In the 'three lines of defense' model, the Company's Chief Information Security Officer (second line of defense) 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 also help to identify shortcomings in the 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. Any points still outstanding in 2020 were reviewed by the departments and addressed through appropriate measures. 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 2020, ARAG worked intensively on the implementation of the German Insurance Supervisory Requirements for IT (VAIT), which came into force with circular 10/2018 (VA) as amended on March 20, 2019. The Company focused specifically on the requirements in the areas of risk management and authorization management.

ARAG is continually adapting its business practices at its EU and non-EU locations to meet all applicable regulations governing data protection. In 2020, for example, there were two important high court rulings on data protection. Following a ruling by the German Federal Court of Justice that the setting of cookies on websites is only permissible with the active consent of the website user, ARAG introduced a consent management tool on its websites. Furthermore, ARAG immediately began to implement stricter criteria for data transfers to the USA and other non-EU countries as a result of the Schrems II ruling by the European Court of Justice.

To continuously increase the level of data protection, it is essential to educate employees and raise awareness of its importance. The Chief Information Security Officer fulfills this responsibility by providing employees with training sessions and individual advice. 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. 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 existing risks and attack scenarios, and shown how these attacks can be identified and fended off. Awareness of IT security is also raised through information on the intranet and an annual Security Day.

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 from 2021 will be using additional tools from the Microsoft portfolio, such as Windows Defender ATP and Sentinel. Other standard safeguards include regular updates to the operating systems and related software and databases. Business-critical processes are also reviewed and revised on an annual basis and the majority of approvals require verification by a second member of staff. These measures have so far prevented any incidents of critical disruption to business operations.

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 data protection officer or the responsible data protection supervisory body directly is also an option.

4. Corporate social responsibility

Social value generated

In Düsseldorf, where it has its headquarters, the ARAG Group is a leading employer with around 1,400 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. This is evident in the low rate of staff turnover. 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

The trust placed in ARAG by policyholders is based on the expectation that ARAG will conduct itself in accordance with the contract and the law. With regard to taxes, the primary goal of the Management Board is to meet its obligation to submit a complete and accurate tax return by the relevant deadline. It aims to achieve this goal through organizational measures, such as a tax compliance system that complements ARAG's existing compliance culture and organizational structure.

ARAG's tax compliance system is defined as an internal control system. It structures tax procedures and processes, and identifies tax risks which are documented and assessed. The responsibility for this falls to the Tax Department, the Legal Department, and the Management Board. In the reporting year, the tax compliance system was aligned with new legal requirements. In particular, ARAG implemented the new mandatory disclosure requirement for cross-border tax arrangements (DAC 6) through appropriate, forward-looking processes. 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 via an annual tax compliance questionnaire. This survey complements the organizational activities of the tax compliance system implemented in Germany. The non-German Group entities are supported by tax consultancy firms in the respective countries to ensure compliance with applicable tax regulations at all ARAG locations.

ARAG is committed to the proper fulfillment of its tax obligations. This strategy is documented in ARAG's internal guidelines and updated on a regular basis. The tax strategy is reviewed and approved by ARAG's Management Board.

ARAG makes the country-by-country reporting available to the 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 unable 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. The activities aim 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 structures, preventive measures, and intervention techniques. A total of 389 school mediators at 133 high schools and vocational colleges in different school districts across North Rhine-Westphalia have taken part in the eight training cycles completed so far. Due to the COVID-19 pandemic in 2020, ARAG formulated a digital training strategy for the eighth training cycle. This led to a total of 23 participants from nine high schools across North Rhine-Westphalia being trained as school mediators in 2020.

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 the development of media literacy and in the provision of information and education, as well as in the raising of 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 ('crossing out hate') website. ARAG also supports the German Children and Youth Foundation (DKJS) in the field of digital education, launching the joint initiative 'bildung.digital' (digital education) in 2017. This program helps schools to develop digital

education strategies and ensure that the strategies become firmly established as part of their activities. Its second project phase began in 2020. Again, 40 selected schools from six federal states committed to using the cross-state networks in the program.

In addition to its corporate citizenship, ARAG strives to strengthen democratic institutions and maintain a dialog 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 dialog with policymakers on behalf of ARAG Holding SE through the Speaker of the Management Board and the Chief Representative. The purpose of the dialog 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 association in their country, through which they provide input into policymaking. This 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 €120 thousand in the reporting year. ARAG's international subsidiaries did not make any financial donations to political parties in 2020.

5. Employee concerns

Occupational health and safety

ARAG insists on a comprehensive approach to health and safety, and implements workplace safety standards that go beyond the statutory requirements. Occupational health and safety is the overall responsibility of the Management Board, while operational responsibility falls to Group Central Services and Group Human Resources. The day-to-day implementation is handled by the Health and Safety and Fire Safety Department together with local health and safety and fire safety officers and the Personnel Development Department. To a large extent, the international subsidiaries are free to develop their own approach to occupational health and safety. This is mainly influenced by local laws and the number of employees.

ARAG implements safety measures and maintains safety-related equipment at a level that goes above and beyond the legal standards. This applies, for example, to the number of safety officers, first aiders, and fire officers. ARAG also carries out annual evacuation drills and has an experienced safety and crisis team. 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. All staff in Germany receive annual training on occupational health and safety and fire safety in the form of an e-learning course delivered via the intranet. Employees with special safety responsibilities receive additional training.

ARAGcare is a corporate health management program in Germany designed to make employees more health-conscious. In addition to regular checkups and campaigns focused on preventing staff getting ill in the first place, employees also have access to a company physician. All services can be booked via a digital platform. 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, if required. For long-term absentees, ARAG also operates a return-to-work and disability management system to ensure that the statutory requirements are implemented professionally. Primary responsibility for ARAGcare rests with the Personnel Development Department within Group Human Resources. ARAG employees who wish to make a complaint regarding occupational health and safety can contact the employees of the Health and Safety Department or the employees of the Personnel Development Department directly. The international locations are responsible for their own services.

In the year under review, the COVID-19 pandemic 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 by the federal government. Employees were informed of all measures as soon as possible via the intranet. Strict hygiene protocols were put in place for workplaces, and ARAG also recommended working from home, which led to a range of further measures. Comparable measures were also implemented at the international locations. ARAG employees in Italy, Spain, Belgium, and Slovenia all worked from home, for example, while ARAG in Austria also offered mental health support to its employees working from home. In the Netherlands, a special coronavirus task force was set up at the beginning of the pandemic to discuss measures.

The absentee rate across the Group in 2020 was 4.0 percent (men 3.2 percent/women 4.7 percent)

Training and education

ARAG aims to become one of the best insurance providers in the market. To achieve this the Company needs skilled, enthusiastic, and committed employees. Vocational training, skills upgrading, and professional development for its employees are therefore of great importance to ARAG. The provision of training and education at ARAG is managed through a dialog between managers and employees. Professional development opportunities are generally available to all internal employees. The Company also supports its field reps by subsidizing courses and granting time off work for training. Strategic management of continuous professional development (CPD) falls within the remit of the Senior Vice President Human Resources, the Head of Personnel Development, and the Personnel Development Department. Operational implementation is also the responsibility of the latter two 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 helps to ensure that the regulatory requirements relating to staff training are complied with at all times.

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 employees' day-to-day work. In 2020, the Personnel Development Department launched a new learning platform called ARAG Learn2Develop. This allows digital offerings from external partners to be incorporated alongside the existing training and professional development programs for employees in Germany. The platform offers a wide range of training 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. A simple and clear structure and intelligent search functions ensure that the platform is very user-friendly. New features such as the personal learning cockpit and customized learning outcomes support the targeted professional development of each learner. In total, 1,257 CPD measures were taken by 4,699 participants across the Company in Germany in 2020 (excluding e-learning courses on data protection and occupational health and safety).

The international locations are free to provide their own training and professional development offerings. In the USA, for example, ARAG focused its training in 2020 on emotional intelligence and how to handle difficult conversations. In Italy, the Company launched a new e-learning platform and raised awareness of cyber risks among its employees who were working from home. In Greece, training was provided on regulatory developments and on the Smart Insurer Program.

Increasing digitalization makes it all the more important that all employees develop digital skills that are appropriate to their function, and that they are open to digital methods and processes. As part of the ARAG Smart Insurer Program, the Personnel Development Department is therefore implementing new learning and development formats. Training courses on topics such as design thinking, visualization, agile project management, scrum, and Office 365 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.

In addition to the needs-based training programs, the inhouse talent management program ARAG myCareer also helps to retain suitably qualified employees. The program offers a set of tools to support recruitment and professional development. Managers have the opportunity to register candidates for training in specialist and management functions, and all 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. ARAG requires staff appraisal interviews to be carried out annually. These provide an opportunity to discuss and plan individual CPD measures. Among other things, these measures helped to keep the groupwide rate of staff turnover¹ low at 5.4 percent in 2020.

Apprenticeships at ARAG take the form of vocational qualifications in insurance and finance that meet the needs of the Company. As well as helping to maintain a sufficient supply of skilled new recruits, they ensure a good demographic mix across the Group.

Diversity, equal opportunity, and protection from discrimination

Fairness and Openness are key corporate values at ARAG, which is why the Company takes a family-friendly and inclusive approach. It also avoids any reputational risk that may arise from infringements of the German General Equal Treatment Act (AGG), for example. Diversity and equal opportunities are 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 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 provision of additional hardware and office equipment across all sites in 2020 also made it even easier for staff to work remotely. 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 either of these two 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.

¹ Staff turnover was calculated on the basis of employee numbers as of December 31, 2020. The calculation factors in permanent employees of all ARAG Group companies in Germany (excluding Justix GmbH) as well as of the branches/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, the Republic of Ireland, Slovenia, Spain, Sweden, the UK, and the US.

The percentage of women at the top two management levels has increased in recent years. At the end of 2020, the proportion of women at the top level (F1) was 30 percent, significantly above the target of 20 percent, while at the second level (F2) the signs are good that the target of 36 percent will be reached, perhaps even exceeded, by mid-2021. But a gender balance has not yet been achieved. For this reason, ARAG is supporting the positive trend by giving employees greater flexibility in when and where they work, and by improving its childcare offerings.

ARAG regularly reviews the effectiveness of the measures that are taken. The Company also compiles annual statistics to determine whether women and men have equal opportunities. An evaluation of the CPD measures forms part of this. They are analyzed for socio-demographic data, including age, gender, years of service, and hierarchy level.

6. Environmental matters affecting operations

Climate-friendly operations

In addition to factoring environmental criteria into its investments, ARAG aims to reduce energy consumption and associated greenhouse gas emissions in its own operations as far as possible. Under the guidance of the Management Board, the Company is thus helping to combat climate change and fulfilling its duty to use resources carefully and economically. As an internal service provider, Facility Management controls the energy consumption and 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 a concerted effort from all employees and managers is required to deliver a strong performance in terms of energy and emissions. 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 to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Saving Regulation (EnEV). The energy benchmark shows that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings. 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 optimizing building operations and encouraging climate-friendly transport. At the Düsseldorf site, this is supported by an energy control system that went online in 2019. In the reporting year, ARAG held discussions with the owner of the building where its health insurance headquarters are located in Munich about introducing measures to improve the building's environmental footprint. As a result, the security lighting in general areas (stairwells, basement, and underground car park) and elevator lighting in two campus buildings were converted to LED.

ARAG's international subsidiaries also make efforts 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 limited scope for action because office premises are rented, which limits ARAG's influence on energy saving measures. At one location in the Netherlands, ARAG moved into a new office in a more energy-efficient building in 2020 and invested in energy-saving heating and elevator systems at the main office in Leusden. Furthermore, regular energy audits are carried out at individual sites in accordance with the applicable laws. An audit based on DIN EN 16247-1 was carried out at the headquarters in Düsseldorf in 2018. In Italy, ARAG used the 2019 audit as the basis for improvement measures, while regular energy audits are also carried out in Austria in accordance with the local Energy Efficiency Act.

Energy consumption in Germany and at the international locations in 2020 cannot be compared directly with the previous year's figures as the pandemic led to changes in the utilization and occupancy rates of office workplaces. In total, consumption in Germany fell by around 288 MWh (2.2 percent), with greenhouse gas emissions (scope 1 & 2) down by 3.7 percent over the same period. Globally, energy consumption decreased by around 8 percent, with greenhouse gas emissions (scope 1 & 2) down by roughly 9 percent over the same period.²

² This data is based on the ARAG headquarters in Düsseldorf, the local offices in other parts of Germany, and the branches and subsidiaries in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, the UK, and the US. Electricity, heat, and fuel consumption were factored into the overall energy consumption calculation. The greenhouse gas emissions are calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol. The greenhouse gas emissions attributed to electricity consumption are based on the location-based method.

Limited Assurance Report of the Independent Auditor regarding the combined separate non-financial report¹

To the Supervisory Board of ARAG Holding SE, Düsseldorf

We have performed an independent limited assurance engagement on the combined separate non-financial report of ARAG Holding SE and the ARAG Group (further 'Company') according to §§ 341a (1a) in conjunction with 289b (3) and §§ 341j (4) in conjunction with 315b (3) as well as §§ 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) for the period from January 1 to December 31, 2020.

It was not part of our engagement to review product and service-related information, references to external websites and information sources, as well as future-related statements in the combined separate non-financial report.

Management's Responsibility

The legal representatives of the Company are responsible for the preparation of the combined separate non-financial report in accordance with §§ 341a (1a) in conjunction with 289b (3) and §§ 341j (4) in conjunction with 315b (3) as well as §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined separate non-financial report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the combined separate non-financial report that is free of – intended or unintended – material misstatements.

¹ Our engagement applied to the German version of the combined separate non-financial report 2020. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

Practitioner's Responsibility

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

We conducted our work in the form of a 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 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 combined separate non-financial report of the Company for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§ 341a (1a) in conjunction with 289b (3) and §§ 341j (4) in conjunction with 315b (3) as well as §§ 315c in conjunction with 289c to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. 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 judgement.

Within the scope of our engagement we performed, amongst 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 the 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 of quantitative disclosures as reported at group level by all sites
- Assessment of the overall presentation of the disclosures

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, 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).

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined separate non-financial report of ARAG Holding SE for the period from January 1 to December 31, 2020 has not been prepared, in all material respects, in accordance with §§ 341a (1a) in conjunction with 289b (3) and §§ 341j (4) in conjunction with 315b (3) as well as §§ 315c in conjunction with 289c to 289e HGB.

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board of ARAG Holding SE, Düsseldorf only. We assume no responsibility with regard to any third parties.

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.

Munich, April 19, 2021

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Hell

Brokof
Wirtschaftsprüferin
[German Public Auditor]

GRI Report

Universal standards	69
Organizational profile	69
Strategy	73
Ethics and integrity	73
Governance	74
Stakeholder engagement	76
Reporting practice	78
<hr/>	
Topic-specific standards	82
Governance and compliance	82
Economic value generated	82
Corporate culture and leadership – ethical governance and compliance	83
Fair competition and avoidance of conflicts of interest	85
Cyber risks and data protection	87
Products, sales, and customer relationships	90
Customer focus and innovative products – changing demographics, social structures, and lifestyles	90
Digital transformation	93
Transparent products and services	95
Asset and risk management	96
Using sustainability criteria in investment – investments with a specific environmental or social impact – development of expertise in sustainability risks and opportunities	96
Management of sustainability risks – consideration of sustainability risks in the insurance business	97
Employee concerns	99
Internal communications/communication between Management Board and employees	99
Occupational health and safety	100
Training and education	103
Diversity, equal opportunity, and protection from discrimination	106
Social responsibility and protection of human rights	109
Social value generated	109
Taxes	110
Social and political engagement	112
Protection of human rights in the supply chain – child, forced, and compulsory labor	114
Environmental matters affecting operations	115
Climate-friendly operations	115
<hr/>	
GRI content index	120

Universal standards

	Organizational profile
102-1	Name of the organization ARAG Holding SE
102-2	Activities, brands, products, and services <p>The ARAG Group is the largest family enterprise in the German insurance industry and is one of the world's three leading providers of legal insurance. It focuses on insurance products and services aimed at both private and small business customers. ARAG is a provider of high-quality insurance with an innovative approach, offering its customers in Germany not only its core legal insurance policies but also needs-based products and services in casualty and property insurance and health insurance. Internationally, the Company is targeting potential growth areas in the legal insurance sector.</p> <p><i>For further information please see the 2020 annual report of ARAG Holding SE (consolidated financial statements) and the 2020 annual reports of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG (single-entity financial statements).</i></p>
102-3	Location of headquarters Düsseldorf, Germany
102-4	Location of operations 19
102-5	Ownership and legal form <p>ARAG SE is the operating holding company of ARAG. Its Management Board members are responsible for the strategic management of the Group, for the day-to-day legal insurance business in Germany, and for the international units. The Management Boards of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG are responsible for the day-to-day management of their companies. ARAG Holding SE is a family holding company that manages the total assets of the ARAG Group.</p>

102-6

Markets served

In its core legal insurance segment, ARAG plays a major role in shaping its markets, both in Germany and abroad, with innovative products and services. The international legal insurance business has been the Group's most significant area of activity over recent years. In Germany, ARAG is demonstrating its strength as a provider of property, liability, and accident insurance policies in a fiercely competitive market. In the private health insurance market, ARAG Kranken (ARAG Health) offers a broad range of products with outstanding customer benefits, emphasizing its appeal as a provider of full-coverage and supplementary health insurance.

ARAG is focused on its fast-growing property and health insurance business. It also offers attractive pension products for its customers in partnership with Alte Leipziger.

For further information, please see the 2020 annual report of ARAG Holding SE (consolidated financial statements).

102-7

Scale of the organization

ARAG has operations in 19 countries and is the leader in many international markets. It generates sales revenue and premiums in excess of €1.86 billion and employs over 4,400 people.

ARAG SE employs more than 2,800 people worldwide. Where it is possible and makes sense to do so, the quantitative information on employees contained within this report extends beyond ARAG SE to encompass other employees of the ARAG Group. The precise scope is described in each case. The same applies to disclosures related to energy consumption and greenhouse gas emissions.

For further information, please see the 2020 annual report of ARAG Holding SE (consolidated financial statements).

102-8

Information on employees and other workers***Workforce broken down by employment contract and working hours**

*Number of persons broken down by gender,
December 31, 2020¹*

	Germany		International		
	Men	Women	Men	Women	Total
Workforce broken down by employment contract	917	1,039	887	1,407	4,250
Permanent	886	991	818	1,303	3,998
Temporary	31	48	69	104	252
Workforce broken down by working hours²	886	991	818	1,303	3,998
Full-time	821	655	728	905	3,109
Part-time	65	336	90	398	889

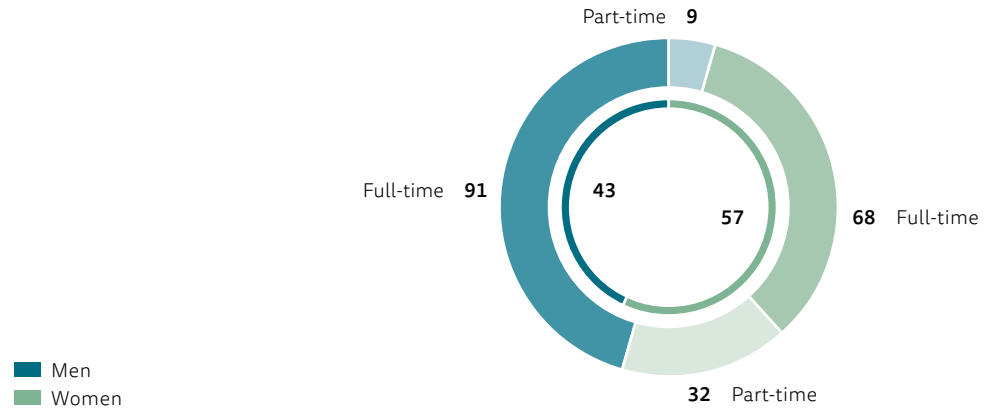
¹ not including 79 interns and trainees and not including inactive employees.

² including permanent staff only

* The data is based on all Group companies in Germany (excluding Justix GmbH) as well as on the branches/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, the Republic of Ireland, Slovenia, Spain, Sweden, the UK, and the US.

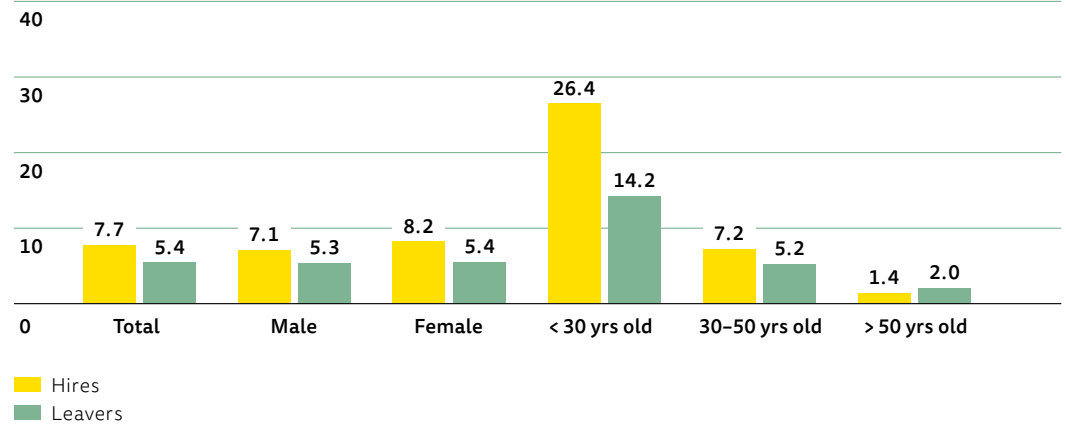
Permanent employees by gender and working hours

(%)



Staff turnover broken down by gender and age

(%)



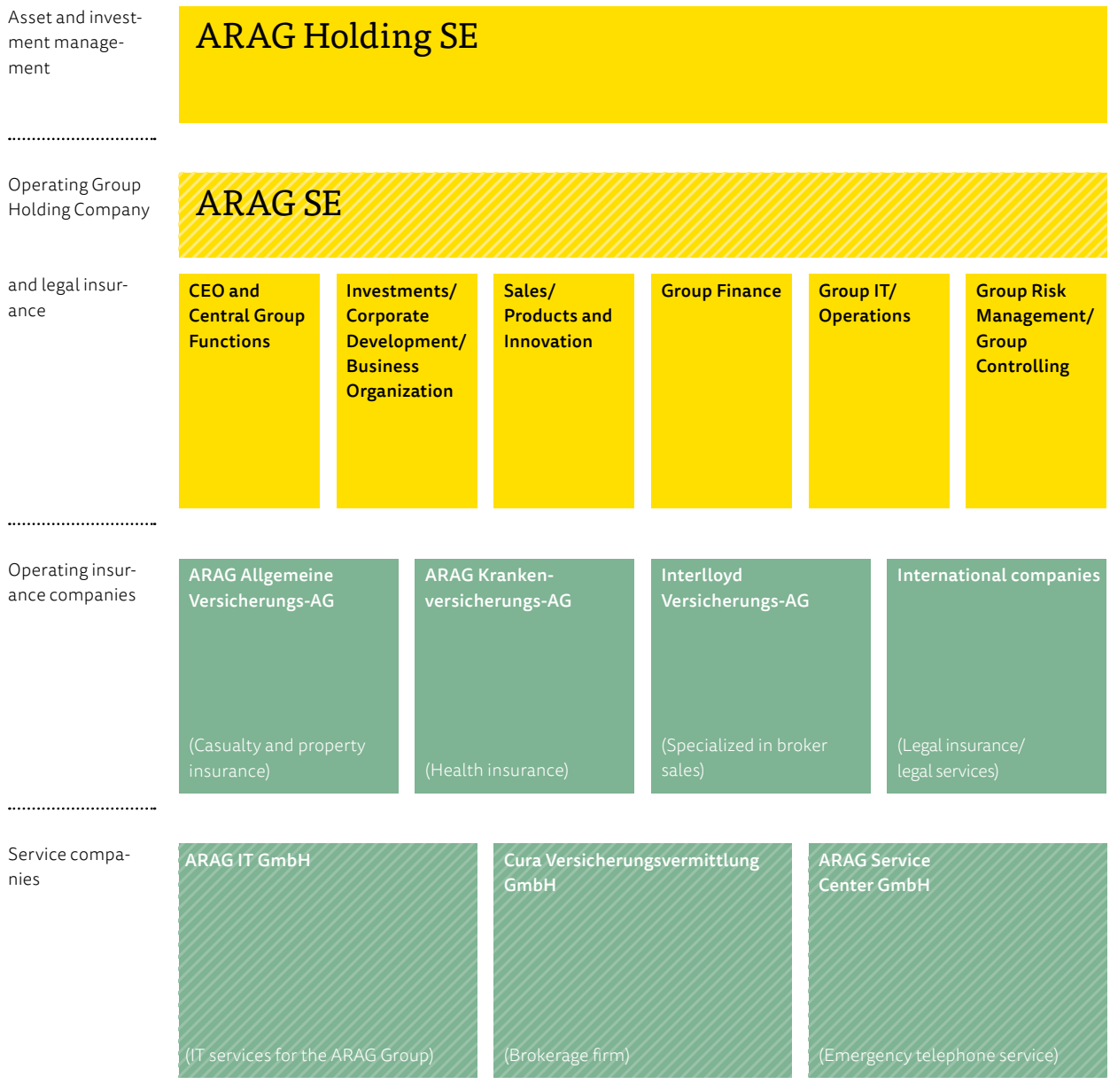
The percentage figures shown above indicate the rate at which people join and leave the Company. Only permanent employees are included in the calculation. In 2020, 188 women and 121 men joined the Company, 123 women and 91 men left. Of the new hires, 123 were under the age of 30, 168 were between 30 and 50 years old, and 18 were over the age of 50. Of the staff leaving the Company, 66 were under the age of 30, 122 were between 30 and 50 years old, and 26 were over the age of 50.

102-9	Supply chain	<p>In Germany, the ARAG Group buys around €94.7 million worth of services from 1,245 suppliers¹. These services are categorized into ten 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 Purchasing at head office. The services defined in the purchasing policy, however, can be procured directly by the departments.</p> <p>¹ Includes all creditors of ARAG SE in Germany, of ARAG Allgemeine Versicherungs-AG, of ARAG Krankenversicherungs-AG, and of ARAG IT that have a purchasing volume of greater than or equal to €1,500. 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.</p>
102-10	Significant changes to the organization and its supply chain	<p>In July 2020, the majority shareholder and CEO of ARAG SE, Dr. Dr. h. c. Paul-Otto Faßbender, resigned from the Management Board of the operational holding company of the ARAG Group. He has been appointed the Chairman of the Supervisory Board of ARAG SE and remains the Chairman of the Management Board of ARAG Holding SE. Dr. Renko Dirksen was appointed Speaker of the Management Board of ARAG SE and will head up the new Central Group Function. In spring 2020, Dr. Werenfried Wendler was appointed to the Management Board of ARAG SE, where he will be responsible for the new Group Human Resources/Audit Function (see management structure, GRI 102-18).</p>
102-11	Precautionary principle or approach	<p>As an insurance company, the ARAG Group counts risk management among its core competencies and it therefore constitutes a key component of the Group's business management. Detailed information on risk management is provided in the annual report of ARAG Holding SE (consolidated financial statements) and the annual reports of the insurance companies (single-entity financial statements). The Group also publishes information on its long-term solvency on an annual basis in the SFCRs (Solvency and Financial Condition Reports). ARAG sees it as its duty to also prevent environmental risks and has implemented environmental management plans at the Company's various locations. Theses 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.</p> <p><i>Further information can be found on page 115 of this report.</i></p>

102-12	External initiatives
	In 2017, ARAG became a signatory to the corporate diversity initiative Charta der Vielfalt, which promotes diversity in companies and institutions and which has as its patron the German chancellor Angela Merkel.
102-13	Membership of associations
	ARAG is a member of the German Insurance Association (GDV). In the reporting year, the Company took over the chair of the GDV's committee of legal insurers. ARAG is also a member of the Insurance Industry Working Group of the regional government of North Rhine-Westphalia and 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.
	Strategy
102-14	Statement from senior decision-maker
	<i>See page 2 of this report.</i>
	Ethics and integrity
102-16	Values, principles, standards, and norms of behavior
	<p>The corporate guidelines – the ARAG Essentials – outline the Company's objectives and the causes that ARAG's employees, managers, and owners champion. These guidelines include 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. They also serve as a basis for the ARAG Leadership Standards, which support the implementation of the guidelines in day-to-day business. The ARAG Essentials are handed out to every new employee. Additional 90-minute workshops hosted by ARAG provide an opportunity to discuss the Essentials with co-workers. An online tool on the Group website conveys the core messages of the ARAG Essentials in a light-hearted way, and provides information on the international branch offices – available in all the 13 languages used in the Group.</p> <p>A survey of employees in Germany and abroad, based on the ARAG Smart Insurer Program, was used to determine the functioning of the corporate culture and whether it is still fit for purpose. Steps to improve the ARAG Essentials and the ARAG Leadership Guidelines were taken on the basis of the results. The ARAG Essentials 'reloaded' were introduced at the beginning of 2020. The revised guidelines will be implemented by all teams around the world from 2021 onward. The new Leadership Guidelines will subsequently build on these.</p> <p><i>Further information on the ARAG Essentials can be found on page 20 of this report.</i></p>

Governance	
102-18	Governance structure

The ARAG Group



For further information, please see the 2020 annual report of ARAG Holding SE (consolidated financial statements).

A responsible remuneration model is an integral part of the governance of any corporate business and is therefore also of particular importance to all companies within the ARAG Group. In addition, remuneration that is both commensurate with performance and competitive plays a key role in attracting suitably qualified 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.

Guidelines based on responsibility

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 directives 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. 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.

Targets

Targets play a central role in the remuneration systems. Of the total variable remuneration granted to Management Board members, 40 percent is linked to the attainment of short-term economic targets, with the remaining 60 percent dependent on the attainment of economic targets over the long term. Social aspects such as fairness, openness, and farsightedness are also taken into account in addition to the short-term economic targets. These are based on the corporate guidelines and are incorporated into the individual target agreements as qualitative assessment criteria. The incentive system needs to support the Company's goals and be predictable in terms of its functioning. It also needs to be understandable to all employees, which makes structuring the remuneration and incentives a key challenge.

Every year, the Group Human Resources Central Department examines the appropriateness of the target agreement system. 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).

Stakeholder engagement	
102-40	<p>List of stakeholder groups</p> <p>The most important stakeholder groups at ARAG include the customers, the ARAG sales partners, the brokers, and the employees. Other important stakeholders are business partners, suppliers, industry associations, regulatory bodies, and media organizations.</p>
102-41	<p>Collective bargaining agreements</p> <p>64 percent of employees at the Group companies in Germany (excluding Justix GmbH) are subject to a collective pay agreement. The proportion for ARAG SE in Germany is 71 percent.</p>
102-42	<p>Identifying and selecting stakeholders</p> <p>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 as well as feedback requests in relation to specific occasions are used to learn more about their disposition toward ARAG and their assessment of the Company. In addition, data provided by stakeholders is collected and analyzed for the purpose of improving the service offering.</p>
102-43	<p>Approach to stakeholder engagement</p> <p>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.</p> <p>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, and ARAG uses focus groups for market research, as well as 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.</p>

In 2019, the Market Research Department carried out a survey in which around 1,500 customers of all three divisions – legal insurance, casualty and property insurance, and health insurance – described in detail their satisfaction with products, support, communication, and the handling of their claim. The same set of questions was also put to competitors' customers and employees from customer-facing departments. One of the findings was that customers are very satisfied with how claims are handled and with the support from Core Sales. ARAG Health fared particularly well when compared with the wider market. The Market Research Department carried out two further large-scale surveys in 2020. In the first, individuals were queried about their preferences regarding supplementary hospital insurance. The second examined how COVID-19 has impacted on consumer requirements, and how the pandemic has influenced consumer attitudes toward insurers and insurance products. This survey was conducted in June 2020, after the first lockdown, via online questionnaires and individual interviews.

Since the end of 2016, the ARAG Market Research Department has operated an online community called ARAG Denkraum ('thinking space') with the aim of engaging in a direct dialog with customers and working 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 2020, this included a survey on the relevance of a range of sustainability issues.

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.

102-44

Key topics and concerns raised

Market research surveys show that while customers want reliable, transparent, and straightforward products they also attach great importance to digital solutions and means of communication. At the same time, there is still a desire for a service that is personal and individual, and is ideally provided by a single point of contact. Customers would like to be able to choose freely between the different channels of communication depending on their requirements and circumstances. However, the expectation is always that their inquiry should be dealt with competently, swiftly, and digitally. They also have high expectations with regard to soft factors such as friendliness, reliability, and empathy.

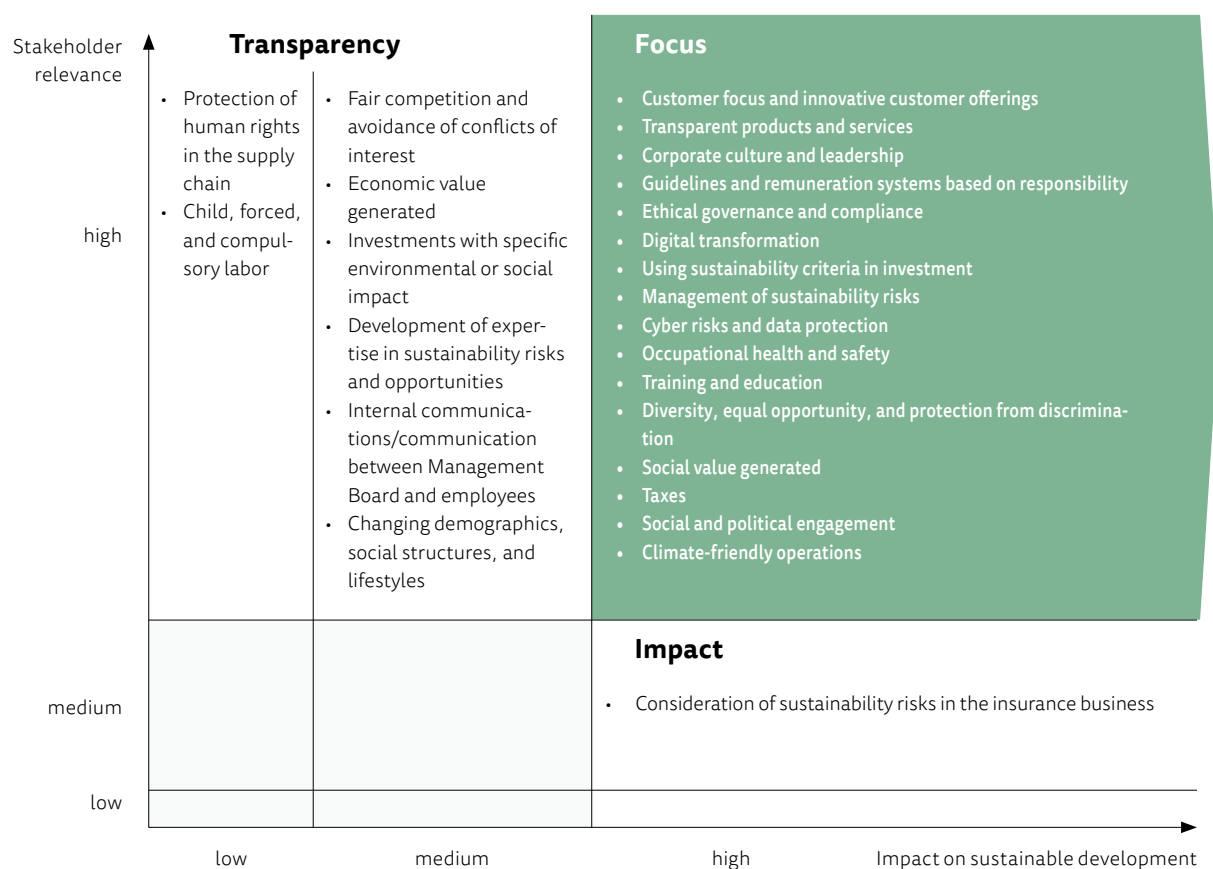
Current developments and trends are leading to an increase in demand for innovative products, for example those that offer reliable protection against losses caused by the rise in online crime. In mid-2019, to meet this demand, ARAG launched a compelling new web@ktiv rate scale both for private individuals and the self-employed, which caters for the particular needs of customers who spend a lot of time online. A great deal of feedback and suggestions from customers and sales partners has been incorporated into the development of this product.

Further information on customer concerns can be found on page 90 in this report.

Key concerns for ARAG employees are a good work-life balance and the ability to pursue a career in a way that is compatible with family life. ARAG provides a range of options to address these needs.

Further information can be found on page 106 onward in this report.

	Reporting practice
102-45	<p data-bbox="448 576 1134 608">Entities included in the consolidated financial statements</p> <p data-bbox="448 629 1501 704">Sustainability reporting covers all material German and international insurance companies belonging to ARAG Holding SE.</p> <p data-bbox="448 715 1501 778"><i>For further information, please see the 2020 annual report of ARAG Holding SE (consolidated financial statements).</i></p>
102-46	<p data-bbox="448 842 983 874">Defining report content and topic boundaries</p> <p data-bbox="448 895 1501 970">The principles for determining report content and quality have been applied to the entire reporting process.</p> <p data-bbox="448 981 1501 1236">The material topics were redefined in 2020 as part of a comprehensive process. To create a comprehensive picture of the key topics, ARAG involved management from the most important divisions, employees from the largest operating units, and customers in the process via personal interviews and online surveys. The various points of view were then discussed in a workshop with managers and the selection of topics was narrowed down further. The results were then presented to and signed off by the Management Board of ARAG Holding SE.</p> <p data-bbox="448 1247 1501 1353">In accordance with its mandate from the Supervisory Board, an auditor supported and reviewed the process of identifying the material topics as well as the findings of this process.</p> <p data-bbox="448 1364 1501 1576">All material topics that are highly relevant to customers or where ARAG has a substantial impact on sustainable development were included in the GRI reporting. The topics that are relevant to the non-financial statement for the Group in the context of implementing the German CSR Directive Implementation Act (CSR-RUG) are those that are required to understand the Company's business performance and the Company's influence on these topics.</p> <p data-bbox="448 1587 1501 1651"><i>The separate combined non-financial report of ARAG Holding SE can be found on page 46 of this report.</i></p>



Changes are noted in the appropriate places.

102-49	Changes in reporting
	<p>Based on the re-evaluation of material topics, the following topics are now included in the GRI reporting:</p> <ul style="list-style-type: none"> • Consideration of sustainability risks in the insurance business • Changing demographics, social structures, and lifestyles • Investments with specific environmental or social impact • Management of sustainability risks • Development of expertise in sustainability risks and opportunities • Communication between Management Board and employees • Taxes • Protection of human rights in the supply chain • Child, forced, and compulsory labor
102-50	Reporting period
	2020 calendar year
102-51	Date of most recent report
	April 2020
102-52	Reporting cycle
	Annual
102-53	Contact point for questions regarding the report
	<p>Kathrin Köhler Sustainability Officer & Corporate Responsibility Corporate Communications/Marketing</p> <p>ARAG SE ARAG Platz 1, 40472 Düsseldorf, Germany Tel: +49 (0)211 963 2225 Fax: +49 (0)211 963 2220 kathrin.koehler@arag.de</p>

102-54	Claims of reporting in accordance with the GRI standards
	This report has been produced in accordance with the GRI standards (Core option).
102-55	GRI content index
	<i>See page 120 of this sustainability report.</i>
102-56	External assurance
	No external audit has been carried out.

Topic-specific standards

Governance and compliance

Economic value generated	
103-1/2/3	<p>Management approach</p> <p>Independence shapes all areas of the business</p> <p>The ARAG Group is the largest family-managed insurance company in Germany and is one of the world’s three leading providers of legal insurance. Independence is at the heart of ARAG’s self-image. 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 service customer requirements 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 to strengthen the Group’s financial foundations and ability to invest.</p> <p><i>Further information can be found on page 12 onward of this report.</i></p> <p>Growth targets in legal, property, and health insurance</p> <p>In the German market, the ARAG Group is maintaining its focus on further developing its property 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 management level. A variety of tools contribute to ARAG achieving its growth 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).</p> <p>In the reporting year, the Group revised its original, cautious business forecast upwards. In the German market alone, ARAG gained more than 90,000 additional customers, while premium income hit €1.85 billion, reaching the target set for the year.</p> <p>Success through market expansion, digitalization, and innovation</p> <p>The ARAG Group and its international companies are facing growing pressure from new competitors that are changing the market with innovative products and new ways of interacting with their customers. Mergers and acquisitions have also had an impact on the competitive environment in some markets, though there was a significant reduction in these changes during the reporting year, meaning that any changes initiated could be completed.</p>

The systematic implementation of the groupwide ARAG Smart Insurer program allowed ARAG to drive forward digitalization in all areas of the program (Smart Services, Smart Culture, and Smart Data) in the reporting year. ARAG has continued to demonstrate its digital capabilities, particularly since the outbreak of the pandemic in March 2020. For example, ARAG quickly implemented additional digital service offerings for customers, underscoring its full ability to deliver thanks to its high level of digital expertise.

Further information on the Smart Insurer Program can be found on page 93 onward in this report.

201-1	Direct economic value generated and distributed
	<i>See ARAG Holding SE 2020 annual report (consolidated financial statements).</i>
	Corporate and leadership culture Ethical governance and compliance
103-1/2/3	Management approach
	<p>Corporate culture encourages top performance</p> <p>ARAG operates in fiercely competitive markets, and it is now almost impossible to optimize costs any further without accepting a loss of quality when fulfilling the value proposition. This is not an acceptable option for ARAG. Instead, it relies on a robust corporate and management culture that provides orientation across the organization and thus ensures everyone is pulling in the same direction. This 'ARAG spirit' has become an important competitive factor, as it has a positive impact on employees' motivation and performance. In the reporting year, this was particularly evident in the high level of flexibility and commitment demonstrated by the entire workforce during the pandemic. Despite the exceptional circumstances, the teams worked hard to manage the significantly higher demand for customer support, especially in the areas of labor and contract law.</p> <p>This corporate culture is reflected in the ARAG Essentials and the associated ARAG Leadership Standards, which since 2006 have together provided a clear action and leadership framework for the entire Group.</p> <p><i>The ARAG Essentials were completely revised and updated in 2020 (see 'Values, principles, standards, and norms of behavior', GRI 102-16).</i></p> <p>Regular employee involvement</p> <p>ARAG attaches great importance to getting employees on board when making any changes to the corporate culture. In summer 2019, the Company carried out a groupwide employee survey on smart culture, the workplace environment, and leadership behavior. The insights gained in the process were translated into further measures during the reporting year. A key milestone in this regard was the introduction and implementation of the new corporate principles.</p>

The Company also carried out a detailed survey to gauge the mood among the workforce regarding working from home, and to ask for the employees' opinion on extending opportunities to work from home.

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 significantly influences 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 ensure on an ongoing basis 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.

Compliance risk analysis

ARAG produces a compliance plan with appropriate measures that is based on an annual compliance risk analysis. During 2020, the COVID-19 pandemic and the resulting challenges were the dominant issues for the compliance function too. In response to the rapid and massive increase in teleworking, ARAG developed a new policy to ensure legally compliant remote working.

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. Complaints can be directed to an anonymous whistleblowing hotline. Employees also have the option of submitting complaints to the German Federal Financial Supervisory Authority (BaFin) and to the ombudsman.

419-1

Non-compliance with laws and regulations

No penalties or fines for non-compliance were imposed on ARAG SE in Germany in 2020.

Fair competition and avoidance of conflicts of interest	
103-1/2/3	<p>Management approach</p> <p>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. 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 and, in doing so, underlines its commitment to fair competition.</p> <p>Guidelines to avoid conflicts of interest</p> <p>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 these. 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 and 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.</p> <p>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.</p> <p>German Insurance Association's code of conduct</p> <p>In 2013, all German insurance companies owned by ARAG signed up to the code of conduct of the German Insurance Association (GDV), which explicitly sets out how to deal with conflicts of interest. ARAG has, to date, had its internal rules and measures reviewed by an auditor every two years in order to ensure that they match the provisions of the code of conduct. All findings of these audits are published and freely accessible on the GDV's website. No audit conducted to date has identified any deviations from the code of conduct on the part of ARAG companies. The Management Board of ARAG SE decided in 2019 to suspend the follow-up audit for 2020.</p>

Focal points in 2020

In 2020, ARAG focused on the challenges posed by the COVID-19 pandemic, by the Brexit process, and by the judgement of the European Court of Justice (ECJ) declaring the European Commission's decision regarding the EU-U.S. Privacy Shield invalid. *Further information can be found in the chapter 'Cyber risks and data protection' on page 87 onward in this report.*

205-1	Examination of risks arising from conflicts of interest
	ARAG continuously and systematically analyzes the potential for conflicts of interest at all of its locations. 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.
205-2	Training on how to avoid conflicts of interest and bribery
	<p>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.</p> <p>In 2019, a training campaign was carried out at employee level in Germany that also covers the topic of compliance and is now being rolled out internationally. The Group's international offices are further encouraged to conduct additional country-specific training courses. In locations such as the United Kingdom and Belgium, training on how to avoid conflicts of interest forms a mandatory part of the onboarding of new recruits.</p>
205-3	Incidents of conflicts of interest
	No incidents of conflicts of interest that had detrimental consequences were recorded in 2020.

Cyber risks and data protection	
103-1/2/3	<p>Management approach</p> <p>As a result of increasing digitalization, ARAG is focusing more and more on data protection and 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.</p> <p>Comprehensive data protection management</p> <p>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 led by the data protection officer. In the ‘three lines of defense’ model, the Company’s Chief Information Security Officer (second line of defense) 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 locations also help to identify shortcomings in the security architecture so that appropriate measures for improvement can be initiated.</p> <p>Compliance with German and international data protection regulations</p> <p>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. Most of the minor nonconformities were remedied in 2019. Any points still outstanding in 2020 were reviewed by the departments and, where considered applicable, addressed through appropriate measures.</p> <p>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. This code of conduct was established in conjunction with the German data protection authorities, and the measures that it stipulates go beyond the minimum required by law.</p>

Implementation of new regulations

In 2020, ARAG worked intensively on the implementation of the German Insurance Supervisory Requirements for IT (VAIT), which came into force with circular 10/2018 (VA) as amended on March 20, 2019. The Company focused specifically on the requirements in the areas of risk management and authorization management. Using a SQL database and the Microsoft tools Power BI and Power Automate, ARAG developed two apps that provide an overall view of the current state of the ARAG SE Group for each topic, both in Germany and internationally.

In 2020, there were two important high court rulings on data protection. Following a ruling by the German Federal Court of Justice that the setting of cookies on websites is only permissible with the active consent of the website user, ARAG introduced a consent management tool on its websites. Furthermore, ARAG immediately began to implement stricter criteria for data transfers to the USA and other non-EU countries as a result of the Schrems II ruling by the European Court of Justice.

ARAG is continually adapting its business practices at its EU and non-EU locations to meet all applicable regulations governing data protection. For example, the California Consumer Privacy Act (CCPA), the most comprehensive data protection regulation in the US, came into force on January 1, 2020. The purpose of the new Act is to give consumers more control over their personal data. ARAG USA actively worked to make sure it complied with all CCPA requirements in time. ARAG also has a comprehensive system in place for managing data protection in the UK, and had this recertified to ISO 27001 in 2020.

Employee training on cyber risks and data protection

To continuously increase the level of data protection, it is essential to educate employees and raise awareness of its importance. The Chief Information Security Officer fulfills this responsibility by providing training sessions and individual advice. 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. The challenge for the future will be to raise awareness among the departments and their employees so that the criteria for data protection breaches are more firmly anchored within the organization. These criteria stipulate that any loss of confidentiality, integrity, or availability constitutes a breach.

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 existing risks and attack scenarios, and shown how these attacks can be identified and fended off. Awareness of IT security is also raised through information on the intranet, an advent calendar campaign, and an annual Security Day with a presentation by an external security specialist.

Expansion of IT security infrastructure

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 from 2021 will be using additional tools from the Microsoft portfolio, such as Windows Defender ATP and Sentinel. Other standard safeguards include regular updates to the operating systems and related software and databases. Business-critical processes are also reviewed and revised on an annual basis 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.

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 data protection officer or the responsible data protection supervisory body directly is also an option. Under the statutory requirements, ARAG must notify the relevant data protection supervisory body of any reportable breach within 72 hours of it coming to light and, where applicable, also notify the people who have been affected. As the principle of transparency is very important to ARAG, the Company generally also informs the people affected by the data breach even where it is not required by law to do so.

418-1

Complaints concerning breaches of customer privacy and losses of customer data

Seventeen complaints by third parties regarding data protection were registered in 2020 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. Following complaints by third parties, the data protection supervisory authorities carried out two investigations in 2020, one by the regional commissioner for data protection and information security in North Rhine-Westphalia (LfDI NRW) and one by the Bavarian state office for data protection supervision (BayLDA). No further action has been taken by the authorities so far as a result of these investigations. There was also one reportable data breach in 2020, of which the relevant supervisory authorities (BayLDA and LfDI NRW) were informed.

Products, sales, and customer relationships

Customer focus and innovative products **Changing demographics, social structures, and lifestyles**

103-1/2/3

Management approach

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, or when a claim is being made. 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. The development and optimization of insurance solutions at ARAG incorporate, among other things, insights from sales, from the claims and legal service, and from customer service. In addition, ARAG draws on findings from market research and customer surveys to keep abreast of current trends and needs in its market. This ensures that feedback from customers and sales partners is systematically incorporated into the product development process.

ARAG designs its products to be modular and flexible so that they can meet the needs of individual customers. Over 90 percent of products are offered in the three variants 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 2020

ARAG again added new innovative solutions to its portfolio. The ReiseProtect product, for example, can be purchased as short-term cover for the duration of a single trip or as an all-inclusive package for a whole year. ReiseProtect combines health insurance abroad for up to 60 days per trip with legal cover abroad, including a 24/7 legal advice service. If the customer has to rebook or cancel a trip, or if a fellow traveler drops out and the booking has to be changed, ARAG will bear the costs. The legal cover can help with issues with the tour operator, the airline, or the hotel, or in the event of a road traffic accident. Also included is an initial telephone consultation for legal questions at home and abroad. All this ensures that customers are well prepared once travel is possible again after the pandemic.

Another example comes from Interlloyd. In 2020, it developed its new Infinitus home contents insurance, which can be tailored to individual protection requirements. The different risks in urban and rural areas as well as the customers' age and personal and professional circumstances (e.g. if they only stay overnight at the property while working during the week) are taken into account when determining the premium. The product also addresses new challenges with regard to the smart home and sustainability. For example, burglary through the manipulation of smart home security components (hacker attack) is insured up to €10,000. Furthermore, in the event of a claim, Interlloyd will cover any additional costs for upgrading household appliances to more energy-efficient models, and will cover additional costs of up to €1,000 for commissioning sustainable companies in the event of an insured loss. Thanks to a best-performance and continued-cover guarantee, customers enjoy the best insurance cover in Germany without any disadvantages compared to their previous cover.

ARAG is also developing new offerings for its customers at its international locations. In the Netherlands, for example, ARAG launched a new platform for entrepreneurs that provides a compact summary of all important legal information. The platform was particularly popular with companies that were suddenly confronted with a multitude of legal uncertainties due to the COVID-19 pandemic. In Spain, ARAG launched a new product for property owners that provides protection in the event of illegal occupation. The Company also launched a combined home contents and legal insurance product.

Performance measurement and awards

Putting the customer first means offering them the products they actually need. ARAG maintains a high level of quality by obtaining certifications and by surveying its customers and sales partners. It also monitors the success of its product innovations using sales revenue and profitability metrics.

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 2020, ARAG was named the most innovative brand in the industry for the fifth year in succession at the Plus X Award. The latest success in this prestigious brand award underlines the Company's strength in innovation and shows that it is working on the right topics with a view to the future. ARAG's web@ktiv legal cover for private individuals and the self-employed was named the 2020 best product of the year at the Plus X Award. Further selected awards won in 2020 are listed below:

Germany:

- The Komfort version of ARAG's legal insurance for families and individuals achieved a rating of 'very good' from Handelsblatt
- WirtschaftsWoche rated ARAG Aktiv Komfort legal insurance as 'very good'
- In a comparison of 21 legal insurance providers, Bild named ARAG Germany's best for customer service
- Die Welt awarded ARAG 'gold' as the top travel insurance provider, based on an analysis by ServiceValue, and crowned ARAG its customer service champion

Customer focus during the pandemic

The global COVID-19 pandemic had a huge impact on the personal and professional lives of many of our customers. ARAG is always there for its customers to offer its expertise, and never more so than in these difficult times. Non-customers also benefited from additional offerings, both in Germany and internationally (*page 30*). At the beginning of the COVID-19 crisis, for example, ARAG held 'call-in days' offering free and straightforward support to anyone seeking advice. Customers and non-customers alike were able to use the attorney online chat service to ask questions relating to COVID-19, seek legal help if their employment had been terminated, or ask the chatbot questions. ARAG was thus a lifeline for all those who urgently needed legal advice in difficult times.

Use of digital tools

The COVID-19 pandemic has further underlined the importance of digital offerings and solutions. 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 2020. 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. Since 2020, ARAG has also sent Flixchecks by email.

ARAG also employs digital tools to enhance the customer experience in face-to-face meetings. The sales partners that 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. During the COVID-19 crisis, ARAG introduced video-based consultations, which were available to book through the websites of the exclusive sales partners.

FS7	Monetary value of products and services designed to deliver a specific social benefit
	<p>Sales revenue in the sports insurance business (Germany only) amounted to around €3,325 thousand in 2020. This includes the legal insurance, indemnity-liability-accident, and motor vehicle divisions.</p>
Digital transformation	
103-1/2/3	Management approach
	<p>Digitalization is a key topic for ARAG that permeates all aspects of business activity and therefore plays an important role in the Company's development. Many of the changes associated with the digital transformation have long been an integral part of ARAG's business in Germany and abroad. ARAG was therefore well prepared for the pandemic-related challenges in 2020 and was able to provide its customers with its usual quality of service without interruption. This has strengthened ARAG's resolve to follow the path it has chosen, and it will continue to proactively address the opportunities and risks of digitalization as the Company moves into the future.</p>
	<p>Smart Insurer Program</p> <p>ARAG's Smart Insurer Program provides the central digitalization agenda for key development priorities, targets, and responsibilities. The primary aim is to further enhance the customer experience through the use of digital technologies, particularly by streamlining application and checking processes wherever possible, and by increasing transparency. The focus is thus not on the technology itself but always on the customers and their needs. The Group has decentralized these tasks and made a conscious choice to give the management teams individual responsibility for implementation and a great deal of flexibility. The same applies to the international branches and companies. Progress is measured by specific indicators tailored to the particular challenges and objectives (such as customer satisfaction).</p>
	<p>Digital products and processes</p> <p>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 new customer portals 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 nearly one in three new applications, i.e. no manual processing is required. The figure for online sales is as high as 95 percent. ARAG endeavors to achieve this degree of automation in other sales channels too.</p>

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 14 percent in 2020 alone.

Digital solutions also facilitate internal and external collaboration. In 2020, ARAG launched a new communications platform for ARAG Sales Partners in Germany. The intuitive platform features an attractive look and gives ARAG Sales Partners easy access to all required information from their end devices. This ensures that they 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 the USA, for example, it introduced an attorney chatbot able to respond to standard inquiries from attorneys around the clock, thus freeing up ARAG's customer advisors for more complex tasks. In Spain, Italy and Norway, automated solutions are also increasingly being used to handle routine tasks.

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 offerings is growing. Demand is particularly strong for products that offer protection against losses incurred in the digital world. 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 variants introduced in 2019 have proven very popular with customers, with the Premium variant accounting for more than half of policy sales. Customers particularly like the modular elements that provide protection against cyber risks.

Use of smart data and data analytics

The success of the digital transformation at ARAG hinges on understanding digitalization as 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 thus investing in the expansion of its data analytics capacity in order to position the Company as a pioneer in the field of smart data and continuously improve data-driven decision-making for the customers' benefit.

Transparent products and services

103-1/2/3

Management approach

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 Leadership Standards, 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 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 all laws and regulations in Germany and abroad, and stringent approval processes in product development.

Continuous improvement of comprehensibility

Making information about products and services understandable is one of the main challenges faced by the insurance industry with regard to transparency. ARAG aims to ensure that all product information and contractual conditions are as easy for people to understand as possible, for instance through the use of illustrative examples to explain unavoidable legal jargon. 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). In the year under review, for example, ARAG completely revised its contract terms in the Netherlands, with a particular focus on using language that is easy to understand.

417-1

Requirements for product and service information and labeling

ARAG considers it a given that its products and services comply with all applicable national and international legislation and regulations and that product marketing meets the highest ethical standards. 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

Investments with a specific environmental or social impact

Development of expertise in sustainability risks and opportunities

103-1/2/3

Management approach

ARAG aims to live up to its reputation as a responsible company in its asset management activities, too, and therefore factors environmental, social, and 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.

Standardized approach to ESG criteria

ARAG's policy on using sustainability criteria in investment is designed to ensure a standardized approach to ESG criteria. The policy introduces a negative screening filter that rejects investments based on certain standards and values, and specifies sustainability as an assessment criterion in the selection of external investment managers. Group Asset Management is responsible for implementing these requirements.

Aims and developments

ARAG SE aims to ensure that at least 97 percent of direct investments meet the ARAG minimum standards. Measured in terms of market value, direct investments make up around 38 percent of the Company's holdings. There is currently no target for indirect investments.

Refining the approach to sustainable investment

In line with the aim of continuously refining their approach to sustainable investment, the Management Boards of the ARAG subsidiaries reviewed the current investment policies. No need for change was identified. Nevertheless, ARAG initiated a selection process in 2020 for a new provider of sustainability data. The new provider will be used to expand the available data, allowing ARAG to gradually add new components to its sustainability approach. Furthermore, initial discussions took place on expanding the investment universe to include green bonds, with the aim of using investments to make a positive impact on the environment.

Development of sustainability expertise

ARAG is building up its expertise in the area of sustainable finance through targeted employee training.

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 dialog with investees on ESG-related topics. There are currently no plans to change this.
FS11	Environmental or social screening
	<p>The rejection criteria are applied directly to investments under management by ARAG. ARAG SE systematically takes account of ESG factors in around 56 percent of its investments at present.</p> <p>Equity investments and affiliated companies account for the bulk of ARAG SE's investments. The proportion of fungible investments (direct investments and institutional funds) in which ESG factors are systematically taken into account is around 90 percent.</p>
	<p>Management of sustainability risks</p> <p>Consideration of sustainability risks in the insurance business</p>
103-1/2/3	Management approach
	<p>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, assessed, 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).</p> <p>Current risk assessment</p> <p>The sustainability risk was first documented as part of the ORSA process and analyzed for the Company in 2020. In ARAG's assessment, sustainability risk exists but is not a threat. Reputational risk is currently the most important aspect in this regard, because the way in which sustainability is implemented at ARAG influences how customers and other stakeholder groups view the Company, among other things. 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 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, they have not led to any additional, significant changes in business activity, income, or expenditure. The ongoing development will be analyzed.</p>

Underwriting policy and setting of insurance rates

ARAG takes sustainability risks into account across many areas in its underwriting policy and when setting insurance rates. 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 acceptance guidelines at product level. One example is diseases such as allergies or asthma, where shifting environmental influences brought on by climate change may cause incidence rates to increase. ARAG Krankenversicherungs-AG takes the greater frequency of such illnesses into account in its acceptance policy and when setting insurance rates.

Challenges when considering sustainability risks

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 still in the development phase, there is significant uncertainty among insurance companies when it comes to planning their implementation. At the moment, it is also difficult to gauge the extent of sustainability-related opportunities on the product side.

201-2

Financial implications and other risks and opportunities due to climate change

Sustainability, and by extension climate change, is a key concern for the whole ARAG Group. As part of the ORSA process, the Group 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. 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. As a multidimensional phenomenon, climate change can influence the underwriting risk by causing greater property damage or higher medical costs, while changes in law can affect the value of assets. This is reflected in the market risk. 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.

Employee concerns

Internal communications/communication between Management Board and employees	
103-1/2/3	<p>Management approach</p> <p>Internal communications are an important pillar of the corporate culture and vital to the efficiency of ARAG's work. They are also essential 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.</p> <p>Strong communications build trust and boost satisfaction</p> <p>Internal communications, like all communications and brand management, are the responsibility of ARAG Holding. At the operational level, they 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 provide information on all manner of operational changes. They are used in combination with direct employee communications. ARAG also enables the sharing of information between employees, for example through decentralized editorial processes on the Group intranet. Due to the high degree with which the workforce identifies 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. ARAG's US office, for example, was named a 2020 Top Workplace. In Belgium, ARAG initiated the process of certification by Happiness@Work, which will be carried out in 2021.</p> <p>Increased use of digital communication formats</p> <p>In 2020, comprehensive internal communications covered the change in leadership at the top of ARAG SE. Only digital communication formats were used due to the COVID-19 pandemic. Live calls for all national and international units proved to be a flexible and fast communication format that enabled the Management Board to directly respond to employees' questions. These formats will continue to be used and expanded in 2021, primarily to provide digital roadshows for all international units.</p>

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. The existing resources are currently unable to cope with this development.

402-1

Minimum notice periods regarding operational changes

All regulatory requirements regarding notification deadlines were met in 2020. Due to ARAG's decentralized corporate structure, these may vary from country to country.

Occupational health and safety

103-1/2/3

Management approach

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 implements workplace safety standards that go beyond the statutory requirements. This approach helps to reduce absences and the risk of stress having a negative 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. The day-to-day implementation is handled by the Health and Safety and Fire Safety Department together with local health and safety and fire safety officers and the Personnel Development Department.

Comprehensive safety organization with employee involvement

ARAG implements safety measures and maintains safety-related equipment at a level that goes above and beyond the legal standards. This applies, for example, to the number of safety officers, first aiders, and fire officers. ARAG also carries out annual evacuation drills and has an experienced safety and crisis team that is well prepared to deal with emergency situations. This proved particularly useful during the pandemic.

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). Due to the pandemic, ARAG's health & safety committee met virtually in 2020.

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, and employees with special safety responsibilities receive training at least every two years. In 2020, the initial safety training for new employees was removed from the all-day induction events and now takes place in separate events to ensure that the topic of safety can be explored in greater detail. Due to the COVID-19 pandemic, the focus in 2020 was on hygiene protocols, measures and code of conduct in the workplace, and ergonomics and insurance cover when working from home.

Corporate health management – ARAGcare

ARAGcare is a corporate health management program designed to make employees more health-conscious. In addition to regular checkups and campaigns focused on preventing staff getting ill in the first place, employees also have access to a company physician, who offers consultations, eye examinations, free flu vaccinations, and medical advice for travel. Due to the pandemic, consultations with the company physician were held virtually. All services can be booked via a digital platform. 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, if required.

Primary responsibility for ARAGcare rests with the Personnel Development Department within Group Human Resources. 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. Since 2019, this service has also been 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 sites 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. However, ergonomic adjustments to workstations can 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. With ever greater flexibility regarding the location of work, this increasingly applies to remote working as well.

Pandemic-related measures in 2020

In the year under review, the COVID-19 pandemic 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 by the federal government. Employees were informed of all measures as soon as possible via the intranet. Strict hygiene protocols were put in place for workplaces, and ARAG also recommended working from home, which led to a range of further measures.

The provision of additional end devices, monitors, office chairs, headsets, and webcams, for example, helped employees to work from home. Office hours were extended to allow for greater flexibility when planning work at home. To maintain social contact, ARAG set up digital events, such as virtual coffee breaks and after-work get-togethers, where employees could meet and chat, and organized workshops on digital collaboration. From April to June, ARAG offered all parents free virtual childcare through a partner organization. In Austria and Germany, ARAG employees could also call on external mental health support.

With many sports facilities such as gyms temporarily closed, ARAG provided employees with opportunities to engage in physical activity while working from home. The Company offered regular online exercise classes led by professionals to motivate employees to keep fit.

ARAG conducted a survey to ascertain employee satisfaction with working from home and preferences for future forms of work, including working from home and sharing desks in the workplace.

Complaints

ARAG employees who wish to make a complaint regarding occupational health and safety can contact the employees of the Health and Safety Department or the employees of the Personnel Development Department directly. Feedback can also be given via the intranet, a central email address, and feedback questionnaires that are made available online after evacuation drills. 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.

403-9/10 Work-related injuries and ill health

	Men	Women	Total
Total contracted hours	3,283,386	4,036,812	7,320,198
Total no. of hours absent	103,752	190,373	294,125
Absentee rate	3.2 %	4.7 %	4.0 %

In 2020, no work-related injuries or fatalities were recorded in Germany or at any of the international offices. 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. This data is based on the ARAG headquarters in Germany and local offices/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, the Republic of Ireland, Slovenia, Spain, Sweden, the UK, and the US.

Training and education

103-1/2/3

Management approach

ARAG aims to become one of the best insurance providers in the market. To achieve this the Company needs skilled, enthusiastic, and committed employees. 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 ensures the long-term employability of its workforce, keeps their knowledge up to date, and boosts their motivation. It also improves the Company's ability to retain high-potential employees. Against the backdrop of demographic change within the Company, this is particularly important to maintaining its market position as an innovative, quality insurer.

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 subsidizing courses and granting time off work for training. Strategic management of CPD falls within the remit of the Senior Vice President Human Resources, the Head of Personnel Development, and the Personnel Development Department. Operational implementation is also the responsibility of the latter two 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 helps to ensure that the regulatory requirements are complied with at all times. In the Netherlands, ARAG introduced a new online course on Solvency II in 2020, which was mandatory for all employees. In Greece, ARAG focused on internal courses on the EU's General Data Protection Regulation (GDPR) and the requirements of the IDD.

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 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. Feedback questionnaires and annual staff appraisal interviews are used to gauge satisfaction with the training measures. 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 for the further development of its offering. In 2020, the Personnel Development Department launched a new learning platform called ARAG Learn2Develop. This allows digital offerings from external partners to be incorporated alongside the existing training and professional development programs. A simple and clear structure and intelligent search functions ensure that the platform is very user-friendly. 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 dialog and boosts the motivation to learn.

Further development of digital skills

Increasing digitalization makes it all the more important that all employees develop digital skills that are appropriate to their function, and that they are open to digital methods and processes. As part of the ARAG Smart Insurer Program, the Personnel Development Department is therefore implementing new 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 design thinking, visualization, agile project management, scrum, and Office 365 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 digital readiness workshops in 2020.

Talent management with ARAG myCareer

In addition to the needs-based training programs, the inhouse talent management program ARAG myCareer also helps to retain suitably qualified employees. The program offers a set of modern tools to support recruitment and professional development. Managers have the opportunity to register candidates for training in specialist and management functions, and all registered candidates are given individual introductory interviews to prepare them for the selection process. ARAG also supports specialists and man-

agers by giving them the chance to complete a part-time degree course or an MBA. ARAG myCareer helps employees to plan their individual development and careers, and at the same time ensures that both specialist and interdisciplinary expertise is retained in the Company.

404-2	Programs for upgrading employee skills and transition assistance programs
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Wide range of training programs

ARAG operates a web-based skills and qualifications platform known as ARAG Learn2Develop that enables all employees in Germany to extend their knowledge and capabilities. The platform offers a wide range of training 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 courses are run by around 30 in-house trainers in addition to various external providers.

When selecting and designing 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 creativity and design thinking, agile project management, and 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. An insurance simulation was added to the program in 2020.

In total, 1,257 CPD measures were taken by 4,699 participants across the Company in Germany in 2020 (excluding e-learning courses on data protection and occupational health and safety). A further 746 employees used the Masterplan video platform.

Focus on remote working

With many employees suddenly working from home due to the COVID-19 pandemic, ARAG added a crash course on remote working to its training portfolio. Across eight seminars with a total of 115 participants, gaps in technical knowledge were closed and the foundations laid for productive virtual collaboration.

Vocational training

Apprenticeships at ARAG take the form of vocational qualifications in insurance and finance that meet the needs of the Company. As well as maintaining a sufficient supply of skilled new recruits, they ensure a good demographic mix across the Group. In 2020, a total of 71 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. In the USA, for example, ARAG focused its training in 2020 on emotional intelligence and how to handle difficult conversations. In Italy, the Company launched a new e-learning platform and raised awareness of cyber risks among its employees who were working from home. In Greece, training was provided on regulatory developments and on the Smart Insurer Program.

404-3	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 HR shows that 93.5 percent of interviews were carried out in 2020.
	Diversity, equal opportunity, and protection from discrimination
103-1/2/3	Management approach
	<p>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 all countries and cultures are an important success factor for an international insurer.</p> <p>ARAG takes a family-friendly and inclusive approach, which is welcomed by both customers and employees. This improves its appeal as an employer, creates opportunities for cooperation, and makes a wide range of customer groups more accessible to the Company. It also avoids any reputational risk that may arise from infringements of the German General Equal Treatment Act (AGG), for example.</p> <p>Underlying structures favor diversity</p> <p>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, 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. In Germany, a total of nine management positions were occupied by part-time employees in 2020. The</p>

provision of additional hardware and office equipment across all sites in 2020 also made it even easier for staff to work remotely. 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 either of these two 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.

Higher proportion of women at management level

The percentage of women at the top two management levels has continuously increased in recent years. At the end of 2020, the proportion of women at the top level (F1) was 30 percent, significantly above the target of 20 percent, while at the second level (F2) the signs are good that the target of 36 percent will be reached, perhaps even exceeded, by mid-2021. But a gender balance has not yet been achieved. For this reason, ARAG is supporting the positive trend by giving employees greater flexibility in when and where they work, and by improving its childcare offerings. Raising acceptance at management level for work concepts that add value for employees but are more complicated and time-consuming to administer remains a key challenge, however. Such concepts include allowing managers to work part time.

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 considers the expression of individual personalities and views as a source of added value. In Spain, ARAG is continuing its 'Plan de Igualdad de Oportunidades', an equal opportunities plan that was launched in collaboration with the Works Council in 2009. In the USA, ARAG uses positive discrimination to promote equal opportunities and diversity within the Company. The ARAG Diversity Committee was also set up in 2020.

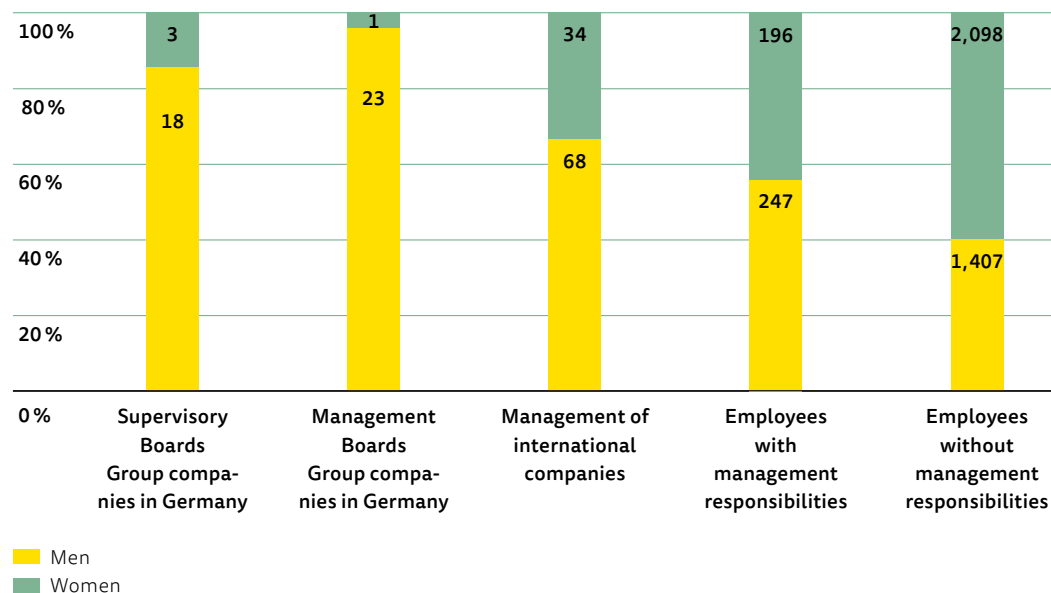
Further information can be found on page 38 onward in this report.

Progress review

ARAG regularly reviews the effectiveness of the measures that are taken. The Company also compiles annual statistics to determine whether women and men have equal opportunities. An evaluation of the CPD measures forms part of this. They are analyzed for socio-demographic data, including age, gender, years of service, and hierarchy level.

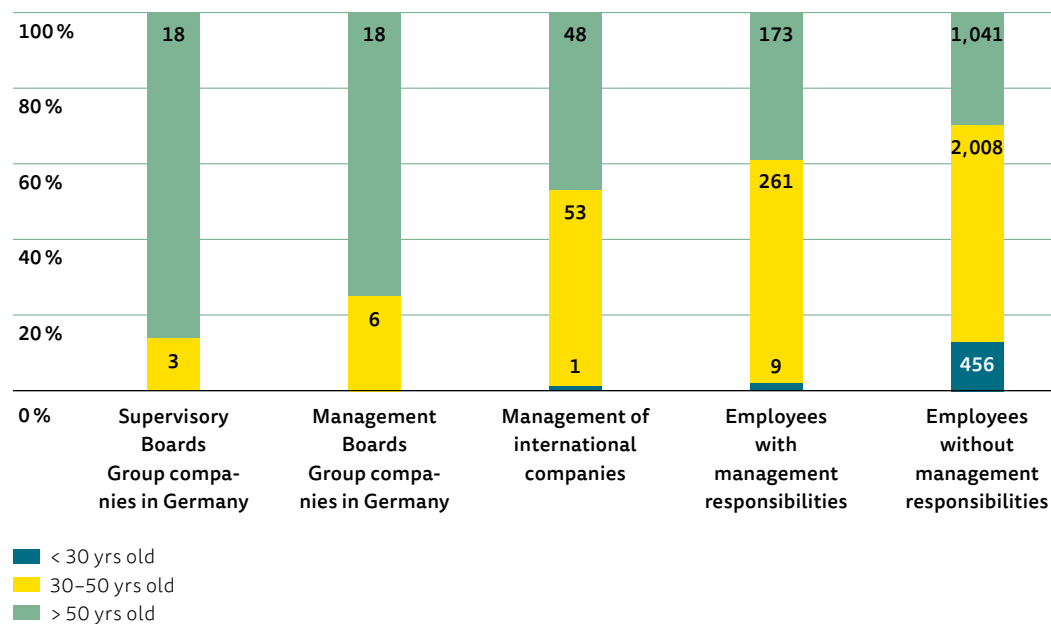
Governance bodies and workforce in 2020, broken down by gender

(% and absolute numbers)



Governance bodies and workforce in 2020, broken down by age

(% and absolute numbers)



The data is based on all Group companies in Germany (excluding Justix GmbH) as well as on the branches/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, the Republic of Ireland, Slovenia, Spain, Sweden, the UK, and the US.

406-1	Incidents of discrimination and corrective actions taken
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There were no incidents of discrimination at ARAG in 2020.

Corporate responsibility and protection of human rights

Social value generated

103-1/2/3	Management approach
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A leading employer at the Company locations

In Düsseldorf, where it has its headquarters, the ARAG Group is a leading employer with around 1,400 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. This is underlined by the low staff turnover and long average length of service.

Developing local staff and managers

ARAG has successfully positioned itself as an attractive family enterprise in the financial sector thanks to its active HR management and a concerted effort to strengthen the brand. Developing local staff and managers is an approach that ARAG has been pursuing for several decades as part of its HR strategy. This also applies to the highest management level. ARAG also strives to reflect the diversity of wider society across all of its locations. It is the only way for ARAG to ensure that customers receive the best possible 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 from page 110 onward.

202-2	Senior management hired from the local community
	<p>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.</p>
203-2	Economic implications or effects
	<p>The economic importance of ARAG in and around the city of Düsseldorf, where it is headquartered, was last examined in a 2011 report into the importance of the insurance industry in North Rhine-Westphalia. The study showed that ARAG's business activities create numerous jobs in the supply chain and in sales. The above-average income of ARAG employees also boosts the local economy. In total, around €180 million flows back into North-Rhine Westphalia every year. More recent studies are not currently available, but it can be assumed that ARAG's economic contribution in 2020 increased given the growth in business and salaries in recent years. Further research into ARAG's contribution is planned for 2021.</p> <p>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.</p>
	Taxes
103-1/2/3	Management approach
	<p>The trust placed in ARAG by policyholders is based on the expectation that ARAG will conduct itself in accordance with the contract and the law. ARAG meets the expectations of its customers and other stakeholders by fulfilling its social obligations. With regard to taxes, the primary goal of the Management Board is to meet its obligation to submit a complete and accurate tax return by the relevant deadline. It aims to achieve this goal through organizational measures, such as a tax compliance system that complements ARAG's existing compliance culture and organizational structure. ARAG's tax compliance system is defined as an internal control system. It structures tax procedures and processes, and identifies tax risks which are documented and assessed. The responsibility for this falls to the Tax Department, the Legal Department, and the Management Board.</p>

In the reporting year, the tax compliance system was aligned with new legal requirements. In particular, ARAG implemented the new mandatory disclosure requirement for cross-border tax arrangements (DAC 6) through appropriate, forward-looking processes. One of the Tax Department's ongoing tasks is to raise awareness of tax matters among the workforce. It regularly provides information on current developments in tax law, for example in meetings, as part of expert presentations, and in newsletters. Furthermore, all employees are made aware of the importance of tax compliance, and information that is particularly relevant to this topic is regularly published on the intranet.

207-1	Approach to tax
	<p>As a family enterprise, ARAG understands that sustainable development with economic, environmental, and social stability can only be guaranteed on the basis of the rule of law. ARAG promotes this mainly through its insurance products, but the Company also embraces the rule of law when it comes to tax matters. ARAG is committed to the proper fulfillment of its tax obligations and avoids aggressive tax arrangements. This strategy is documented in ARAG's internal guidelines and updated on a regular basis. The tax strategy is reviewed and approved by ARAG's Management Board.</p> <p>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 non-German Group entities are supported by tax consultancy firms in the respective countries to ensure compliance with applicable tax regulations at all ARAG locations.</p>
207-2	Tax governance, control, and risk management
	<p>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.</p> <p>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.</p> <p>The tax information in the annual financial statements is validated by auditors every year.</p>

207-3	Stakeholder engagement and management of concerns related to tax <p>It is ARAG's stated aim to fulfill its tax obligations and to disclose all facts that are relevant for taxation purposes. Accordingly, ARAG communicates openly with the tax authorities. Internal stakeholders are involved in decision-making processes through the European Works Council's co-determination body. 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 dialog on cross-border issues.</p>
207-4	Country-by-country reporting <p>ARAG makes the country-by-country reporting available to the Federal Central Tax Office by the date, and to the extent, required. This information is not published as it is covered by tax secrecy.</p>
Social and political engagement	
103-1/2/3	Management approach <p>Engaging in corporate social responsibility</p> <p>ARAG attaches great importance to the interconnection between corporate and social responsibility. This is reflected in the corporate social responsibility taken on by the Group, especially where government agencies are unable 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. All activities aim to have a positive impact on quality of life and the economic climate in the local area. ARAG takes a long-term approach to the projects and believes in continuity in its funding and support programs that contribute both to ARAG's good reputation and the acceptance of its business model.</p> <p>Public policy</p> <p>In addition to its corporate citizenship, ARAG strives to strengthen democratic institutions and maintain an active dialog with authorities and policymakers, as developments in the political and regulatory context have a considerable influence on the Company's business activities. They have a direct effect on the Group's risk structure and capital resources, and also influence the way products are designed, marketed, and sold. ARAG is therefore in constant contact with public authorities and government. Political dialog is the responsibility of the CEO and the Chief Representative. The purpose of the dialog 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.</p>

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 structures, preventive measures, and intervention techniques. Teachers, parents, specialists in educational social work, and school pastors are trained as school mediators and go on to train school students as conflict controllers.

A total of 389 school mediators at 137 high schools and vocational colleges in different school districts across North Rhine-Westphalia have taken part in the eight training cycles completed so far. Due to the COVID-19 pandemic in 2020, ARAG formulated a digital training strategy for the eighth training cycle. This led to a total of 23 participants from nine high schools across North Rhine-Westphalia being trained as school mediators in 2020.

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 the development of media literacy and in the provision of information and education, as well as in the raising of awareness about the consequences of bullying.

The Group has therefore been focusing even more intensely 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 Enforcement of Rights on Social Networks Act (NetzDG). Since the publication of the proposed changes at the beginning of 2018, ARAG has repeatedly drawn the attention of expert audiences and policymakers to its alternative version and the associated improvements in favor of victim protection. Since 2019, the 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), specifically in the area of digital education. The joint initiative bildung.digital ('digital education') was launched with DKJS in November 2017. This program helps schools to develop digital education strategies and ensure that the strategies become firmly established as part of their activities. The reporting year

saw the start of the second project phase in the program via the portal 'bildung.digital – Netzwerk Ganztägig bilden'. Again, 40 selected schools from six federal states committed to using the cross-state networks in the program.
Further information can be found on page 26 of this report.

415-1	Political contributions
	The ARAG Group is as politically active as it can be and 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 €120 thousand in the reporting year. ARAG's international subsidiaries did not make any donations to political parties in 2020. In the US and Spain, such company contributions are prohibited.
	Protection of human rights in the supply chain Child, forced, and compulsory labor
103-1/2/3	Management approach
	As a provider of legal insurance, ARAG's business model is based on the principle of giving everyone access to the law, even those who cannot afford it. The protection of human rights is a cornerstone of this business model, but it can only work where the rule of law and its structures support this basic consensus. The bulk of the Company's purchasing activities relate to consultancy services and other highly specialized services. In these areas, ARAG is not exposed to any risk of contributing to human rights violations or to forced or child labor. The risk is also minimal in the purchasing of goods, as these are mainly obtained from local or regional suppliers. ARAG's purchasing policy also states that supplier offers must remain within the legally permissible limits, especially with regard to statutory minimum requirements relating to occupational health and safety and minimum wages, for example.
408-1	Operations and suppliers at significant risk for incidents of child labor
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor
	As an insurance company with operations in Europe, North America, and Australia, ARAG can rule out a significant risk of incidents of child, forced, or compulsory labor. It does not maintain any sites where child labor would be possible. The Company's work requires highly qualified and specialized staff.

414-1	New suppliers that were screened using social criteria
	Not applicable
	Environmental matters affecting operations
	Climate-friendly operations
103-1/2/3	Management approach
	<p>In addition to factoring environmental criteria into its investments, ARAG aims to reduce energy consumption and associated greenhouse gas emissions in its own operations as far as possible. The Company is thus helping to combat climate change while ensuring operational continuity management is in place, as a consistent energy supply plays a crucial role in maintaining a pleasant office climate in buildings and in guaranteeing availability of the IT infrastructure and IT systems.</p>
	Responsibility and involvement of employees
	<p>As an internal service provider, Facility Management controls the energy consumption and 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 and managers is required to deliver a strong performance in terms of energy and emissions. The Company therefore hosts regular training events 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. Operating instructions and usage guidelines are provided to the workforce to inform them about more energy-efficient ways of using such systems and technologies.</p>
	Ongoing optimization measures in Germany and abroad
	<p>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 to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Saving Regulation (EnEV). The findings show that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings. ARAG endeavors to improve these figures continuously and conducts ongoing optimization measures to this effect. Energy consumption in 2020 cannot be compared directly with the previous year's figures as the pandemic led to changes in the utilization and occupancy rates of office workplaces. In total, consumption in Germany fell by around 288 MWh (2.2 percent), while ARAG also consumed significantly less energy at its international locations than in previous years due to the exceptional circumstances.</p>

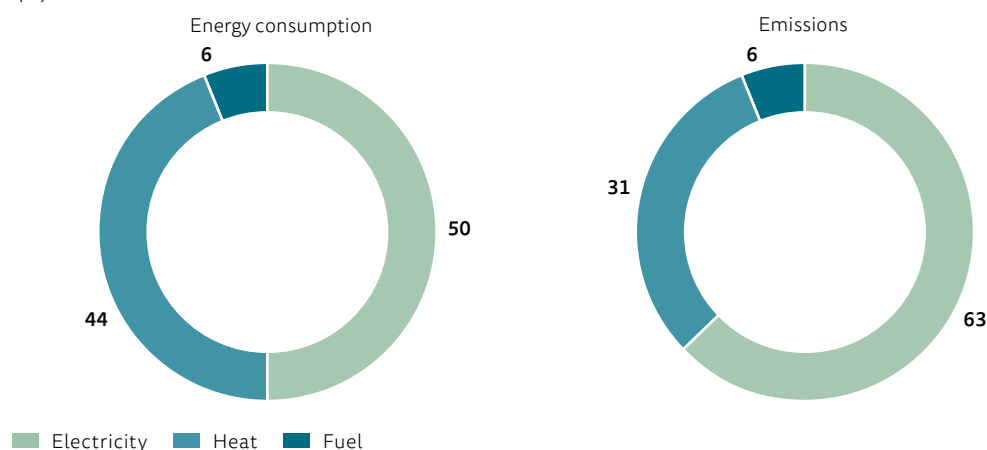
Energy consumption figures and associated costs are collected and analyzed for an accounting period of one month. The power monitoring system was completed and brought on line at the end of 2019. The first evaluation of the data was carried out in 2020, but no further potential for optimization has been identified yet on the basis of the evaluation.

ARAG's international companies also make ongoing efforts 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 also very limited scope for action because office premises are rented, which limits ARAG's influence on energy saving measures.

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

Energy consumption and emissions by source

(%)



Energy consumption and greenhouse gas emissions, Germany¹

	2020	2019	Change
Energy consumption (MWh)³	12,872	13,161	- 2 %
Electricity	6,391	6,860	- 7 %
Heating	6,460	6,256	3 %
Heating oil	-	-	-
Natural gas	2,926	2,694	9 %
District heating	3,534	3,562	- 1 %
Fuel	21	44	- 51 %
Diesel	15	41	- 64 %
Petroleum	7	2	168 %
Energy consumption (kWh per FTE)	6,981	7,451	- 6 %
Greenhouse gas emissions (t CO₂e)⁴	3,882	4,030	- 3.7 %
Scope 1	605	564	7 %
Non-vehicle fuel	600	552	9 %
Fuel	6	12	- 52 %
Scope 2	3,275	3,466	- 5 %
Electricity ⁵	2,492	2,675	- 7 %
District heating	785	791	- 1 %
Emissions (kg CO₂e per FTE)	2,105	2,281	- 8 %

Energy consumption and greenhouse gas emissions, global²

	2020	2019	Change
Energy consumption (MWh)³	19,432	21,167	- 8 %
Electricity	9,676	10,645	- 9 %
Heating⁶	8,474	8,275	2 %
Heating oil	196	196	0 %
Natural gas	4,484	4,227	6 %
District heating	3,793	3,852	- 2 %
Fuel	1,282	2,248	- 43 %
Diesel	802	1,637	- 51 %
Petroleum	480	611	- 21 %
Energy consumption (kWh per FTE)	5,070	5,688	- 11 %
Greenhouse gas emissions (t CO₂e)⁴	5,833	6,391	- 9 %
Scope 1	1,307	1,511	- 13 %
Non-vehicle fuel	971	919	6 %
Fuel	336	592	- 43 %
Scope 2	4,526	4,880	- 7 %
Electricity ⁵	3,684	4,025	- 8 %
District heating	842	855	- 2 %
Emissions (kg CO₂e per FTE)	1,522	1,717	- 11 %

¹ This data is based on the ARAG headquarters in Düsseldorf, the head office of ARAG Krankenversicherungs-AG in Munich, and the 100 or so local (sales) offices.

² This data is based on the ARAG headquarters in Düsseldorf, the local offices in other parts of Germany, and the branches and subsidiaries in Austria, Belgium, Greece, Italy, the Netherlands, Portugal, Slovenia, Spain, the UK, and the US.

³ Energy consumption was influenced by various parameters in 2020. The switch to working from home necessitated by the COVID-19 pandemic led to a reduction in energy consumption. At the same time, changes were made to rented spaces.

⁴ Calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol. Scope 1: GHG emissions from the operation of heating systems and

vehicles, for example. Scope 2: Greenhouse gas emissions from the production of electricity and district heating.

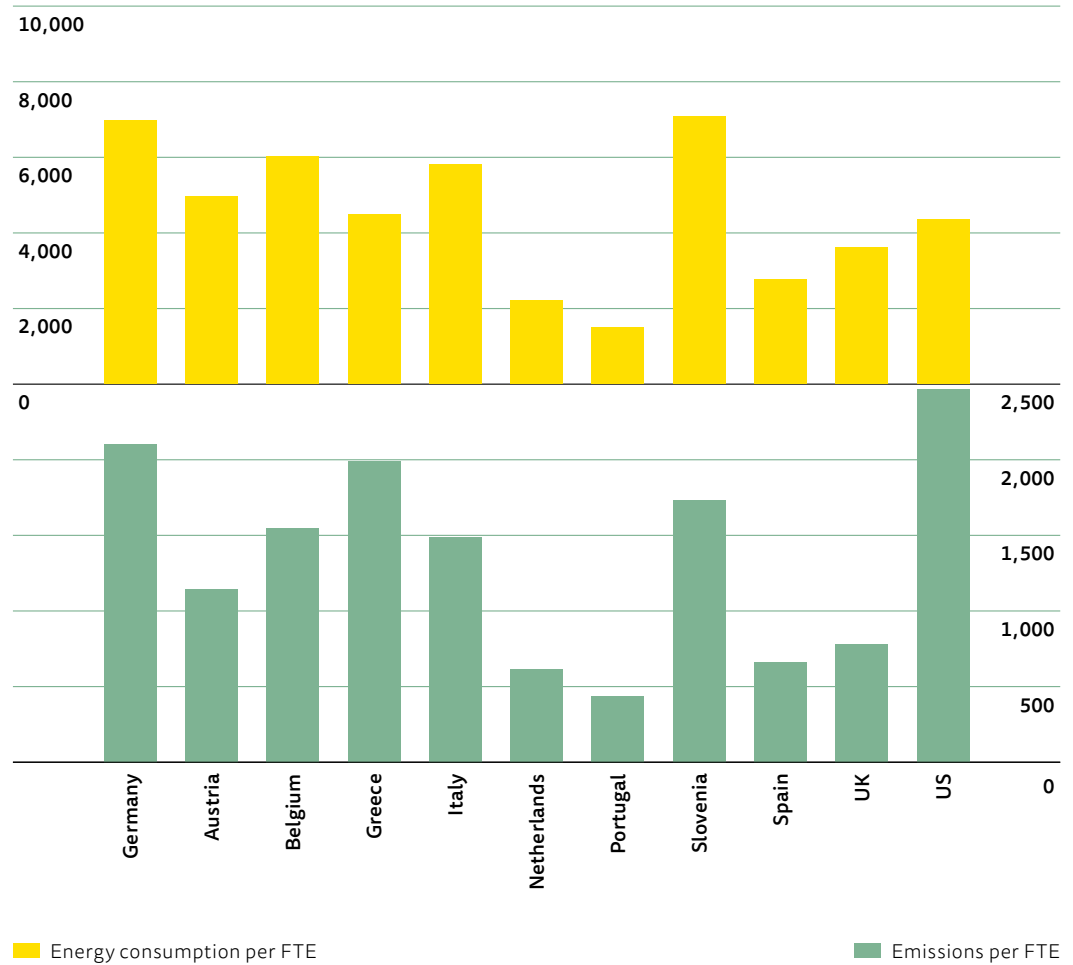
⁵ The greenhouse gas emissions attributed to electricity consumption are based on the location-based method of the Greenhouse Gas Protocol scope 2 standard. Following an update of the emission factors in 2020, the electricity-related greenhouse gas emissions for 2019 were adjusted downwards by around 3 percent. Without this adjustment, the electricity-related greenhouse gas emissions for 2019 were around 6,584 tonnes CO₂e (global) and 4,165 tonnes CO₂e (Germany only).

⁶ Due to an incorrect allocation of rented space, too high a figure for heat consumption in the Netherlands was recorded in 2019. This has been corrected retrospectively.

Energy consumption and emissions per full-time equivalent (FTE)¹

(Energy consumption in kWh/FTE)

(Emissions in kg CO₂e/FTE)



¹ The relatively high CO₂ emissions per FTE in Germany are partly due to the fact that ARAG operates a data processing center in Germany. This accounts for around 18 percent of total emissions in that country.

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

ARAG implemented further measures in 2020 to reduce energy consumption and the resulting greenhouse gas emissions. These focus in particular on optimizing building operations and encouraging climate-friendly transport. In the reporting year, ARAG held discussions with the owner of the building where its health insurance headquarters are located in Munich about introducing measures to improve the building's environmental footprint. As a result, the security lighting in general areas (stairwells, basement, and underground car park) and elevator lighting in two campus buildings were converted to LED.

The international locations also took measures to reduce energy consumption and CO₂ emissions. In one of its buildings in the Netherlands, for example, ARAG installed new elevators and a new heating system that are significantly more energy efficient. Moreover, the Company moved to an office with a better energy rating at its Roermond site. In the USA, ARAG promotes the use of public transport by subsidizing some of the cost for employees, and raises their awareness of various environmental issues at internal 'Lunch & Learn' events. The other sites are implementing comparable measures.

Further information can be found on page 14 of this report.

GRI content index

Universal standards



As part of the Materiality Disclosures Service, the GRI Service Team checks whether the GRI context index is clearly laid out and whether the references for disclosures 102-40 to 102-49 correspond with the relevant parts of the report. The GRI Materiality Disclosures Service was rendered for the German version of the report.

		Page
GRI 101: 2016	Foundation	
GRI 102: 2016	General disclosures	
	Organizational profile	
102-1	Name of the organization	69
102-2	Activities, brands, products, and services	69
102-3	Location of headquarters	69
102-4	Location of operations	69
102-5	Ownership and legal form	69
102-6	Markets served	70
102-7	Scale of the organization	70
102-8	Information on employees and other workers	70
102-9	Supply chain	72
102-10	Significant changes to the organization and its supply chain	72
102-11	Precautionary principle or approach	72
102-12	External initiatives	73
102-13	Membership of associations	73
	Strategy	
102-14	Statement from senior decision-maker	73
	Ethics and integrity	
102-16	Values, principles, standards, and norms of behavior	73
	Governance	
102-18	Governance structure	74
102-35	Remuneration policies	75

		Page
	Stakeholder engagement	
102-40	List of stakeholder groups	76
102-41	Collective bargaining agreements	76
102-42	Identifying and selecting stakeholders	76
102-43	Approach to stakeholder engagement	76
102-44	Key topics and concerns raised	77
	Reporting practice	
102-45	Entities included in the consolidated financial statements	78
102-46	Defining report content and topic boundaries	78
102-47	List of material topics	79
102-48	Restatements of information	79
102-49	Changes in reporting	80
102-50	Reporting period	80
102-51	Date of most recent report	80
102-52	Reporting cycle	80
102-53	Contact point for questions regarding the report	80
102-54	Claims of reporting in accordance with the GRI standards	81
102-55	GRI content index	120
102-56	External assurance	81

Topic-specific standards

		Page	Reason for omission
GRI 200	Economic topics		
GRI 201: 2016	Economic performance		
GRI 103: 2016 103-1/103-2/103-3	Management approach	82	
201-1	Direct economic value generated and distributed	83	
201-2	Financial implications and other risks and opportunities due to climate change	98	
GRI 202: 2016	Market presence		
GRI 103: 2016 103-1/103-2/103-3	Management approach	109	
202-2	Senior management hired from the local community	110	
GRI 203: 2016	Indirect economic impacts		
GRI 103: 2016 103-1/103-2/103-3	Management approach	109	
203-1	Infrastructure investments and services supported	113	
203-2	Economic implications or effects	110	
GRI 205: 2016	Anti-corruption		
GRI 103: 2016 103-1/103-2/103-3	Management approach	85	
205-1	Examination of risks arising from conflicts of interest	86	
205-2	Training on how to avoid conflicts of interest and bribery	86	
205-3	Incidents of conflicts of interest	86	
GRI 207: 2019	Taxes		
GRI 103: 2016 103-1/103-2/103-3	Management approach	110	
207-1	Approach to tax	111	
207-2	Tax governance, control, and risk management	111	
207-3	Stakeholder engagement and management of concerns related to tax	112	
207-4	Country-by-country reporting	112	
	Corporate culture and leadership		
GRI 103: 2016 103-1/103-2/103-3	Management approach	83	
	Digital transformation		
GRI 103: 2016 103-1/103-2/103-3	Management approach	93	
	Customer focus and innovative offerings		
GRI 103: 2016 103-1/103-2/103-3	Management approach	90	
	Changing demographics, social structures, and lifestyles		
GRI 103: 2016 103-1/103-2/103-3	Management approach	90	

		Page	Reason for omission
	Using sustainability criteria in investment		
GRI 103: 2016 103-1/103-2/103-3	Management approach	96	
FS10	Companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	97	
FS11	Environmental or social screening	97	
	Investments with specific environmental or social impact		
GRI 103: 2016 103-1/103-2/103-3	Management approach	96	
	Development of expertise in sustainability risks and opportunities		
GRI 103: 2016 103-1/103-2/103-3	Management approach	96	
	Management of sustainability risks		
GRI 103: 2016 103-1/103-2/103-3	Management approach	97	
	Consideration of sustainability risks in the insurance business		
GRI 103: 2016 103-1/103-2/103-3	Management approach	97	
GRI 300	Environmental topics		
GRI 302: 2016	Energy		
GRI 103: 2016 103-1/103-2/103-3	Management approach	115	
302-1	Energy consumption within the organization	116	
302-4	Reduction of energy consumption	119	
GRI 305: 2016	Emissions		
GRI 103: 2016 103-1/103-2/103-3	Management approach	115	
305-1	Direct (Scope 1) GHG emissions	116	
305-2	Energy indirect (Scope 2) GHG emissions	116	
305-5	Reduction of GHG emissions	119	
GRI 400	Social topics		
GRI 402: 2016	Labor/management relations		
GRI 103: 2016 103-1/103-2/103-3	Management approach	99	
402-1	Minimum notice periods regarding operational changes	100	
GRI 403: 2018	Occupational health and safety		
GRI 103: 2016 103-1/103-2/103-3	Management approach	100	
403-1	Occupational health and safety management system	100	
403-2	Hazard identification, risk assessment, and incident investigation	100	
403-3	Occupational health services	100	
403-4	Worker participation, consultation, and communication on occupational health and safety	100	
403-5	Worker training on occupational health and safety	100	
403-6	Promotion of worker health	100	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	100	
403-9	Work-related injuries	102	
403-10	Work-related ill health	102	

		Page	Reason for omission
GRI 404: 2016	Training and education		
GRI 103: 2016 103-1/103-2/103-3	Management approach	103	
404-2	Programs for upgrading employee skills and transition assistance programs	105	
404-3	Employees receiving regular performance and career development reviews	106	
GRI 405: 2016	Diversity and equal opportunity		
GRI 103: 2016 103-1/103-2/103-3	Management approach	106	
405-1	Diversity of governance bodies and employees	108	
GRI 406: 2016	Non-discrimination		
GRI 103: 2016 103-1/103-2/103-3	Management approach	106	
406-1	Incidents of discrimination and corrective actions taken	109	
GRI 408: 2016	Child labor		
GRI 103: 2016 103-1/103-2/103-3	Management approach	114	
408-1	Operations and suppliers at significant risk for incidents of child labor	114	
GRI 409: 2016	Forced or compulsory labor		
GRI 103: 2016 103-1/103-2/103-3	Management approach	114	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	114	
GRI 414: 2016	Supplier social assessment		
GRI 103: 2016 103-1/103-2/103-3	Management approach	114	
414-1	New suppliers that were screened using social criteria	115	Not applicable
GRI 415: 2016	Public policy		
GRI 103: 2016 103-1/103-2/103-3	Management approach	112	
415-1	Political contributions	114	
GRI 417: 2016	Marketing and labeling		
GRI 103: 2016 103-1/103-2/103-3	Management approach	95	
417-1	Requirements for products and service information and labeling	95	
GRI 418: 2016	Customer privacy		
GRI 103: 2016 103-1/103-2/103-3	Management approach	87	
418-1	Complaints concerning breaches of customer privacy and losses of customer data	89	
GRI 419: 2016	Socio-economic compliance		
GRI 103: 2016 103-1/103-2/103-3	Management approach	83	
419-1	Non-compliance with laws and regulations in the social and economic area	84	

Information

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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