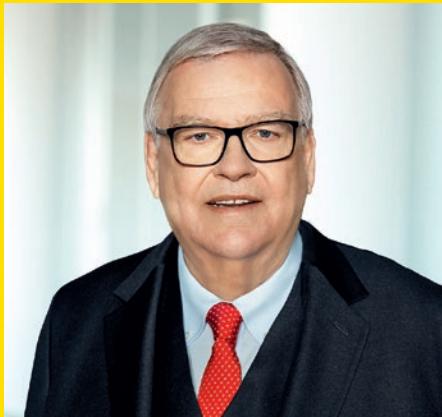


2021 Sustainability Report



Many thanks to our more than 12 million customers in 19 countries. You have made us the **leading legal insurer worldwide**.





Dear Readers,

Sustainability is good – everyone agrees on that. However, given the complexity of the issue, it is often not at all clear what is actually meant by sustainability: social or ecological commitment? Climate neutrality, equal opportunities, fair trade?

Is it enough to address one or two aspects to be sustainable? Of course not. True sustainability is holistic, it is a question of attitude. And it starts with the realization that sustainability is not a destination, but a journey. And this journey requires the right tools and the requisite provisions - preferably organic, to stay in the picture – and, last but not least, a great deal of stamina. Why? Sustainability does not yield results in the short-term; instead, along the way you need to continuously reassess where you are and, if necessary, readjust so as to act with foresight.

Some companies describe this foresight as acting as stewards for our grandchildren. This is a description I like because it fits ARAG SE so well. As Germany's biggest family-owned insurance company and the world's largest provider of legal insurance, ARAG can look back on a history of almost 90 years. Getting this far has required a great deal of foresight and a sense of responsibility for future generations. Being custodians on behalf of our grandchildren means remaining agile, to adapt but not be deflected, to stay fit for the future through a welding of the new with the tried and true.

Probably the best example of this forward-looking continuity is ARAG's founding idea: "All citizens should be

able to assert their rights, not just those who can afford it." The call for this is as relevant today as ever. It is explicitly embedded in UN Sustainable Development Goal 16, which focuses on peace, justice and strong institutions. ARAG has been building on this precise foundation of sustainability for nine decades.

We at ARAG therefore welcome the trend towards stricter and more uniform sustainability requirements. In the past, sustainability was primarily about values. It was important for the sustainability concept to establish itself. The immense success of this approach shows how necessary that was. Today, the demand for real sustainability exists in almost all areas. That is why it is important and right that standards are now being established for the comparison and evaluation of commitments and impacts. The reporting obligations of corporations on non-financial issues have become much stricter, especially within the EU. We at ARAG see this as an opportunity to check where we are on our journey and to provide transparent information to our stakeholders.

I wish you a stimulating read,
Yours

A handwritten signature in blue ink, appearing to read "Paul-Otto Faßbender".

Dr. Dr. h. c. Paul-Otto Faßbender

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SETTING AN EXAMPLE WITH SUSTAINABLE INVESTMENT STRATEGIES

INTERVIEW

A central aspect of sustainability is climate protection. As an investor, ARAG can use new financial instruments to promote sustainable activities. In an interview, Board Spokesman Dr. Renko Dirksen explains the impact of climate issues on capital markets and how ARAG is involved in sustainable investments.



BERND KASEMIR, KATHRIN KÖHLER



THILO SCHMÜLGEN, GIULIO COSCIA

Dr. Dirksen, ARAG is focusing increasingly on sustainability in its investments. Why is this relevant for us as an insurance group?

DR. RENKO DIRKSEN To be able to offer our customers insurance solutions, sound and forward-looking investment is essential. Careful handling of the capital entrusted to us is indispensable – especially for us as a family business and with a view to legitimization of our business model. How else could we reliably deliver the benefits prom-

ised to our customers? By directing our capital flows in a targeted manner, we help promote the sustainable transformation of the economy and society and, as a risk carrier, at the same time sustainably secure the economic activities of our customers. As an investor, we can also use new financial instruments to encourage sustainable activities. In this way, we set sustainability incentives with our insurance products and, as a catalyst, make a modest contribution benefiting our customers, policymakers and society.

What are sustainable capital investments – and how does ARAG address the issue?

DR. RENKO DIRKSEN By sustainability in capital investment we mean the consideration of key environmental, social and corporate governance issues. These are often grouped together under the heading "Environmental, Social and Governance", or ESG for short. Sustainable investments take ESG issues into account – for example, in the selection of companies whose shares are held

A professional portrait of Dr. Renko Dirksen, a middle-aged man with short brown hair and blue eyes. He is wearing dark-rimmed glasses, a white dress shirt, and a dark grey suit jacket. He is smiling and has his arms crossed. The background is a bright, modern interior with large windows.

Dr. Renko Dirksen is convinced that the EU's sustainable investment package, presented in April 2021, will permanently change the investment strategies of the insurance industry. In any case, ARAG has great interest in investing in the green transition.

As an investor, ARAG can offer new financial instruments to promote sustainable activities – Dr. Renko Dirksen sees a key role here for the insurance industry.



Dr. Renko Dirksen

Dr. Renko Dirksen (born 1976) has been with ARAG since 2005. The lawyer began his career as an assistant to Dr. Paul-Otto Faßbender and took over as Head of the Corporate Development department in 2008 and additionally as Head of Market Research/Customer Management in 2009. In 2013, Dirksen was promoted to the Board of Management of the Group subsidiaries ARAG Lebensversicherungs-AG and ARAG Krankenversicherungs-AG, and in 2015 he was appointed to the Group Board of Management where he was responsible for Investment, Group Development and business Organization before taking over Faßbender's position as Board Spokesman (Central Group Functions) in 2020. Dirksen is married and has two children.

in the investment portfolio. In this way, the risks of investments can be reduced and long-term opportunities identified on the capital market. At ARAG, we have long been employing exclusion criteria – a kind of negative filter – for investments that are not classified as sustainable. In addition, we also consider all important sustainability issues when selecting our external investment managers.

Are certain stocks green per se?

DR. RENKO DIRKSEN Yes and no. With shares, it always depends on what and how the company produces. That can certainly change over time for adaptable companies – for example, through a new sustainability

strategy, which is currently being introduced by many companies. To bring this structural change about – the biggest since the Industrial Revolution, by the way, – we therefore needed a flexible system taking the current behavior of companies into account.

A central aspect of sustainability is climate protection. What impact does climate change have on capital markets?

DR. RENKO DIRKSEN The climate crisis poses a risk to financial stability. Therefore, we also need to consider how to improve the resilience of the financial sector. And we need to clarify how the financial sector can contribute to sustainability. In my view, the insurance industry has a key role to play here.

“At the moment, we are clarifying to what extent green bonds are suitable for inclusion in our investment universe.”

What further external developments do you see with regard to sustainable investments in the market?

DR. RENKO DIRKSEN Not only the regulatory but also the market requirements for sustainable investments are being stepped up rapidly. For example, there is an increasing tendency for the EU to regulate which financial investments may be called sustainable. The corresponding requirements have been defined, for example, in the Disclosure or Taxonomy Regulation. Meeting them, requires additional effort on behalf of both investors and the companies whose assets they hold. However, this ultimately pays off in that investors like ARAG have more and more reliable information at their disposal to make forward-looking investment decisions.

How strong is the insurance industry's interest in investing in the green transformation in your opinion?

DR. RENKO DIRKSEN I can't speak for in the industry as a whole, but ARAG has a substantial interest in green investment. In April 2021, the EU presented a package for sustainable investments. That will have its effect, I'm certain. That is why we at ARAG have already adopted an initial, internal set of technical screening criteria for our EU taxonomy. They enable us to classify sustainable investments, thus fulfilling the requirement for an EU-compliant, uniform definition.

Dr. Renko Dirksen | Spokesman of the Board of Management

Where in the area of sustainable investment would ARAG like to get more involved?

DR. RENKO DIRKSEN We are currently examining the extent to which green bonds are suitable for inclusion in our investment universe. Green bonds are government and corporate bonds that offer an environmental added value and thus help to finance and implement large-scale sustainable projects. Europe is already leading the way in such investments. Globally around half of these bonds were issued within the EU in 2020. About one in two green bonds is denominated in euros, making it the most popular currency for such bonds. Increasing ARAG's involvement in this area would not only benefit the expansion of our investment options, but help to promote sustainable development at the same time.

Separate combined non-financial report

Compliance with the CSR Directive Implementation Act

ARAG Holding SE has produced this separate combined non-financial report to meet the requirements of the EU CSR Directive (2014/95/EU) and of the CSR Directive Implementation Act, which came into force in April 2017, and in accordance with section 341a (1a) in conjunction with sections 289b (3) and 341j (4) in conjunction with sections 315b (3) and 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB). The report applies to both the ARAG Group and to ARAG Holding SE ("ARAG"). The non-financial disclosures relate to the reporting period from January 1 to December 31, 2021. The report encompasses all subsidiaries that are fully consolidated in the consolidated financial statements. Any deviations have been highlighted accordingly.

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

Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation

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

Article 8 of the EU Taxonomy Regulation provides that companies that fall within the scope of the EU Taxonomy Regulation and are required to publish a non-financial statement must disclose information on how and to what extent their economic activities are associated with the economic activities defined as sustainable in the EU Regulation. For insurance companies, this covers information relating to investing activities and to activities associated with the underwriting of risks. The first year's reporting for 2021 will focus on taxonomy eligibility and the disclosure of relevant qualitative information. Taxonomy alignment (checked against technical screening criteria) will only be relevant from 2023 onward. The regulatory requirements are published for the first time on page 30 onward in this separate non-financial report.

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Defining the relevant concerns and details

Specific non-financial aspects must be included in non-financial reporting – taking into account double materiality – in accordance with the German Commercial Code (HGB). 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 for 2020. The results were then presented to and signed off by the Management Board of ARAG Holding SE. The material topics for 2021 were defined on the basis of the material topics identified the year before. The findings from 2020 were reviewed again by each department to ensure that they were up to date. No new material topics were identified, taking into account the context in 2021. The results of the materiality analysis in 2020 therefore also apply to 2021.

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	
	Transparent products and services	
	Using sustainability criteria in investment	
	Incorporating sustainability risks into risk definition, management, and control	
	Using sustainability criteria in the underwriting policy and when setting insurance rates	
	Cyber risks and data protection	
	Social value generated	
Employee concerns	Taxes	4. Corporate social responsibility
	Social and political engagement	
	Occupational health and safety	
	Training and education	
Environmental matters	Diversity, equal opportunity, and protection from discrimination	5. Employee concerns
	Climate-friendly operations	
Prevention of bribery and corruption	Ethical governance and compliance	6. Environmental matters affecting operations
Respect for human rights	No relevant matters under CSR-RUG	

While the topic of human rights was not identified as having double materiality during the materiality analysis, it is of great importance to ARAG as an aspect of its corporate responsibility. This is reflected in the Company's HR policy, for example, and in its exclusion criteria for the management of investments.

An analysis of possible reportable risks in connection with non-financial aspects found that after applying the net method and factoring in risk limitation measures, no material risks – as defined by section 289c (3) sentence 1 nos. 3 and 4 HGB – associated with the Company's business activities, business relationships, products, or services were identified that have or will have a very likely serious negative impact on the aspects referred to above.

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

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

1. Business model, governance, and compliance

Business model

ARAG is a provider of innovative, high-quality insurance, offering its customers not only its core legal insurance policies but also needs-based products and services in casualty and property insurance and health insurance business. It offers comprehensive services and risk cover with the aim of preventing and managing risks, for example in litigation, health, and pension provision. ARAG is the world's leading provider in its core business of legal insurance. ARAG's business model is described in more detail in section I. 'Group Fundamentals' in the group management report and forms the basis for the details set out below. Information on taxes, levies, wages, salaries, and pension payments, which also form part of ARAG's valuable contribution to society, can be found within the notes to the consolidated financial statements in the annual report. The consolidated balance sheet and consolidated income statement provided in the 2021 annual report present ARAG's economic performance (see the section 'Consolidated Financial Statements').

Corporate and management culture

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

This corporate culture is enshrined in the ARAG Essentials and the associated ARAG Leadership Essentials. The ARAG Leadership Essentials encapsulate the requirements of modern leadership. The ARAG Essentials define the Company's principles and highlight the

shared endeavors of ARAG's employees, managers, and owners. These guidelines include the founding principles and the Company's self-image, corporate mission, and corporate values. The ARAG Essentials help employees to shape the Company's future with the customer in mind. The new ARAG Leadership Essentials will be rolled out across the Group in 2022 via new skills models and manager training courses.

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. Significant compliance risks are identified through continuous monitoring of the regulatory environment and departmental surveys in Germany and abroad, and then documented and presented to the governing bodies. During 2021, 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 Germany and in the international ARAG offices. Employees in Germany also have the option of submitting complaints to the Federal Financial Supervisory Authority (BaFin) and to the ombudsman. ARAG informs its employees of these options on its website.

Guidelines and remuneration systems based on responsibility

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

ARAG's remuneration policy is set out in guidelines for the Group and for the individual companies as well as in the remuneration management handbook. These 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, including with regard to variable remuneration components. 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 ARAG Essentials and are incorporated into the individual target agreements as qualitative assessment criteria.

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

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

Digital transformation

Digitalization is a key topic for ARAG that permeates all aspects of business activity and 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 2021 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 in the Company's digital transformation. 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 the monitoring of customer satisfaction with the digital experience.

ARAG has initiated a large number of digital processes and products in recent years, including in the year under review. The 'Meine ARAG' online customer portal has been completely overhauled. It gives logged in customers access to documents relating to their contracts. As a new service, ARAG has added the option to register online for the customer portal. Over 135,000 customers already use the customer portal, and an average of 140 new registrations are added every day.

The advisory app launched in 2019 is continuously being improved and enhanced with new features. In 2021, 19 updates were made to improve the user experience and the overall offering. The growing number of ARAG health app users is further proof that more and more customers are taking advantage of digital services. At the end of 2021, the number of health app users reached around 194,000, which is 39,542 more than in the prior year. Half of all submissions are made via the app, and the fully automated processing of submissions only takes a few minutes.

Digitalization is also progressing in other divisions and business units. A range of chatbots are in use across the Group to ensure that queries from customers, brokers, and business partners are processed with greater speed and efficiency. In autumn 2021, for example, ARAG Austria launched a new bot to make submitting a road traffic accident claim faster and more straightforward. Live online chats are also becoming more popular, and a new, automated Power BI report produces statistics that can be used to track live chats. On the basis of real-time data, services can be optimized and tailored to customer needs. This results in improvements to quality, which in turn are reflected in customer satisfaction, with 75 percent of customers rating ARAG's chat services favorably.

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

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 investing in the expansion of its data analytics capacity in order to continuously improve data-driven decision-making for the customers' benefit and position the Company as a pioneer in the field of smart data. The findings of the Data Analytics department, for example, are used in the cost calculations for the latest generation of products.

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 each target market, 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 2021, for example, ARAG was named the most innovative brand in the industry for the sixth year in succession at the Plus X Award.

In the year under review, the catastrophic floods in the west and south of Germany destroyed many villages and livelihoods. ARAG offered customers its wholehearted support and expertise in these difficult times, even where those affected were not insured against natural disasters. A hardship fund of €1 million was set up to quickly and unbumptuously help anyone who was particularly hard hit. In the immediate aftermath of the low-pressure weather system Bernd, the ARAG Claims Service received around 2,500 claims and queries by phone, which were processed by over 50 employees.

To support them with their work, extensive information and resources were made available via digital communication channels, and the claims adjusters' decision-making powers were increased to ensure that claims are processed quickly.

Furthermore, ARAG also covered the costs for services rendered where customers carried out repairs themselves due to a lack of available tradespeople. The comprehensive support program included further financial support measures such as deferring payments, suspending contracts, and suspending pre-court dunning processes.

ARAG also offered legal advice for anyone affected by the disaster, including non-customers and people helping with the relief effort. The costs of the initial telephone consultation were covered by ARAG. In doing so, ARAG ensured that payments to non-insured persons as a result of the floods were not made at the expense of policyholders.

Transparent products and services

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

ARAG firmly believes that the transparency of its management and its clear and easily understandable products and services secure the trust of customers and employees and thus boost the Company's credibility and competitive position. The Company therefore attaches great importance to open communication in all its interactions with customers and staff. This fundamental position is enshrined in the ARAG Essentials and ARAG Leadership Essentials. All board-level departments at ARAG ensure that management and services are transparent. The 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. ARAG aspires to make its product information and contractual terms as straightforward as possible. It does so by explaining any necessary legal terminology through simple examples that are understandable for the layperson. As part of its standard practice, the Company also optimizes its insurance terms and conditions, brochures, and product information based on the criteria of the Hohenheim comprehensibility index (HVI).

For example, two new rate scale calculators were developed and implemented in Austria to provide even more transparency. The first calculator helps SMEs to identify risks, the second is used for legal risks in management.

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 in 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 2021, the proportion was above the target, reaching 99.3 percent.

In line with the aim of continuously refining their approach to sustainable investment, the Management Boards of the ARAG companies regularly reviewed the current investment policies. No need for change was identified during the review for 2021, which was carried out in January 2022. The selection process for a new sustainability data provider launched in 2020 was expanded to include the new regulatory taxonomy. The connection to the new data provider was established in the first quarter of 2022. The current approach to sustainability will be reviewed and expanded based on the new data.

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 documented as part of the ORSA process and analyzed for the Company in 2021. 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 assessment is gradually being expanded by carefully considering sustainability effects in various risk categories in the calculations for scenarios and projections. In the 2021 ORSA report for the non-life subsidiaries, for example, by means of a scenario analysis on risk mitigation techniques and the exposure to natural disasters. 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. Further developments will be closely monitored.

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

Long-term corporate governance also involves setting adequate insurance rates to ensure the profitability of new business and portfolios. The calculation of premiums and profitability across the product lifecycle are regularly reviewed, and appropriate action is taken where required.

ARAG takes sustainability risks into account across many areas in its underwriting policy and when setting insurance rates. The underwriting guidelines define ARAG's appetite for risk, for example, and which risks are not underwritten or only under certain conditions. The underwriting policy is further broken down by 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. One of the consequences of global climate change is the shift in the pollen calendar (earlier and longer), which also extends the allergy season. Considerably higher temperatures can cause health issues such as heat stroke, heat exhaustion, and dehydration. Climate change also encourages other diseases, such as Lyme disease, and increases the risk of skin cancer. ARAG Krankenversicherungs-AG takes the greater frequency of such illnesses into account in its acceptance policy and when setting insurance rates.

Through a focused, appropriate, and up-to-date risk assessment, ARAG safeguards the risk structure of the existing collective and preserves capital to the benefit of all policyholders. The consequences of climate change are likely to have a significant impact on the health insurance business, and our risk assessment is already geared toward this.

The large number, and complexity, of current and planned regulatory changes requires more resources to be dedicated to staying up to date and to implementing regulations in reasonable time. Since the majority of the regulations are continually evolving, there is significant uncertainty among insurance companies when it comes to planning their implementation.

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

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. These rules are binding for all of the Company's employees. They are updated at regular intervals and can be accessed via the intranet.

In the digital age, data protection is an interdisciplinary function for which all departments need to take responsibility. The departments are supported by the data protection organization 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 IT security inspections also help to identify shortcomings in the IT security architecture so that appropriate measures for improvement can be initiated.

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

In 2021, ARAG continued to work intensively on the implementation of the German Insurance Supervisory Requirements for IT (VAIT), specifically in the areas of risk management and authorization management, which came into force with circular 10/2018 (VA) as amended on March 20, 2019.

ARAG is continually adapting its business practices at its EU and non-EU locations to meet all applicable regulations governing data protection. In 2021, for example, the European Commission published new standard contractual clauses for data transfers between EU and non-EU countries. And in June 2021, the European Data Protection Board (EDPB) published the final version of its 'Recommendations on supplementary measures', which sets out additional safeguards for personal data if it is transferred to non-EU countries with a level of data protection that the EU considers inadequate. With this in mind, ARAG is working with an external law firm to check where the Group is still using old standard contractual clauses, which will no longer be valid after December 28, 2022. These will be replaced with new standard contractual clauses or with another data transfer instrument by that date. The requirements defined by the new standard contractual clauses, such as carrying out Transfer Impact Assessments in line with clause 14, are being verified and, where applicable, implemented in partnership with the relevant departments.¹⁾ In light of the growing discussions about nudging and dark patterns, ARAG has adapted its cookie banner so that the first page gives the 'Required cookies' and 'Activate all cookies' buttons equal billing. An external law firm is also checking whether ARAG already adequately satisfies the requirements of the Telecommunications and Telemedia Data Protection Act (TTDSG),

¹⁾ The standard contract clauses were reviewed for the German parts of ARAG SE.

which came into force on December 1, 2021, especially with regard to cookies and comparable technologies. The aim is to identify any optimization potential and provide the relevant departments with recommendations for implementation.

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

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

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. From 2022, the new version of the basic data protection training, which was updated in 2021, will be mandatory for all employees working in Germany. Non-mandatory modules have been added to the basic data protection training. Training employees and making them more aware of the issues is also becoming more important in the context of the rising threat of cyberattacks. Employees are regularly informed of 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. ARAG's first national and international awareness campaign about phishing emails will be launched across the Group in 2022. All employees will be informed about this widespread form of attack and offered training in their local language.

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. Following the upgrade to an E5 license in 2021, additional tools from the Microsoft portfolio, such as Windows Defender ATP, Microsoft Defender for Endpoint, and Sentinel (SIEM), are now in use. 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.

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 tax-related obligations on time, correctly, and in full. 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.

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. It aims to have a positive impact on quality of life and the economic climate in the local area.

For example, the 'Conflict Management in Schools' program was established in 2014 with the support of the Ministry for Education and Schools of North Rhine-Westphalia. The project focuses on the introduction of universal quality standards for conflict management structures, preventive measures, and intervention techniques. Eight training cycles have been carried out so far, with a total of 389 school mediators at 127 high schools and vocational colleges in different school districts across North Rhine-Westphalia taking part. A digital training program was developed in 2020 which, due to the ongoing pandemic, was also used for the ninth training cycle in 2021. A further 18 participants from four new schools are being trained as school mediators in the cycle that began at the end of 2021.

The proactive protection of children and young people against online threats is another key focus of corporate social responsibility at ARAG. Prevention covers the development of media literacy and the provision of information and education, and raises 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. In the year under review, 50 selected schools from eight federal states, including North Rhine-Westphalia, participated in cross-state networks and in networks aimed at strengthening education on European issues and fostering Europe-related knowledge and skills.

As part of its corporate citizenship, ARAG strives to strengthen democratic institutions and maintain a dialogue with authorities and policymakers, as developments in the political and regulatory context have a considerable influence on the Company's business activities. ARAG SE manages the dialogue with policymakers on behalf of ARAG Holding SE through the Speaker of the Management Board and the Chief Representative. The purpose of the dialogue is to identify topics of relevance to both sides so that different points of view can be identified and discussed at an early stage. Like the Group companies in Germany, the international subsidiaries are usually members of the relevant trade 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 €150 thousand in the reporting year.

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. Operational implementation is handled by the Health and Safety and Fire Safety Department together with local health and safety and fire safety officers and the Total Rewards Department. To a large extent, the international subsidiaries are free to develop their own approach to occupational health and safety, depending on local laws and the number of employees.

In Germany, ARAG implements safety measures and maintains safety-related equipment at a level that goes above and beyond the legal standards, for example by having more safety officers, fire officers, and first aiders. In June 2021, the ARAG Tower was evacuated due to a fire at the base of the facade triggered by the use of a weed burner. The building was evacuated according to plan and no-one was injured in the process. Mechanical weed removal was introduced as a consequence, particularly where it is carried out close to the building. No additional evacuation drills were carried out after this event. 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. Despite the pandemic, first aid training continued in 2021 while observing the hygiene protocols at all times.

ARAGcare is a corporate health management program in Germany designed to make employees more health-conscious. It includes regular checkups and campaigns focused on preventing staff getting ill in the first place, and 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 Total Rewards Department within Group Human Resources. ARAG employees who wish to make a complaint regarding occupational health and safety can contact a member of the Health and Safety Department or a member of the Total Rewards Department directly. The international locations are responsible for their own services.

The COVID-19 pandemic necessitated the development and implementation of comprehensive measures to protect the health of employees. The company physician and an 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. Suitable hygiene protocols were created for ARAG's workplaces, and the Company also recommended working from home during periods when the pandemic posed a significant danger. The company physicians at four ARAG sites in Germany offered COVID-19 vaccinations to employees, sales partners, and family members. Around 1,500 vaccinations were carried out in July and August 2021.

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 rate²⁾ across the Group in 2021 was 4.8 percent (men 3.5 percent/women 5.7 percent).

Measured in terms of departures, the groupwide rate of staff turnover³⁾ in 2021 was 7.8 percent (new hires: 9.3 percent).

²⁾ ARAG Australia, ARAG Canada, ARAG SE Greece, Hello Law GmbH, Help Forsikring Filial, Justix GmbH, and Jurofoon B.V. are not included in the calculation.

³⁾ Staff turnover was calculated on the basis of employee numbers as of December 31, 2021. The calculation factors in permanent employees of all ARAG Group companies in Germany 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.

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 dialogue 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. The international subsidiaries manage their participation in training and continuing professional development themselves. Strategic management of continuous professional development (CPD) falls within the remit of the Senior Vice President Human Resources, the Head of Talent & Skill Development, and the Talent & Skill 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 is designed to ensure that the regulatory requirements relating to staff training are regularly reviewed and, where possible, 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 Talent & Skill 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. Simple and clear structures and search functions ensure that the platform is very easy to use. New features such as the personal learning cockpit and customized learning outcomes support the targeted professional development of each learner. Around 7,600 individual training courses covering a wide range of CPD measures were completed across the Company in Germany in 2021 (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 Slovenia, for example, ARAG focused on the implementation of e-learning for employees in 2021. In Austria, the Masterplan video-learning platform was launched, and individual learning outcomes were developed and implemented for each department.

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 Talent & Skill 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. Masterplan is the central platform for independent learning and helps employees to acquire the necessary knowledge about digitalization. Informative and engaging videos, combined with short tests and gamification elements, cover topics such as new working methods, leadership, technology, 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. At 98.1 percent, the proportion of interviews carried out in the Group companies in Germany in 2021 was very high overall.

Apprenticeships at ARAG take the form of vocational qualifications in insurance and finance that meet the needs of the Company. The objective is to attract a sufficient supply of skilled new recruits and 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, and the optimization drive in 2021, made it even easier to work remotely, so that almost all

employees at the German offices are now able to work from home. A Germany-wide company agreement on remote working was signed in 2021 that enables employees and the organization to strike the healthiest possible balance between remote and office-based working. It gives employees the option to work at least 40 percent of their hours 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. 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 former German chancellor Angela Merkel.

As in previous years, the proportion of women at the top two management levels increased. At the midpoint of 2021, the percentage of women at the first management level (F1) rose to 34 percent, while the proportion at the second level remained the same at 36 percent. 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 in 2007 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 from the same period. ARAG endeavors to improve these figures continuously and conducts optimization measures to this effect in Düsseldorf and at other sites. These focus in particular on optimizing building operations and encouraging climate-friendly transport. An energy control system has been supporting these measures at the Düsseldorf site since 2019. During the year under review, fluorescent tubes were replaced with energy-saving LEDs, adjustable radiator valves were replaced with new ones, and all elevator systems were equipped with energy-saving motors and frequency transformers. Boiler and heating controls at the Munich site were adjusted to save energy and reduce heat distribution loss. 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. ARAG Italy, for example, joined forces with Studio Alfa S.p.A. to analyze traffic flows for the commute to and from work. The recommendations derived from the analysis were implemented as part of the ARAG Smart Working Policy. It includes a guideline on working from home that aims to reduce greenhouse gas emissions generated by commuting.

Regular energy audits are also carried out in 27 subsidiaries in line with applicable laws. 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.

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

Its findings show that the two largest sites, Redlichstrasse and ARAG Platz 1 in Düsseldorf, account for around 90 percent of the energy consumption and costs of the audited companies.

Accordingly, these two locations are likely to provide the best opportunity for savings, and the size of the savings is also likely to be the greatest there.

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

Due to the COVID-19 PANDEMIC, 2021 cannot be used as a reference year for the comparison of energy costs and greenhouse gas emissions as the use of the infrastructure changed significantly.

Equally, energy consumption in Germany and at the international locations in 2021 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 rose by around 662 MWh (5.1 percent), with greenhouse gas emissions (scope 1 & 2) up by 4.7 percent over the same period. Globally, energy consumption increased by around 3.7 percent, with greenhouse gas emissions (scope 1 & 2) up by roughly 4.2 percent over the same period.⁴⁾

Regulatory disclosure requirement under Article 8 of the EU Taxonomy Regulation

Under Article 8 of the Taxonomy Regulation, companies that fall within the scope of the regulation and are required to publish a non-financial statement must disclose key figures (KPIs) relating to their taxonomy-related economic activities. According to Article 8, any KPIs disclosed by an insurer must show how and to what extent the insurer finances, or obtains finance for, taxonomy-related activities.

For insurance and reinsurance companies, this includes both investing activities and underwriting activities. The underwriting activities are only relevant to non-life and reinsurance companies. The EU recently published requirements for environmentally sustainable economic activities for two environmental targets. The description of each economic activity in the two delegated acts of the EU's Taxonomy Regulation (Annex I and II) defines which economic activities are taxonomy-eligible in the first year of non-financial reporting. When assessing taxonomy alignment, the technical screening criteria (TSC) for the relevant economic activities apply.

Only environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation) are relevant to the publication in 2022 of non-financial information under the EU taxonomy for 2021. Other environmental objectives are expected to be included for publication from 2023 onward. The disclosures in 2022 and 2023 will be limited to information about taxonomy eligibility. Information on taxonomy alignment will follow from 2024 onward, beginning with the 2023 financial year.

⁴⁾ 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, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Sweden, 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.

There is growing public interest in sustainable investments, and they are closely associated with the EU taxonomy. Even though ARAG does not fall within the scope of the Sustainable Finance Disclosure Regulation, the plan is to integrate the new requirements of the EU taxonomy in full into ARAG's sustainability and ESG strategies, and into its product design. In the first year of reporting, ARAG primarily focused on implementing the regulatory requirements.

Insurance

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

The extent to which ARAG's insurance activities are considered taxonomy-eligible is determined by the proportion of total gross premiums that are attributable to gross non-life premiums resulting from taxonomy-eligible insurance activities. The bulk of gross non-life premiums written are for legal insurance, which is taxonomy-non-eligible according to the Taxonomy Regulation. Insurance activities defined as eligible in the EU taxonomy include insurance services (except life insurance) related to the cover of specific climate-related hazards, which can be classified under NACE code K.65.12 and are therefore limited to specific lines of business (LoBs)⁵⁾. In this case, it is a taxonomy-eligible, enabling economic activity. Accordingly, the proportion of taxonomy-eligible gross premiums in the non-life business amounts to approximately 9.3 percent, and the proportion of taxonomy-non-eligible gross premiums in the non-life business to 90.7 percent.

This means that the calculation of taxonomy-eligible gross premiums from products only includes premiums that are generated by defined Solvency II LoBs and that cover climate-related hazards and/or consequences of a climate event.⁶⁾ Products are considered taxonomy-eligible if they have both a direct and indirect link to climate-related hazards in

⁵⁾ The following insurance activities belonging to NACE class K.65.12 (non-life insurance) are eligible activities as defined by the EU taxonomy:

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

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

⁶⁾ The European Commission has confirmed the view of the umbrella organization Insurance Europe, so the definition of taxonomy eligibility applies to those insurance products that cover climate-related hazards. The associated premium income should be put in the context of the total gross premium from the non-life insurance business.

Source: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en.pdf.

the insurance terms and conditions. The Climate Delegated Act⁷⁾ contains a list of climate-related hazards, which is an indicative, non-exhaustive list of the most widespread hazards. The classification is set out in Annex II Appendix A of the Climate Delegated Act. Following the publication of the act, the individual services⁸⁾ of ARAG's products were analyzed with regard to their coverage of climate-related hazards involving temperature, wind, water, or solid mass. The analysis is based on data for the premiums of individual product services provided by the Finance and Accounting Department or extracted directly from the SAP systems. Additional information provided by the international units was also factored in. As the United Kingdom is considered a non-EU country following Brexit and the Taxonomy Regulation has an EU-wide scope, the corresponding gross premiums in the UK were classified as taxonomy-non-eligible. The allocation of gross premiums from Spain and Portugal to the individual product services was based on the respective sales revenue. Once all the required data had been made available, it was validated by the central project team and then analyzed according to the criteria outlined above.

Investments

In the first year of EU taxonomy reporting, insurance companies are publishing information about how and to what extent their activities are associated with environmentally sustainable economic activities. In addition to the qualitative and quantitative information on the insurance activities, disclosures should also be provided regarding any investments made. Choosing taxonomy-eligible investments can contribute to the environmental objectives 'climate change mitigation' and 'climate change adaptation'. The reporting templates require the disclosure of information about investments that are directed at funding, or are associated with, taxonomy-eligible economic activities. Under the rules of the EU taxonomy, certain investments (e.g. exposures to central governments and central banks) are excluded from the denominator when calculating the proportion of taxonomy-eligible investments. Furthermore, certain investments (e.g. derivatives) are considered not sustainable and excluded from the numerator.

The calculation of the KPIs for the taxonomy eligibility of investments is carried out in line with Article 10 of the Delegated Act supplementing Article 8 of the Taxonomy Regulation of July 6, 2021.

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

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

Total investments are defined according to Appendix IX of the Taxonomy Regulation.

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

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

Calculation base

For all assets that fall within the scope, the fair values listed in the notes to the consolidated financial statements are used. For any fair value not listed in the notes to the consolidated financial statements, the market value according to Solvency II is used. The basis of consolidation defined in the consolidated financial statements also applies to ARAG Holding SE.

Use of mandatory published information

Due to concerns about data quality, investments in companies that are not obliged to publish a non-financial statement are excluded from the numerator for the time being (Article 7 (3) Delegated Act [C (2021) 4987]). The Delegated Act also states that the KPIs published by insurers must be based on the data published by investee companies (Annex IX). As a result, no estimates are made in this context.

Cash and receivables are not included in the numerator as it is currently uncertain whether these asset classes are suitable for funding environmentally sustainable economic activities. EIOPA mentioned this in its statement, and in its FAQs of February 2022 the European Commission stated that while the exposures listed in Article 7 (1–3) Delegate Act (C [2021] 4987) are not explicitly excluded, it does not seem feasible to assess the eligibility as they are not actually funding an economic activity.

The data required for the eligibility assessment of liquid assets in the public markets segment was taken from ARAG's own data pool. Any missing data was obtained from associated data providers such as Bloomberg and WM Daten. Only data available on December 31, 2021 was used as the basis for the assessment. In the case of investments in investment funds, a review of the individual assets within the funds and the issuers behind them was carried out and their taxonomy eligibility checked. The issuer behind each asset was assessed based on its business model to determine which NACE codes can be associated with it, with the aim of attributing the asset to the economic activities relevant to the two climate objectives.

On the basis of a simplification method, the market value of issuers to which a taxonomy-eligible economic activity could be attributed was set at a flat rate of 100 percent taxonomy-eligible. All other cases are taken into account as 0 percent taxonomy-eligible.

Due to a lack of published taxonomy data for the companies in the portfolio, the taxonomy-eligible proportion had to be determined using a flat-rate method.

As part of a structured selection process, ARAG has chosen a suitable data provider covering the entire scope to ensure seamless data provision going forward. Among other things, the focus was on the technology behind the supply of data, and the quality and expandability of the required data. This data was not used to calculate the KPIs for 2021.

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

Calculation of KPIs

The purpose of the KPIs disclosed by the insurer is to illustrate the extent to which the insurer supports or funds taxonomy-eligible economic activities. In the first year of non-financial EU taxonomy reporting, the KPI related to investment shall present the weighted average of those investments that are directed at funding, or are associated with, taxonomy-eligible economic activities (Delegated Act [C (2021) 4987], Annex IX).

Process steps for calculating KPIs in accordance with the Taxonomy Regulation

- Calculation of holdings at the level of individual assets in the management system on the reporting date
- Addition of missing data points to existing data to enable the determination of taxonomy eligibility
- Categorization of assets by (based on NACE code, asset type, green bond indicator, CIC, etc.)
 - Financials
 - Central governments/banks
 - Derivatives
 - Green bonds
 - Liquid assets
- Determination per asset of the issuer's obligation to publish a non-financial statement, based on a simplification method due to a lack of data from data providers⁹⁾
- Matching of each asset's activity, according to the NACE codes, with the description of the corresponding taxonomy-eligible economic activities, based on the asset issuer's business model
- Filtering of special cases, such as land
- Quality assurance of data
- Aggregation and consolidation of the data for ARAG Holding SE for the calculation of taxonomy KPIs at Group level
- Calculation of taxonomy KPIs
- Validation of the calculations

Taxonomy KPIs for the assets (2021)	(%)
Proportion (as a percentage of all assets) of risk exposures for taxonomy-eligible economic activities – government bonds	8.31 %
Proportion (as a percentage of all assets) of risk exposures for non-taxonomy-eligible economic activities – government bonds	88.47 %
Proportion (as a percentage of all assets) of derivatives and risk exposures to central governments, central banks, and supranational issuers not included in the numerator and denominator – government bonds	29.71 %
Proportion (as a percentage of all assets) of risk exposures to companies that are not obliged to publish a non-financial statement under EU law, and are not included in the numerator – government bonds	96.78 %

⁹⁾ The result of this approach is a greater risk exposure under Article 7 (3) of the Delegated Act supplementing Article 8 of the EU Taxonomy Regulation.

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") for the period from January 1 to December 31, 2021.

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 and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "EU Taxonomy" of the combined separate non-financial report.

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 2021. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "EU Taxonomy" of the combined separate non-financial report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

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, 2021 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 and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "EU Taxonomy" of the combined separate non-financial report. 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
- Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU taxonomy
- Evaluation of the process for the identification of taxonomy-eligible economic activities and the corresponding disclosures in the combined separate non-financial report

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

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, 2021 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 and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "EU Taxonomy" of the combined separate non-financial report.

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.

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.

Frankfurt am Main, April 27, 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Glöckner
Wirtschaftsprüfer
[German Public Auditor]

Brokof
Wirtschaftsprüferin
[German Public Auditor]

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Universal standards

Organizational profile

102-1	Name of the organization
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ARAG Holding SE

102-2	Activities, brands, products, and services
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The ARAG Group is the largest family enterprise in the German insurance industry and the leading legal insurer worldwide. 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.

For further information please see the 2021 annual report of ARAG Holding SE (consolidated financial statements) and the 2021 annual reports of ARAG Allgemeine Versicherungs-AG and ARAG Krankenversicherungs-AG (single-entity financial statements).

102-3	Location of headquarters
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Düsseldorf, Germany

102-4	Location of operations
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19

102-5	Ownership and legal form
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ARAG Holding SE is the parent company of the Group from a company law perspective. ARAG SE is the largest holding of ARAG Holding SE and responsible for operational Group management and the legal insurance operating business. 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.

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 Kraken (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 2021 annual report of ARAG Holding SE (consolidated financial statements).

102-7 Scale of the organization

ARAG operates in 19 countries in total and is the leading legal insurer worldwide. The Group generates sales revenue and premiums in excess of €2.0 billion and employs around 4,600 people.

ARAG 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 2021 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, 2021¹⁾

	Germany		International		Total
	Men	Women	Men	Women	
Workforce broken down by employment contract	953	1,101	940	1,413	4,407
Permanent	918	1,054	856	1,291	4,119
Temporary	35	47	84	122	288
Workforce broken down by working hours ²⁾	918	1,054	856	1,291	4,119
Full-time	860	708	762	930	3,260
Part-time	58	346	94	361	859

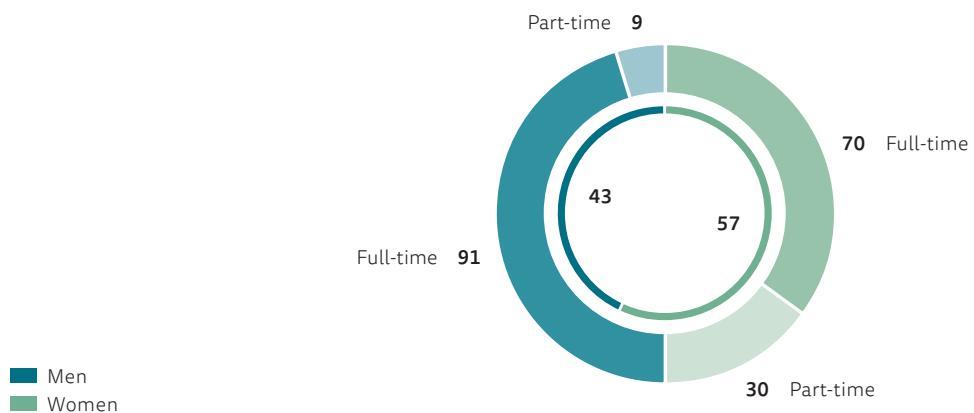
¹⁾ Not including 54 interns and trainees and not including inactive employees.

²⁾ Including permanent staff only.

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

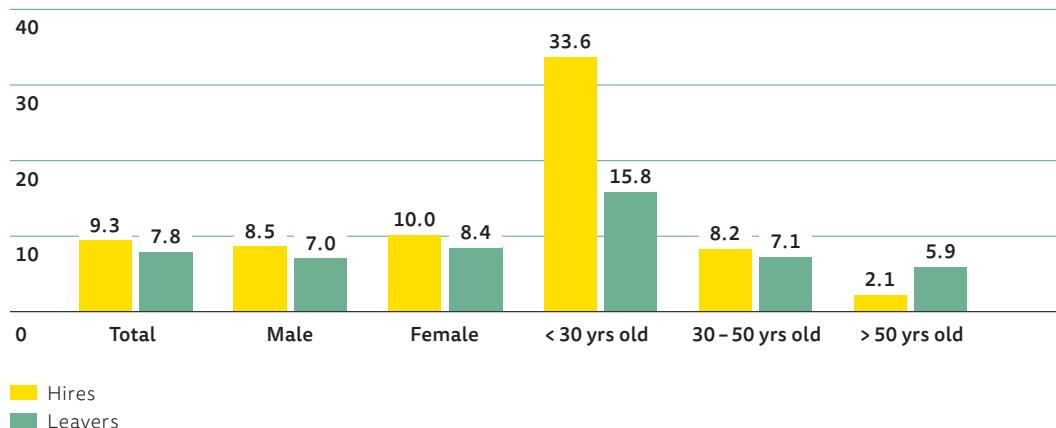
Permanent employees by gender and working hours

(%)



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 2021, 234 women and 150 men joined the Company,

196 women and 125 men left. Of the new hires, 160 were under the age of 30, 197 were between 30 and 50 years old, and 27 were over the age of 50. Of the staff leaving the Company, 75 were under the age of 30, 170 were between 30 and 50 years old, and 76 were over the age of 50.

102-9 Supply chain

In Germany, the ARAG Group buys around €89 million worth of services from 484 suppliers¹⁾. These services are currently categorized into 21 product groups, which include IT, marketing and communications, facilities management, travel and events, financial services, and professional services such as external claims handlers and auditors. The sourcing of services is the responsibility of Group Procurement. The services defined in the purchasing policy, however, can be procured directly by the departments.

¹⁾ Includes all creditors of ARAG SE in Germany, of ARAG Allgemeine Versicherungs-AG, of ARAG Krankenversicherungs-AG, and of ARAG IT 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.

102-10 Significant changes to the organization and its supply chain

ARAG acquired DAS Legal Protection Inc. in Canada in 2021. Over the course of the year, DAS Legal was incorporated into ARAG Services Corporation in Toronto. This has significantly strengthened the Group's activities on the Canadian market and provided a further boost to the internationalization of the business.

102-11 Precautionary principle or approach

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. These provide the basis for ARAG's measures to ensure the conservation and efficient use of resources (energy, water, paper). Sustainable asset management is also playing an increasingly important role for ARAG in its role as an insurance company. Here, the Company works with internal guidelines that were refined in the reporting year.
Further information can be found on page 93 of this report.

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 former German chancellor Angela Merkel.	
102-13	Membership of associations
<p>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. ARAG is also a founding member of InsurLab Germany, the largest networking initiative in Germany for insurance companies, and for InsurTechs that develop digital products for the insurance industry.</p> <p>Furthermore, ARAG joined the German Sustainability Network (GSN) in 2021. The initiative provides companies in the insurance industry with a collaboration platform for interactive discussions and the clarification of issues relating to sustainability. The GSN's varied program and the resulting efficiencies support the transformation toward a more sustainable insurance industry.</p>	
<hr/> Strategy <hr/>	
102-14	Statement from senior decision-maker
<p><i>See page 2 of this report.</i></p> <hr/>	
Ethics and integrity <hr/>	
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 Essentials, 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>	

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.

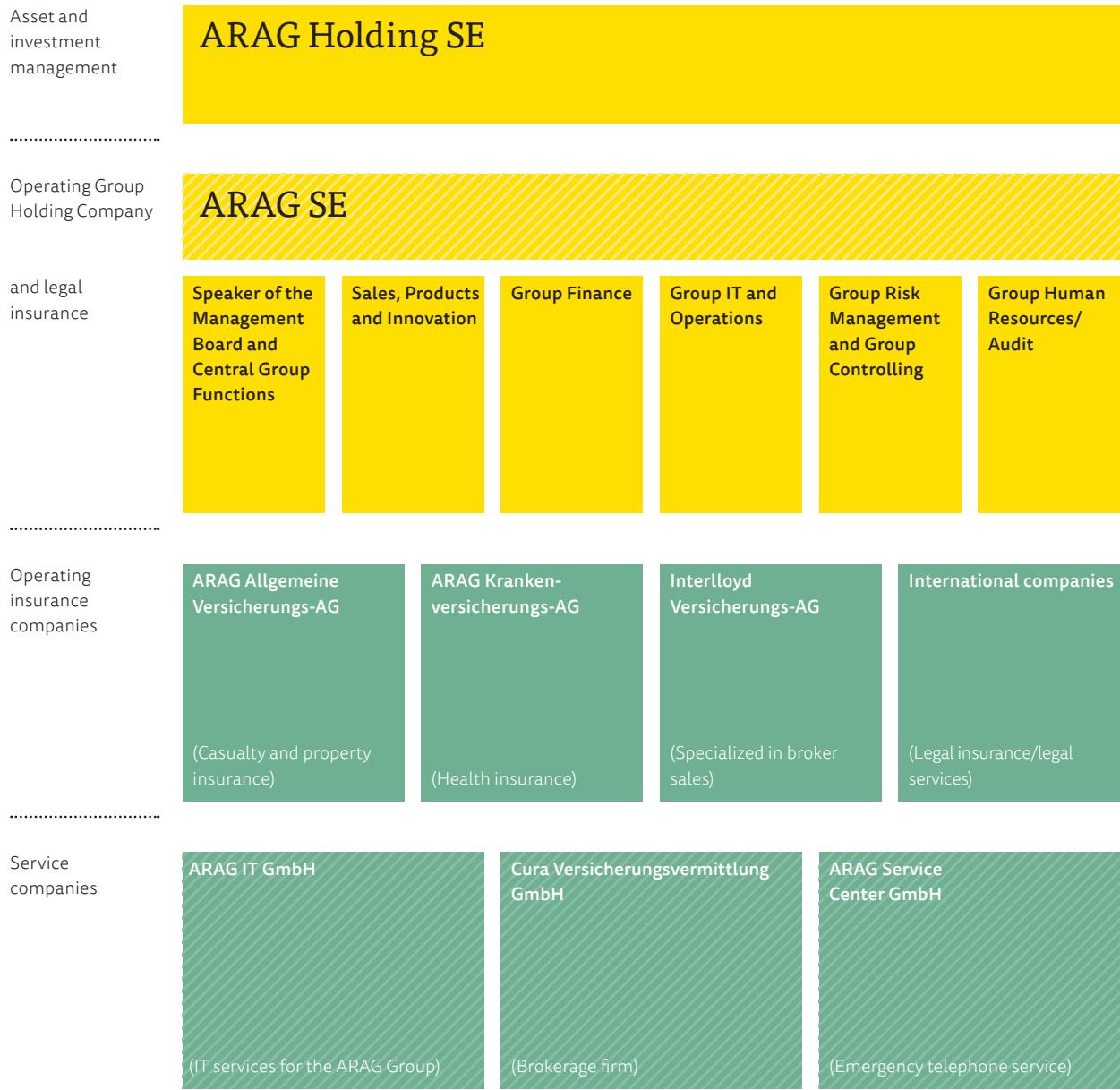
The revised guidelines were implemented by all teams around the world in 2021, and an online communication program was launched to facilitate this. In virtual sessions, the workforce examined the role of the corporate principles in day-to-day work and documented their ideas for implementation in digital logbooks. An evaluation of the 364 international and German logbooks showed that employees across the Group identified strongly with ARAG. It was also clear that they very much agreed with the family enterprise's corporate principles.

Derived from the ARAG Essentials, the ARAG Leadership Essentials set out the changed requirements for managers at ARAG and will be rolled out across the Group in 2022 via new skills models and manager training courses.

Governance

102-18 Governance structure

The ARAG Group



For further information, please see the 2021 annual report of ARAG Holding SE (consolidated financial statements).

102-35	Remuneration policy
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Responsible remuneration management 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. Competitive, performance-related remuneration is also an important factor in attracting and retaining skilled staff and managers. Having employees and executives who are motivated and whose performance is rewarded lays the foundation for ARAG to achieve sustained business success. At the same time, ARAG's remuneration policy incentivizes ethical behavior and minimizes risks or misincentives that could damage the Company and, by extension, its stakeholders too.

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. 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. The incentive system supports the Company's strategic goals and is transparent in terms of its functioning. As it needs to be understandable to all employees, structuring the remuneration and incentives is a key challenge.

To better reflect the objectives outlined above, a new Total Rewards Department was established as part of the restructuring of Group Human Resources. The department deals with all matters relating to remuneration.

Stakeholder engagement	
102-40	List of stakeholder groups
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.	
102-41	Collective bargaining agreements
67 percent of employees at the Group companies in Germany are subject to a collective pay agreement. The proportion for ARAG SE in Germany is 64 percent.	
102-42	Identifying and selecting stakeholders
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.	
102-43	Approach to stakeholder engagement
ARAG positions itself as the internationally successful, innovative quality insurer – independent and family-owned. The Company derives a strong sense of social responsibility from this philosophy and is highly committed to its social causes. Since it was founded by Heinrich Faßbender, ARAG has had a clear objective: All citizens should be able to assert their legal rights – irrespective of their financial situation. This vision espoused by the Company's founder – equality of opportunity before the law – means that corporate social responsibility is firmly and directly enshrined in the ARAG business model. In accordance with this corporate mission, ARAG is committed to dealing responsibly with employees and business partners and putting the customer and their needs first. The Company gauges customer satisfaction and expectations on an ongoing basis. Feedback questionnaires and an online platform are used to conduct customer surveys, 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.	

In 2021, ARAG ran a survey on the user-friendliness of the ARAG customer portal, and worked with a research institute to run a usability test for a service app that is still in the planning stage. Working with another external institute, the Company adopted a qualitative research approach to explore consumer expectations regarding supplementary dental insurance. Two internal employee surveys were also carried out in 2021. Following a survey in April 2020, employees were asked again in February 2021 about their experiences of working from home. A further groupwide survey was conducted in September 2021 across all 19 countries, as had been done in 2019, which examined how digitalization is progressing and how the working environment and the leadership culture were perceived, among other things.

Towards the end of 2021, a revamp was initiated of the Market Research Department's ARAG Denkraum ('thinking space') online community, established in 2016. The aim of the community is to engage in a direct dialogue with customers and work with them on innovations. The platform is used to conduct surveys on specific topics, products, and processes, for example, and to discuss these with customers in a forum. In 2021, it was used to look into customers' expectations and needs regarding pet health insurance, the results of which flowed into product development.

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. ARAG's success in proactive product work was once again evident in the reporting year, during which seven new products were successfully launched on the market.

Germany:

- Competitive legal insurance rate scale for individuals and the self-employed
- New Recht&Heim all-round cover for 2021
- ARAG TierProtect pet health insurance
- Revamped ARAG Top Special Service Package
- New household insurance with special services for environmentally conscious customers

International:

- Cybersecurity insurance (Spain)
- Homebuyer legal insurance product (Spain)

A great deal of feedback and suggestions from customers and sales partners was incorporated into the development of these products.

Further information on customer concerns can be found on page 62 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 82 onward in this report.

Reporting practice

102-45	Entities included in the consolidated financial statements
	<p>Sustainability reporting covers all material German and international insurance companies belonging to ARAG Holding SE.</p> <p><i>For further information, please see the 2021 annual report of ARAG Holding SE (consolidated financial statements).</i></p>
102-46	Defining report content and topic boundaries
	<p>The principles for determining report content and quality have been applied to the entire reporting process.</p> <p>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>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. 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><i>The separate combined non-financial report of ARAG Holding SE can be found on page 8 of this report.</i></p>

102-47**List of material topics**

Stakeholder relevance	Transparency			Focus
	high	medium	low	
high	<ul style="list-style-type: none">• Protection of human rights in the supply chain• Child, forced, and compulsory labor	<ul style="list-style-type: none">• Fair competition and avoidance of conflicts of interest• Economic value generated• Investments with specific environmental or social impact• Development of expertise in sustainability risks and opportunities• Internal communications/communication between Management Board and employees• Changing demographics, social structures, and lifestyles		<ul style="list-style-type: none">• Customer focus and innovative customer offerings• Transparent products and services• Corporate and management culture• Guidelines and remuneration systems based on responsibility• Ethical governance and compliance• Digital transformation• Using sustainability criteria in investment• Management of sustainability risks• Cyber risks and data protection• Occupational health and safety• Training and education• Diversity, equal opportunity, and protection from discrimination• Social value generated• Taxes• Social and political engagement• Climate-friendly operations
medium				Impact <ul style="list-style-type: none">• Consideration of sustainability risks in the insurance business
low				

→ Impact on sustainable development

102-48**Restatements of information**

Changes are noted in the appropriate places.

102-49**Changes in reporting**

The material topics for 2021 were defined on the basis of the material topics identified the year before. The findings from 2020 were reviewed again by each department to ensure that they were up to date. No new material topics were identified, taking into account the context in 2021.

The results of the materiality analysis in 2020 therefore also apply to 2021.

102-50	Reporting period
	2021 calendar year
102-51	Date of most recent report
	April 2021
102-52	Reporting cycle
	Annual
102-53	Contact point for questions regarding the report
	Kathrin Köhler Sustainability Officer & Corporate Responsibility Corporate Communications/Marketing
	ARAG SE ARAG Platz 1, 40472 Düsseldorf, Germany Tel: +49 (0)211 963 2225 Fax: +49 (0)211 963 2220 kathrin.koehler@arag.de
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 98 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	Management approach
	Independence shapes all areas of the business The ARAG Group is the largest family-managed insurance company in Germany and the leading legal insurer worldwide by premium income. As a family enterprise without external shareholders, independence is at the heart of ARAG's identity. ARAG pursues a long-term strategy and focuses on profitable growth through a conservative risk and solvency policy. Independence is a guiding principle in all areas of its business activities and enables ARAG to dedicate its full attention to its customers, the most important stakeholders. The Company's resources are mainly used to provide customers with the best possible service and to fulfill its value proposition. One example of this is ARAG's conservative dividend policy. Most of the profits made are reinvested into the Company to strengthen the Group's financial foundations and ability to invest. <i>Further information can be found on page 4 onward of this report.</i>
	Growth targets in legal, property, and health insurance In the German market, the ARAG Group is maintaining its focus on further developing its legal and health insurance businesses. Internationally, the Company is targeting further strong growth in the legal insurance sector. The sales revenue and profit targets derived from this two-pronged growth strategy are broken down for each Group entity. A variety of tools contribute to ARAG achieving its growth and profit targets. These include the three-year plan for all Group companies, the target agreement system, the comprehensive risk management system as per Solvency II using a partial internal risk model, and the internal control system (ICS). The positive outlook was completely validated in 2021. Despite the ongoing pandemic, ARAG reached the premium threshold of €2.0 billion – which was not expected until 2022 – and saw a net increase of 91,000 customers in the reporting year.
	Success through market expansion, digitalization, and innovation The ARAG Group and its international subsidiaries operate in highly competitive markets. In certain areas, ARAG faces increased competition from new providers, though these have so far not been able to build up any significant competitive pressure. The expansion of the regulatory framework for legal tech companies in Germany in 2021 presents ARAG with new growth opportunities. By obtaining a license for debt collection, for example, legal tech companies are now able to offer their customers legal advice. From the customers' perspective, this presents options for better pre-court and out-of-court legal advice. Recently, mergers and acquisitions have also had an impact on the competitive environment in some markets.

ARAG has been systematically implementing its Smart Insurer Program since 2018, reaching a significant milestone in innovation along the way. A whole host of digital services were integrated into customer communications and internal processes in 2021. For example, ARAG added a range of comprehensive services to its digital customer portal and launched a fully digital registration process to enable quick and easy access to them. Elsewhere, key figures are now recorded internationally in real time in a central dashboard and made available to senior management.

Further information on the Smart Insurer Program can be found on page 67 onward in this report.

201-1 Direct economic value generated and distributed

See ARAG Holding SE 2021 annual report (consolidated financial statements).

Corporate and management culture – ethical governance and compliance

103-1/2/3 Management approach

Corporate culture encourages top performance

ARAG operates in fiercely competitive markets, which is why the Company focuses on quality and innovation for its customers. Successful product development resulted in a total of seven new products in the areas of property and health insurance (see GRI 102-44, page 50). This success is a prime example of the ARAG Group's values. The clear focus on the customer is the result of a robust corporate and management culture at ARAG that provides orientation across the organization and defines the Group's actions in the customer's interest. This 'ARAG spirit' has become an important competitive factor, as it has a positive impact on employees' motivation and performance. And it was evident in the key figures for 2021, which again improved significantly in the wake of a year of record growth for the Group. This would not have been possible without the outstanding performance of a highly motivated workforce.

This corporate culture is enshrined in the ARAG Essentials and the associated ARAG Leadership Essentials. The ARAG Essentials have provided a clear action and leadership framework for the entire Group since 2006. The ARAG Essentials were completely revised following an analysis of the corporate culture in 2019 and implemented again across the Group (see 'Values, principles, standards, and norms of behavior', GRI 102-16). They were implemented in Germany and internationally in online team sessions. A total of 364 team sessions were held and their outcomes documented.

Derived from the ARAG Essentials, the ARAG Leadership Essentials set out the changing requirements for managers at ARAG and will be rolled out across the Group in 2022 via new skills models and manager training courses.

Regular employee involvement

ARAG attaches great importance to getting employees on board when making any changes to the corporate culture. A key milestone in this regard was the introduction and implementation of the new corporate principles. The Company also carried out a detailed employee survey to gauge the mood regarding working from home during the lockdowns in April 2020 and February 2021, and to ask for the employees' opinion of new ways of collaborating. In September 2021, the global workforce took part in a second employee survey on the corporate culture. The survey had a response rate of 60 percent in Germany and 69 percent internationally.

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. Substantial compliance risks are identified through continuous monitoring of the regulatory environment and department-specific surveys at home and abroad, and then documented and presented in the management committees. During 2021, 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.

Annual progress review

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

419-1 Non-compliance with laws and regulations

No penalties or fines for non-compliance were imposed on ARAG SE in Germany in 2021.

Fair competition and avoidance of conflicts of interest

103-1/2/3 Management approach

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.

Guidelines to avoid conflicts of interest

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

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.

German Insurance Association's code of conduct

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.

Focal points in 2021

In 2021, 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. A dedicated process was introduced in 2021 to identify any transactions with related parties at non-arm's length conditions (Related Parties Transactions).

Further information can be found in the chapter 'Cyber risks and data protection' on page 59 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. In 2021, a survey of related parties was carried out to ensure that no transactions were carried out that were not at arm's length.

205-2**Training on how to avoid conflicts of interest and bribery**

The Supervisory Board members, all Management Board members, and senior managers at the first and second management levels receive regular training on how to avoid conflicts of interest. Senior managers are obliged to train their staff according to the 'train the trainer' principle. Regular and ad hoc intranet updates on current issues are also published by the Company to keep employees informed. In 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.

205-3**Incidents of conflicts of interest**

No incidents of conflicts of interest that had detrimental consequences were recorded in 2021.

Cyber risks and data protection

103-1/2/3**Management approach**

As a result of increasing digitalization, ARAG's focus remains 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.

Comprehensive data protection management

ARAG has comprehensive data protection management based on a well-integrated set of policies and procedural instructions, which include the ARAG Information Security Guidelines, the ARAG Information Security Standard, the ARAG Data Protection Guideline, and the ARAG Data Protection Management Policy. All of this documentation is updated at regular intervals and can be accessed by all employees via the intranet. In the digital age, data protection is an interdisciplinary function for which all departments need to take responsibility. The departments are supported by the data protection organization 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.

Compliance with German and international data protection regulations

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

In addition to the binding provisions of 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.

Implementation of new regulations

ARAG is continually adapting its business practices at its EU and non-EU locations to meet all applicable regulations governing data protection. In 2021, for example, the European Commission published new standard contractual clauses for data transfers between EU and non-EU countries. And in June 2021, the European Data Protection Board (EDPB) published the final version of its 'Recommendations on supplementary measures', which sets out additional safeguards for personal data where it is transferred to non-EU countries with a level of data protection that the EU considers inadequate. With this in mind, ARAG is working with an external law firm to check where the Group is still using old standard contractual clauses, which will no longer be valid after December 28, 2022. These will be replaced with new standard contractual clauses or with another data transfer instrument by that date. The requirements defined by the new standard contractual clauses, such as carrying out Transfer Impact Assessments in line with clause 14, are being verified and, where applicable, implemented in partnership with the relevant departments.¹⁾ In light of the growing debate about nudging and dark patterns, ARAG has adapted its cookie banner so that the first page gives the 'Required cookies' and 'Activate all cookies' buttons equal prominence. An external law firm is also checking whether ARAG already meets the requirements of the Telecommunications and Telemedia Data Protection Act (TTDSG), which came into force on December 1, 2021, especially with regard to cookies and comparable technologies. The aim is to identify any optimization potential and provide the relevant departments with recommendations for implementation.

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

¹⁾ The standard contract clauses were reviewed for the German parts of ARAG SE.

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

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. From 2022, the new version of the basic data protection training updated in 2021 will be mandatory for all employees working in Germany.

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 in 2021 additional tools from the Microsoft portfolio were added, 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.

418-1	Complaints concerning breaches of customer privacy and losses of customer data
	<p>Sixteen complaints regarding data protection by third parties, and two by ARAG employees, were recorded in 2021 in Germany. Twelve of the complaints (ten external and two internal) 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.</p> <p>There were no investigations by the relevant data protection bodies in 2021 based on submissions/complaints by third parties.</p>

Products, sales, and customer relationships

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

103-1/2/3	Management approach
	<p>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.</p>

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 2021

ARAG added more new innovative solutions to its portfolio in 2021. At the start of the year, the Group launched a new rate scale with outstanding benefits for private individuals and the self-employed that comes in three versions. The Basis rate scale for cost-conscious customers, for example, now also covers out-of-court disputes. Private customers on the new premium rate scale also benefit from innovative cover such as one-off preliminary advice on all legal matters regardless of the scope of the cover. Furthermore, new insights from data analytics were incorporated in the form of smart pricing features to enable customized, risk-adjusted pricing per customer.

In addition to the new legal insurance rate scale, a new all-round cover called Recht&Heim was launched that combines components of legal, home contents, and liability insurance. Like in motor insurance, the insurance rates are partly determined by categories based on the number of claim-free years. The customer has the option to select a new no-claims-discount saver, which allows one claim to be made per year without the customer being downgraded to a different category and the premium therefore being increased. In addition to the increase in benefits and sums insured, the new tariff does away with the excess for damage from natural disasters.

The number of pets in Germany is rising, particularly since the beginning of the pandemic. In response, ARAG launched the TierProtect health insurance for cats and dogs in August 2021. There are two product variants: ARAG TierProtect OP covers the costs of operations, while ARAG TierProtect provides comprehensive pet insurance. Both product variants are available in the three rate scales (Basis, Komfort, and Premium). Depending on the product, cover is provided for inpatient and outpatient healthcare by a vet or at a veterinary clinic, including any necessary (minimally invasive) operations and follow-up treatment.

The ARAG Top Special Service Package was given a facelift in 2021, resulting in a product that is highly attractive in terms of both benefits and price. Environmentally conscious customers with an urban lifestyle will find it of particular interest: customers who own an electric car or have a season ticket for local public transport or long-distance rail travel receive a 5 percent discount on the premium. ARAG also offers selected benefits that focus on public transport and electric vehicles, for example the reimbursement of hotel costs if customers are stranded at a train station overnight, or towing to the next charging station if the battery is empty.

ARAG's new household insurance also offers special services for environmentally conscious customers. Electric recharging points and the additional cost of replacing items with sustainable alternatives, for example, are covered under the current rate scale. The Premium variant also covers floods resulting from heavy rainfall, though the amount is limited to €10,000 per claim and is only valid in certain regions. In response to the increasing digitalization of home life, ARAG offers extended cover for losses incurred as the result of online fraud via a fake shop, for example. Another key focus is on smart work and working from home. Depending on the product variant, cover extends to devices used for work and to damages and losses incurred where the customer's smart home security system has been hacked. ARAG has also responded to the growing popularity of cycling, as part of an overall trend for greater sustainability, by expanding its insurance offering. In addition to bicycle theft, customers can use the new comprehensive bicycle insurance to cover loss or damage caused by accidents, falls, or vandalism. Customers further benefit from global, round-the-clock breakdown cover.

ARAG is also developing new offerings for its customers at its international locations. The ARAG branch in the Netherlands has revamped its online sales channel and offers personal legal insurance through it. Two new products have been added to the portfolio in Spain. The first is cybersecurity insurance that offers innovative cybersecurity services and IT support. The second is targeted exclusively at homebuyers and covers all legal matters associated with buying a property.

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 2021, ARAG was named the most innovative brand in the insurance industry for the sixth 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. Further selected awards won in 2021 are listed below:

Main awards for ARAG products in Germany:

- **TÜV Saarland** gave the **2021 ARAG Aktiv legal insurance** for private individuals and the self-employed a rating of '**very good**' for the **Komfort** and **Premium** variants; the rating for the two Basis variants was '**good**'.
- **The German Society for Consumer Studies (DtGV)** rated the customer service in **ARAG's B2B segment** as '**outstanding**'.
- In issue 12/2021, **Focus-Money** business magazine named the **ARAG Top Special Service Package** its '**product of the month**'.
- In November, Focus-Money (Deutschland Test) gave **ARAG** a **gold rating** for **its value for money**.
- The **pet health insurance** launched in August **came out top** in a product comparison by consumer magazine **IMTEST** with a score of 1.9.

Customer focus following the catastrophic floods

The catastrophic floods of 2021 in the west and south of Germany destroyed many villages and livelihoods. ARAG offered customers its wholehearted support and expertise in these difficult times, even where those affected were not insured against natural disasters. A hardship fund of €1 million was set up to quickly and unbureaucratically help anyone who was particularly hard hit. In the immediate aftermath of the low-pressure weather system Bernd, the ARAG Claims Service received around 2,500 claims and queries by phone, which were processed by over 50 employees. To support them with their work, extensive information and resources were made available via digital communication channels, and the claims adjusters' decision-making powers were increased to ensure that claims are processed quickly.

Furthermore, ARAG also covered the costs for services rendered where customers carried out repairs themselves due to a lack of available tradespeople. The comprehensive support program included further financial support measures such as deferring payments, suspending contracts, and suspending pre-court dunning processes.

In addition, ARAG offered legal advice for anyone affected by the disaster, including non-customers and people helping with the relief effort. The costs of the initial telephone consultation were covered by ARAG. In doing so, ARAG ensured that payments to non-insured persons resulting from the flooding were not made at the expense of policyholders.

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 2021. Even before the pandemic, customers had a number of ways to get in contact with ARAG (phone, online chat, app, social media, mail). Since 2018, they have also had the option of quickly and easily documenting their inquiry via Flixcheck – either by writing a message, taking a photo, or providing a signature directly via their smartphone. The information is automatically sent to ARAG's customer service team, which swiftly processes the inquiry. ARAG can also send the customer a personalized link in response to an inquiry. This directs them to a web-based app where they will find the documents they are looking for.

Flixcheck is used a lot in customer-facing areas, and 98 percent of customers are very satisfied with the service they receive. As a result of these very positive experiences, Flixcheck was extended to other areas of the Group in 2021. ARAG Health in Munich, for example, is currently putting into place the technology needed to send out quotations. Core Sales ran a successful pilot project with a branch office, and a rollout to all other branch offices is in the pipeline. Flixcheck was used in partnership with American Express, and for the first time ARAG deployed a robot to handle the dispatch of documents via Flixcheck. This supports the employees in the call center and in administration, and significantly reduces follow-up times.

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 are available to book through the websites of the sales partners who work for ARAG on an exclusive basis.

FS7	Monetary value of products and services designed to deliver a specific social benefit
<hr/>	
	Sales revenue in the sports insurance business (Germany only) amounted to around €41.822 million in 2021. This includes the legal insurance, indemnity-liability-accident, and motor vehicle divisions.
<hr/>	
	Digital transformation
103-1/2/3	Management approach
<hr/>	
	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 2021 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.

Smart Insurer Program

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 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).

Digital products and processes

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.

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 5.3 percent in 2021.

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

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

handle routine tasks. In the Republic of Ireland, ARAG analyzed how it can use its digital footprint, i.e. the sum of all online activities, to improve interaction both internally and with business partners and customers. In Austria, ARAG introduced a cloud-based time tracking system.

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.

Online chats and bots

ARAG introduced numerous new digital products and processes in 2021. The online customer portal was completely revamped, the online sales channels were expanded, and various chatbots were implemented across the Group. They ensure the faster and more efficient processing of queries from customers, brokers, and business partners. In October 2021, for example, ARAG Austria launched a new bot to make submitting a road traffic accident claim faster and more straightforward.

ARAG is on the right path when it comes to live chat, and is continually expanding the functionality of its IT solutions. A new, automated Power BI report has been introduced to track live chats and contains all kinds of important statistics categorized by department. On the basis of real-time data, services can be optimized and tailored to customer needs. This results in improvements to quality, which in turn are reflected in customer satisfaction, with 75 percent of customers rating ARAG's chat services favorably.

ARAG customer portal

Once they have registered, customers across all divisions can access almost all documents relating to their contracts via the 'Meine ARAG' online portal. The online customer portal has been completely revamped. As a new service, ARAG has added the option to register online for the customer portal. Over 135,000 customers already use the customer portal, which was developed completely inhouse, and an average of 140 new registrations are added every day.

ARAG advisory app and health app

The advisory app launched in 2019 is continuously improved and enhanced with new features. In 2021, no fewer than 19 updates were made to further improve the user experience and the overall offering. The growing number of ARAG health app users is further proof that more and more customers are using digital services. At the end of 2021, the number of health app users reached around 194,000, which is almost 40,000 more than in the prior year. Half of all submissions are made via the app, and the fully automated processing of submissions only takes a few minutes.

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 Essentials, both of which guide the thoughts and actions of all ARAG employees and provide orientation in ever-changing markets.

Responsibilities and processes

All board-level departments at ARAG ensure that management and services are transparent. The 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. ARAG aspires to make its product information and contractual terms as straightforward as possible. It does so by explaining any necessary legal terminology through simple examples that are understandable for the layperson. As part of its standard practice, the Company also optimizes its insurance terms and conditions, brochures, and product information based on the criteria of the Hohenheim comprehensibility index (HVI).

ARAG's international offices are equally committed to transparency. In the Republic of Ireland, for example, ARAG's activities fall under the 2019 Consumer Insurance Contract Act (CICA). The law states that insurers must show the premium and claims history of the last five years when renewing a contract. In Slovenia, ARAG has refreshed its offering, especially the online premium calculator for personal legal insurance products, to provide customers with better information. And in the UK, brokers are provided with online training via the EduMe platform to help them to better understand products. This enables brokers to better explain products to their customers and ensures greater transparency. Regular competitions are held to increase the brokers' interest in the training courses.

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 all legal requirements. Among the most important regulatory requirements are the German Insurance Contracts Act (VVG), the German Insurance Supervision Act (VAG), legislation to implement the EU's General Data Protection Regulation (GDPR), the EU's Insurance Distribution Directive (IDD), and the guidelines published by the German Federal Financial Supervisory Authority (BaFin).

Asset and risk management

Using sustainability criteria in investment – 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 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. 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. In 2021, the proportion was above the target, reaching 99.3 percent. 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 companies reviewed the current investment policies in the reporting year. No need for change was identified. Nevertheless, ARAG initiated a selection process in 2021 for a new provider of sustainability data. The new provider will be used to expand the available data. On this basis, ARAG hopes 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 dialogue with investees on ESG-related topics. There are currently no plans to change this.	
FS11	Environmental or social screening
The rejection criteria are applied directly to investments under management by ARAG. ARAG Holding SE systematically takes account of ESG factors in around 67 percent of its investments at present. The proportion of fungible investments (direct investments and institutional funds) in which ESG factors are systematically taken into account is around 87 percent.	

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

103-1/2/3	Management approach
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).	

Current risk assessment

The ORSA in 2021 revealed that 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 risk assessment is gradually being expanded by carefully considering sustainability effects in various risk categories in the calculations for scenarios and projections. In the 2021 ORSA report for the non-life subsidiaries, for example, by means of a scenario analysis on risk mitigation techniques and the exposure to natural disasters. Sustainability risks were included on the risk maps of the subsidiaries ARAG Allgemeine, Interlloyd, and ARAG Krankenversicherung to facilitate risk management at the level of individual companies.

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

The ORSA for 2022 is expected to include in-depth impact analyses of climate risks, in particular, on the Company. This topic was also covered in the training sessions for the Supervisory Board and Management Board as part of the Fit&Proper guidance. One of the aims of 'fit and proper' is to ensure that the members of governing bodies, persons responsible for key functions, and their employees are always professionally suitable for the roles concerned.

Underwriting policy and setting of insurance rates

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

ARAG takes sustainability risks into account across many areas in its underwriting policy and when setting insurance rates. 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 from ARAG Krankenversicherungs-AG 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. As regulations are often finalized only very shortly before they are implemented, there is significant uncertainty among insurance companies when it comes to planning the implementation. Furthermore, it is currently difficult to assess whether there are good opportunities in the market for products with a focus on sustainability. Nevertheless, ARAG's new products already include such offerings. ARAG's Top Special Service Package, for example, offers discounts for customers with electric cars and for those who have a season ticket for public transport.

201-2	Financial implications and other risks and opportunities due to climate change
	<p>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.</p> <p>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.</p> <p>By acting with foresight, sustainability challenges can be turned into opportunities, for example through a better understanding of climate risks and their impact.</p>
	<p>Employee concerns</p> <hr/> <p>Internal communications/communication between Management Board and employees</p> <hr/>

103-1/2/3	Management approach
	<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, internal communications are also part of ARAG SE's Central Group Function. The main distinction in internal communications is between management communications and employee communications. Management communications ensure the dissemination of information about all types 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, ARAGnet. Due to the high degree</p>

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. In 2021, for example, ARAG won an award as the top employer in the German insurance industry, and in Belgium was certified by Happiness@Work.

In September 2021, the global workforce took part in a second employee survey on the corporate culture. The survey had a response rate of 60 percent in Germany and 69 percent internationally. As was the case two years ago, the workforce identifies very strongly with the company. The managerial style and the Group's progress with digitalization are once again rated very positively. Respondents identified room for improvement in the flow of information between departments, for example.

The Group's ongoing internationalization also encouraged the development of new communications and networking concepts in 2021 that will facilitate discussion and the sharing of information and ideas among the global workforce. International coffee roulette, a randomized meeting tool, has proved to be a simple yet effective means of encouraging international dialogue and is popular with employees.

Increased use of digital communication formats

Only digital communication formats were used due to the ongoing COVID-19 pandemic. Live talks 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 2022, primarily to provide digital roadshows for all international units. The live talks ensure that the Management Board has a stronger presence in internal communications and greatly improves the profile of senior management among the workforce.

Greater speed of communication

ARAG welcomes the broad acceptance of the new communication formats and is taking advantage of the opportunities they offer, though they also present challenges. ARAG expects the switch from face-to-face events to digital formats to result in a faster pace of communication in the future. The resources in place are unlikely to cope with this development going forward, so the targets will need to be reviewed.

402-1	Minimum notice periods regarding operational changes
All regulatory requirements regarding notification deadlines were met in 2021. Due to ARAG's decentralized corporate structure, these may vary from country to country.	

Occupational health and safety

103-1/2/3	Management approach
<p>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. Operational implementation is handled by the Health and Safety and Fire Safety Department together with local health and safety and fire safety officers and the Total Rewards Department.</p>	

Comprehensive safety organization with employee involvement

In Germany, ARAG implements safety measures and maintains safety-related equipment at a level that goes above and beyond the legal standards, for example by having more safety officers, fire officers, and first aiders. In June 2021, the ARAG Tower was evacuated due to a fire at the base of the facade triggered by the use of a weed burner. The building was evacuated according to plan and no-one was injured in the process. Mechanical weed removal was introduced as a consequence, particularly where it is carried out close to the building. No additional evacuation drills were carried out after this event. 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 2021.

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. Due to the ongoing COVID-19 pandemic, the focus in 2021 was once again on hygiene protocols. Other key topics included measures and conduct in the workplace, ergonomics, and insurance cover when working from home.

Employees received several reminders via the intranet to ensure that as many of them as possible took part in the e-learning courses.

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

Furthermore, employees with special safety responsibilities receive specific training at least every two years. Despite the pandemic, first aid training continued in 2021 while observing the hygiene protocols at all times.

Corporate health management – ARAGcare

ARAGcare is a corporate health management program designed to make employees more health-conscious. It includes 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 Total Rewards 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 locations are responsible for their own services.

Ergonomics in the workplace

As a service provider, ARAG does not operate any workplaces that pose significant risks to employees' physical health. 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 2021

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

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

The new 'remote working' company agreement defines, among other things, how offices at home should be set up and equipped. ARAG provided additional computers, monitors, office chairs, headsets, and webcams for employees working 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.

ARAG implemented a coronavirus support package for its employees that included a tax-free bonus, paid overtime, time off for parents' vaccination appointments, help with home schooling via an associated partner, and live events on the topics of resilience, stress management, and healthy management from home.

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 another survey in February 2021 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 Total Rewards 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 illnesses

	Men	Women	Total
Total contracted hours	3,411,453	4,231,904	7,643,356
Total no. of hours absent	120,892	242,402	363,294
Absentee rate	3.5 %	5.7 %	4.8 %

In 2021, 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. ARAG Australia, ARAG Canada, ARAG SE Greece, Hello Law GmbH, Help Forsikring Filial, Justix GmbH, and Jurofoon B.V. are not included in the calculation.

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 continuous professional development (CPD) falls within the remit of the Senior Vice President Human Resources, the Head of Talent & Skill Development, and the Talent & Skill 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 is designed to ensure that the regulatory requirements relating to staff training are regularly reviewed and, where possible, complied with at all times. In the Netherlands, ARAG introduced a new online course on Solvency II in 2021, 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. The Talent & Skill Development Department uses Learn2Develop (L2D), a state-of-the art education platform. It allows digital offerings from external partners, such as Pink University and Masterplan, to be incorporated alongside the department's existing training courses. Simple and clear structures and search functions ensure that the platform is very easy to use. The service units at ARAG SE and ARAG Krankenversicherungs-AG use L2D for their internal training strategies, and to meet the requirements of the IDD and beyond. New features such as the personal learning cockpit and customized learning outcomes support the targeted professional development of each learner. Employees also have the option to form a learning group with their co-workers, which facilitates dialogue and boosts the motivation to learn.

Further development of digital skills

Increasing digitalization 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 Talent @ Skill 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 2021.

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 managers 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

Wide range of training programs

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

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 hybrid leadership in transformation. The training also covers regulatory matters as well as risk management, internal audit and compliance, data protection, and occupational health and safety. An insurance simulation was added to the program in 2021.

Around 7,600 individual training courses covering a wide range of CPD measures were completed across the Company in Germany in 2021 (excluding e-learning courses on data protection and occupational health and safety). A further 800 employees used the Masterplan video platform.

COVID-19 AID KIT

With many employees working from home long term due to the COVID-19 pandemic, ARAG added a course on health and wellbeing to its training portfolio. Across six seminars and lectures on the topics of leadership, health, stress management, resilience, and work/life balance during the pandemic, employees had access to many suggestions for managing their personal situation during the COVID-19 pandemic.

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 2021, 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 2021 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 Group Human Resources shows that 98.1 percent of interviews were carried out in 2021.

Diversity, equal opportunity, and protection from discrimination

103-1/2/3 Management approach

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. 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.

Underlying structures favor diversity

Diversity and equal opportunities are enshrined in the corporate strategy and the corporate values. All employees are offered the same opportunities for professional development – irrespective of age, 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 ten management positions were occupied by part-time employees in 2021. The provision of additional hardware and office equipment across all sites in 2020 made it even easier for staff to work remotely, and the technology is now in place for almost all employees at the German offices to work from home. A Germany-wide company agreement on remote working was signed in 2021 that enables employees and the organization to strike the healthiest possible balance between remote and office-based working. Under the agreement, employees can work remotely for a minimum of 40 percent of their working hours.

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. 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 former German chancellor Angela Merkel.

Higher proportion of women at management level

As in previous years, the proportion of women at the top two management levels increased. At the midpoint of 2021, the percentage of women at the first management level (F1) rose to 34 percent, while the proportion at the second level remained the same at 36 percent. A gender balance has thus not yet been achieved, which is why ARAG is endeavoring to boost the existing upward trend by giving employees greater flexibility in when and where they work, and by improving its childcare offerings.

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 2021.

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.

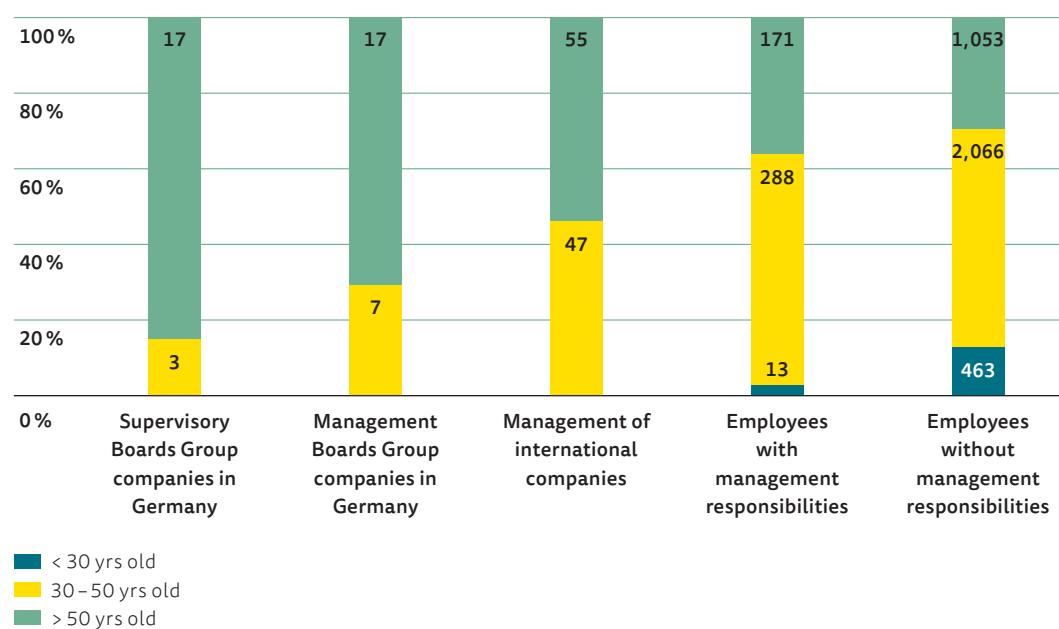
Thanks to the 'remote working' company agreement, the work options at ARAG are more flexible than ever.

Governance bodies and workforce in 2021, broken down by gender

(% and absolute numbers)

**Governance bodies and workforce in 2021, broken down by age**

(% and absolute numbers)



The data is based on all Group companies in Germany as well as on the branches/subsidiaries in Australia, Austria, Belgium, Canada, Denmark, Greece, 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

ARAG registered no incidents of discrimination in 2021.

Corporate social responsibility and protection of human rights

Social value generated

103-1/2/3 Management approach

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 87 onward.

202-2	Senior management hired from the local community
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.	
203-2	Economic impacts
<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 2021 increased given the growth in business and salaries in recent years.</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>	
<hr/> <p>Taxes</p>	
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.

In its most recent letter dated March 29, 2021, the Federal Ministry of Finance (BMF) further defined the scope of the mandatory disclosure requirement for cross-border tax arrangements (DAC 6). ARAG's existing reporting system meets the requirements set out therein.

207-1 Approach to tax

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.

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. None of these foreign consultancy firms are part of the group of companies to which the company that carries out ARAG's auditing belongs. This ensures compliance with applicable regulations at all ARAG locations.

The COVID-19 pandemic has permanently changed how and where Tax Department employees work. As a result of the company agreement signed in 2021, ARAG SE now offers a hybrid model that combines days in the office with working from home. The Tax Department has adapted to these new requirements by digitalizing and adjusting its work processes so that all departmental activities can be carried out in full, regardless of whether the employees are in the office or working from home. This allows the Tax Department to continue meeting in full its responsibility for ensuring compliance with tax regulations across the Group.

207-2

Tax governance, control, and risk management

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

The tax information in the annual financial statements is validated by auditors every year. A project to optimize work processes was launched in the Finance and Accounting Department. In the first step, the project will map all processes and analyze them in terms of automation and digitalization. The Tax Department will join the project in February 2022, during which the processes for tax governance and tax-related risk management and its control mechanisms will also be analyzed.

207-3

Stakeholder engagement and management of concerns related to tax

It is ARAG's stated aim to fulfill its tax obligations and to disclose all facts that are relevant for taxation purposes. 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 dialogue on cross-border issues.

207-4

Country-by-country reporting

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.

Social and political engagement	
103-1/2/3	Management approach
Engaging in corporate social responsibility	
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. It aims 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.	
Public policy	
In addition to its corporate citizenship, ARAG strives to strengthen democratic institutions and maintain an active dialogue 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 dialogue is the responsibility of the CEO and the Chief Representative. The purpose of the dialogue is to identify topics of relevance to both sides so that different points of view can be identified and discussed at an early stage. Like the Group companies in Germany, the international subsidiaries are normally members of the relevant trade association in their country.	
203-1	Infrastructure investments and services supported
Supporting children and young people in schools	
Since 2014, ARAG has been successfully offering its innovative development project known as Conflict Management in Schools. Supported by the North Rhine-Westphalia Ministry for Education and Schools, this program is offered to all high schools and vocational colleges in North Rhine-Westphalia. The project focuses on the introduction of universal quality standards for conflict management structures, preventive measures, and intervention techniques. Teachers, parents, school pastors, and specialists in educational social work are trained as school mediators and go on to train school students in conflict resolution.	
Eight training cycles have been carried out so far, with a total of 389 school mediators at 127 high schools and vocational colleges in different school districts across North Rhine-Westphalia taking part. A digital training program was developed in 2020 which, due to the ongoing pandemic, was also used for the ninth training cycle in 2021. A further 18 participants from four new schools are being trained as school mediators in the cycle that began at the end of 2021.	

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. It helps schools to develop their own digital education strategies and ensure that they become firmly established. In the year under review, 50 selected schools from eight federal states, including North Rhine-Westphalia, participated in cross-state networks and in networks aimed at strengthening education on European issues and fostering Europe-related knowledge and skills.

415-1	Political contributions
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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 €150 thousand in the reporting year.

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

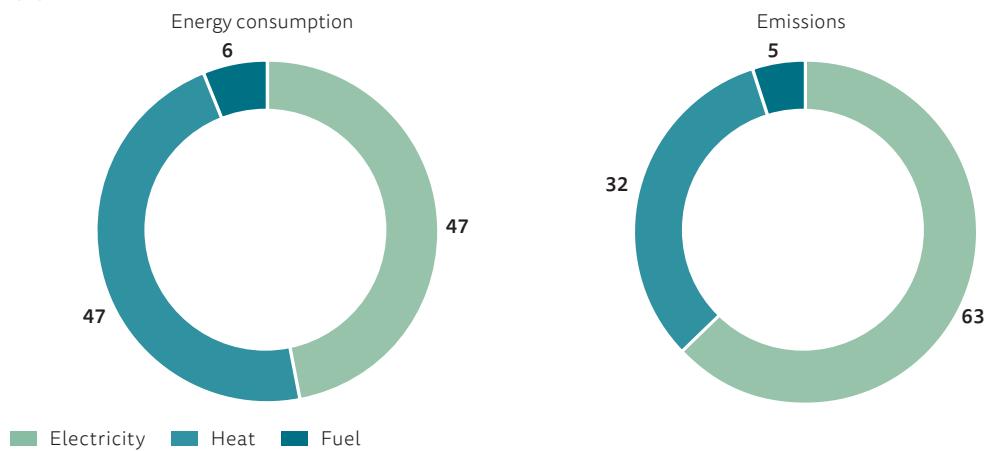
Climate-friendly operations	
103-1/2/3	Management approach
<p>In addition to factoring environmental criteria into its investments, ARAG aims to reduce energy consumption and associated greenhouse gas emissions in its own operations as far as possible. The Company is thus helping to combat climate change 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>	
<p>Responsibility and involvement of employees</p> <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>	
<p>Ongoing optimization measures in Germany and abroad</p> <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 in 2007 to obtain an Energy Performance Certificate in accordance with the requirements of the German Energy Conservation Ordinance (EnEV). The energy benchmark shows that the ARAG Tower achieves very good levels of energy efficiency compared with similar buildings from the same period. ARAG endeavors to improve these figures continuously and conducts ongoing optimization measures to this effect. However, 2021 cannot be used as a reference year for comparing energy consumption as many employees were working from home for extended periods during the pandemic, and ARAG's premises were not being used as usual.</p> <p>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 very limited scope for action because office premises are rented.</p>	

ARAG Italy, for example, joined forces with Studio Alfa S.p.A. to analyze commuting to and from work. The recommendations derived from the analysis were implemented as part of the ARAG Smart Working Policy. It includes a guideline on working from home that aims to reduce greenhouse gas emissions generated by commuting.

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⁾

	2021	2020	Change
Energy consumption (MWh)	13,534	12,872	5 %
Electricity	6,094	6,391	-5 %
Heating	7,423	6,460	15 %
Heating oil	—	—	—
Natural gas	3,094	2,926	6 %
District heating	4,329	3,534	23 %
Fuel	18	21	-18 %
Diesel	—	15	-100 %
Petroleum	18	7	163 %
Energy consumption (kWh per FTE)	6,895	6,981	-1 %
Greenhouse gas emissions (t CO₂e)²⁾	3,878	3,704	4.7 %
Scope 1	635	602	5 %
Non-vehicle fuel	630	596	6 %
Fuel	4	5	-21 %
Scope 2	3,243	3,102	5 %
Electricity ³⁾	2,496	2,492	0 %
District heating	748	610	23 %
Emissions (kg CO₂e per FTE)	1,976	2,008	-2 %

Energy consumption and greenhouse gas emissions, global¹⁾

	2021	2020	Change
Energy consumption (MWh)	20,067	19,352	4 %
Electricity	9,324	9,724	-4 %
Heating	9,478	8,474	12 %
Heating oil	196	196	0 %
Natural gas	4,675	4,484	4 %
District heating	4,607	3,793	21 %
Fuel	1,264	1,155	9 %
Diesel	733	675	9 %
Petroleum	531	480	11 %
Energy consumption (kWh per FTE)	4,885	5,240	-7 %
Greenhouse gas emissions (t CO₂e)²⁾	5,695	5,459	4 %
Scope 1	1,319	1,253	5 %
Non-vehicle fuel	1,003	965	4 %
Fuel	315	288	9 %
Scope 2	4,376	4,206	4 %
Electricity ³⁾	3,581	3,551	1 %
District heating	796	655	21 %
Emissions (kg CO₂e per FTE)	1,386	1,478	-6 %

¹⁾ This data is based on the ARAG headquarters in Düsseldorf, the local offices in other parts of Germany, and the branches and subsidiaries in Austria, Belgium, Denmark, Greece, Italy, the Netherlands, Norway, Portugal, Sweden, Slovenia, Spain, the UK, and the US. The figures for 2021 deviate slightly from those published in the 2020 Sustainability Report as additional locations were added to the calculation in the year under review. Electricity, heat, and fuel consumption were factored into the overall energy consumption calculation.

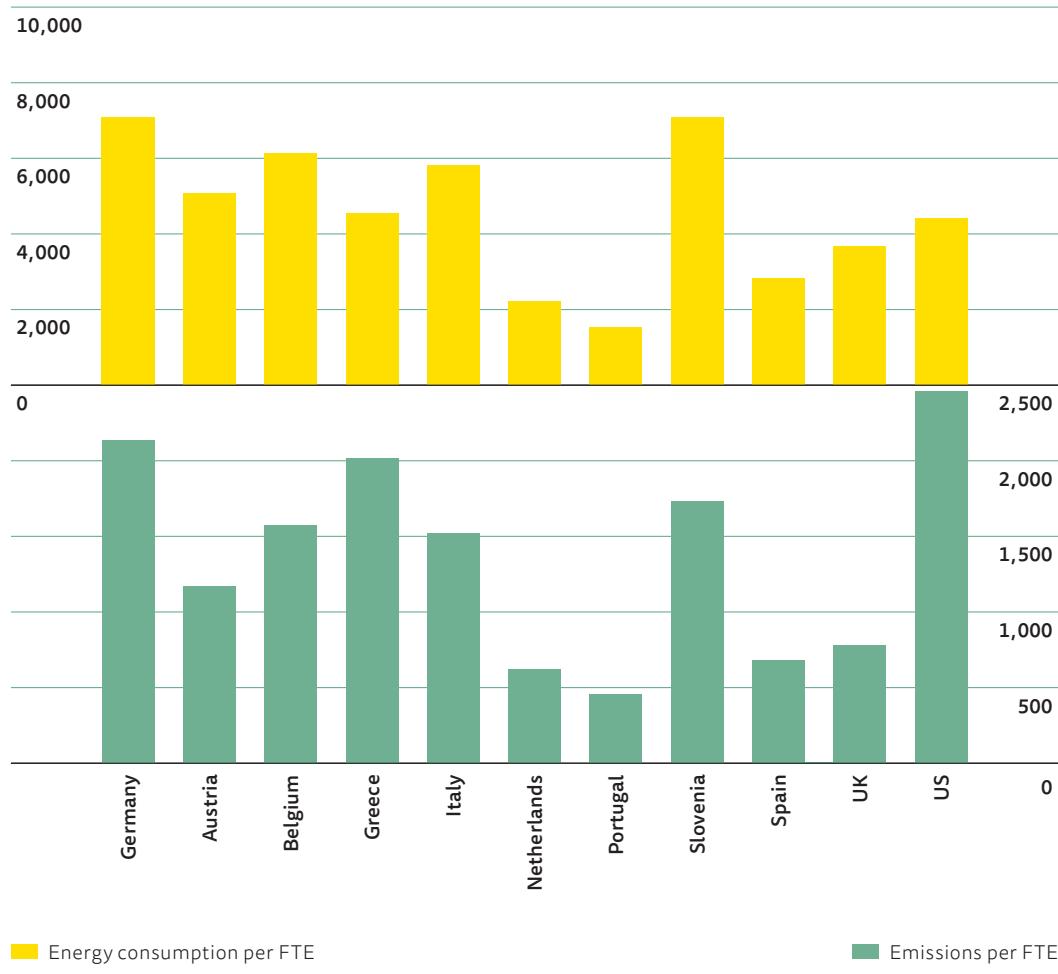
²⁾ The greenhouse gas emissions are calculated according to the guidelines of the WRI/WBCSD Greenhouse Gas Protocol.

³⁾ The greenhouse gas emissions attributed to electricity consumption are based on the location-based method of the Greenhouse Gas Protocol scope 2 standard.

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

(Energy consumption in kWh/FTE)

(Emissions in kg CO₂e/FTE)



█ Energy consumption per FTE

█ Emissions per 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 2021 to reduce energy consumption and the resulting greenhouse gas emissions. These focus in particular on optimizing building operations.

At the Redlichstrasse site in Düsseldorf, all elevator systems were renewed and equipped with energy-saving motors and frequency transformers. Tamper-proof radiator thermostats were installed in ancillary rooms, corridors, staircases, exits and access routes, and in the basements. This allows the room temperature to be set at a constant 20° Celsius or less, which means the district heating is used less at the site.

Energy is being saved at the headquarters in Düsseldorf by changing the lighting. At the ARAG Platz 1 site, 62 wall-mounted spotlights in the entrance and driveway were replaced with energy-saving LED lights, some of which are dimmable. An additional 275 fluorescent tube lights were replaced with LED lighting in two buildings at the headquarters. ARAG also replaced 95 conventional lights with LEDs in the underground car park at the Redlichstrasse site. These measures are estimated to save around 80,000 kilowatt hours (KWh) every year.

ARAG Krankenversicherungs-AG in Munich also implemented measures to reduce energy consumption and carbon emissions. Although the building is rented, ARAG persuaded the owner to have the boiler and heating controls adjusted. The boiler's flow temperature depends on the temperature outside. By adapting the heating curve, around 5 percent of energy use can be saved for every 1 kelvin that the temperature is reduced by. The temperature in the boiler and heating circuits was reduced by adjusting the weather compensation controls, resulting in lower energy consumption and heat distribution loss.

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.

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Information and credits

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